

Far EastTone Telecommunications Co.,Ltd

2015 Annual Report



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Transformation

創新

Innovation

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Wow!

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Listing of Foreign Securities / Website:

(1) Luxembourg Stock Exchange / www.bourse.lu

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

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Far EasTone Telecommunications.Co., Ltd.
Annual Report 2015

I Letter to Shareholders

Letter to Shareholders



Douglas Hsu
Chairman

Dear Stakeholders and Investors,

As we enter the new year of 2016, it is high time to review the past year of Far EasTone. Economic and political turbulences across different regions of the world have impacted Taiwan's economy and society in many ways. Nonetheless, with the concerted effort of our entire staff, Far EasTone continued to march forward with victory. We have become one of the top leaders in the provision of 4G services in Taiwan. We have also deepened our brand influence and expanded our digital business coverage, setting a solid foundation for the enterprise to last and thrive.

Far EasTone has secured essential resources to support the development of 5G network services. Last year, Far EasTone won the 65 MHz spectrum in the 2.6G auction. Combined with the 60 MHz spectrum we've acquired in an earlier auction as well as FDD and TDD enablement, the path for our 5G network roll out is well paved. In addition, the brand campaign "Express your love. Let it be heard." entered its third year of development. In 2015, we have chosen the theme "Encourage Taiwan with words of love" to nourish our homeland with an abundance of positive energy. Finally, Far EasTone became the first company in Taiwan to issue Integrated Report, striking an important milestone in our sustainable development and good governance.

Far EasTone continued to create values with stable growth prospects for our shareholders in 2015, in which we saw a consolidated revenue of NT\$ 97,293 million, an EBITDA of NT\$26,813 million, and an NT\$11,486 million profit after tax. The EPS in 2015 was NT\$3.52.

► Smart cities and digital lifestyle

Using mobile commerce, the Internet of Things (IoT), and smart city as the three main guiding principles, Far EasTone have created a comprehensive service package for our enterprise users and aspire to become the leader in smart technology applications in Taiwan. We are committed to integrating big data and IoT technologies to build smart cities and extend our applications of these technologies to serving other industries, such as transportation, health, security, and commerce. We have also worked closely with Tainan, a city imbued with cultural legacy, to promote a wide variety of smart applications and build Tainan into the model smart city of Taiwan.

The rollout of 4G services spurred a sharp increase in demand for high-speed mobile internet, which opens endless new opportunities for e-commerce, mobile game and video services. In response to this new found land, Far EasTone launched "friDay Shopping", followed by "friDay PLAY", "friDay Reading", and "friDay Video". In light of the explosive growth in the number of mobile device users, these services are essential in providing users with the most diverse and innovative mobile experience.

► Harness love for our homeland with "Express your love. Let it be heard" campaign

For three years, "Express your love. Let it be heard" campaign call out to everyone to be generous and caring to friends and family and make love a never ending tune in our society. The 2015 theme of this campaign was "Encourage Taiwan with words of love", a slogan that aims to inspire everyone to become a positive and uplifting force for Taiwan and reverse the pessimistic mood in our society.

Far EasTone has also partnered with John Tung Foundation and Teacher Chang Foundation to host EQ Education seminars at schools and communities in five major cities in Taiwan in 2015. These seminars were open to both students and their parents, and have registered over six thousand participants. We are not just doing lip-service. We are practicing "express your love".

Our brand campaign has received numerous international accolades, winning the Gold Award of the Roi Festival Award and Effie Greater China Award. This is our way of contributing to promoting Taiwan's international visibility.



Yvonne Li
President

► **Making every customer smile with satisfaction**

Far EasTone is dedicated to providing excellent customers service and create heart-felt experiences. Therefore, we have launched a series of quality services designed to answer specifically to customer needs. Today, customers can enjoy our mobile phone trade-in services and "Golden Rescue" phone maintenance and guarantee program. Loyal iPhone users can rest assured that they'll always be able to get the latest edition with our "4G New iPhone Program". Our "4G Smart Phone FlexRental" is also the first of its kind in Taiwan. It is our hope that these programs will "wow" our customers with excellent services and products. We are also working on bringing wow to our customers with truly local services. In 2015, two more signature stores were opened. One is located at Syntrend Creative Park and the other furnished with the design concept of a boutique shop. This brings the total number of our signature stores to ten. 2015 saw our reception of the fourth consecutive "Golden Award of the Best Service in of The Best Service in Taiwan" by Commercial Times. We also won the third consecutive "Best Service Award" in the category of Telecommunication by Next Magazine. These awards are solid proof that our service philosophy of putting customers first has won the confirmation from all corners of the society.

► **A leader in promoting corporate social responsibility (CSR)**

2015 was a key point in Far EasTone's transformation in CSR practice. This year, Far EasTone resolved that the sustainable development of Far EasTone for the next three years will be driven by the forces of "4G": Go Prosperous, Go Innovative, Go Caring, and Go Inclusive. With those forces in mind, we have reviewed all the opportunities and risks in developing sustainably, and issued the first Integrated Report in Taiwan. This is not only an important milestone in Far EasTone's sustainable corporate development and governance but also an important step for Taiwan to align with international trend and practices in corporate sustainable development.

Far EasTone continued to excel in corporate governance. In the 2015 Listed Company Evaluation, of all the 1,393 companies, Far EasTone ranked top five percent in corporate governance. 2015 also marked the 9th consecutive year in which Far EasTone received the highest possible ranking, A++, in Information Disclosure of Listed Companies Evaluation. This double confirmation demonstrated Far EasTone's achievement in corporate governance and sustainable development.

► **Future Prospects**

Looking ahead, Far EasTone will continue to serve every customer with our heart. We will provide products and services catered to customers' intimacy. We will deepen the influence of our brand and bring our customers closer. In addition, Far EasTone will continue to integrate our services in 4G tri band high speed mobile internet network, mobile devices, and smart phone applications to provide more comprehensive digital contents. Far EasTone will also expand into the market of IoT and mobile finance to create new momentum for growth and innovation in the future. Most importantly, Far EasTone will continue to pursue sustainable development and growth for our shareholders, employees, the environment and society. We will adopt best practices in corporate governance, strengthen environmental protection effort, care for our society, and honor our corporate spirits to maximize values for our shareholders, customers and employees. Let's make FET's Vision, FET Connects and Enriches Life, come true.

Finally, my most sincere appreciation to all the shareholders and investors. Please keep your suggestions 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 Honors and Award Record Since 2015



**FET Garnered over 40 Rewards
in the most recent year**

Anywhere
Anytime
Communications
Enriching the Lives of People

 Company Profile

- 1. Date of Incorporation
- 2. Company History

1. Date of Incorporation

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

2. Company History

2-1. Milestones:

- 2016/04 Chairman, Douglas Hsu listed the 2016 Top 50 of Best Performing CEOs in the Taiwan, according to the Harvard Business Review.
- 2016/04 Ranked top 5% of the 2nd "Corporate Governance Evaluation in 2015 (TAISE).
- 2016/03 FET started operating 4.5G/LTE on 2,600MHz bands and became the first 4G operator with 700MHz, 1800 MHz and 2600MHz tri-band in Asia.
- 2016/03 FET was garnered the "Best Managed Company", "Most Committed to Corporate Governance", "Best at Investor Relations", "Best at Corporate Social Responsibility" and "Best CFO" in Taiwan from FinanceAsia.
- 2015/12 FET garnered 17 awards -2015 The Best Store-Manager of Year and 3 awards - 2015 The Best Service of Year from Taiwan Chain Stores and Franchise Association (TCFA).
- 2015/12 FET launched the third brand campaign "Encourage Taiwan with Words of Love".
- 2015/11 FET was awarded 4 prizes from "2015 Taiwan Corporate Sustainability Awards", hosted by the Taiwan Institute for Sustainable Energy (TAISE). Awards included "Top 10 Most Sustainable Company Award", "Growth Through Innovation Award", "Social Inclusion Award", and "Taiwan Top 50 Corporate Sustainability Report Silver Award".
- 2015/11 FET retail stores obtained ISO 10002-Quality Management-Customer Satisfaction Certification and, offered diversified complaints management to full customers needs.
- 2015/10 FET garnered first place in "Top Service Award 2015-Mobile and Communication" from Next Media Magazine.
- 2015/07 FET, through its alliance with MSPE Asia, will collaborate with CNS to enter the cable TV and smart home market.
- 2015/06 Ranked top 5% of the 2nd "Corporate Governance Evaluation in 2015 (TAISE).
- 2015/06 FET issued the first Integrated Report in Taiwan and implemented sustainable development via "4G" sustainability forces.
- 2015/06 FET was awarded the gold medal in Service Survey in Taiwan by Commercial Times four years 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.
- 2015/04 FET garnered the SGS BS 8477 Code of Practice for Customer Service Certification and become the first and only authenticate carrier in Asia.
- 2015/03 FET won "Best CEO", "Best CSR" and "Best at Investor Relations Company (Taiwan)" awards at "The 5th Asian Excellence Recognition Awards 2015" from Corporate Governance Asia.
- 2015/03 FET garnered "Best Managed Company", "Best Corporate Governance", "Best at Investor Relations" and "Most Committed to a Strong Dividend Policy" in Taiwan from FinanceAsia.
- 2014/12 FET launched second brand campaign "Because of Love, Keep your Words Sweet".
- 2014/11 FET won big at the 2014 Taiwan Corporate Sustainability Awards – 1st place in "Creativity in Communication Awards", silver award in "Top 50 of CSR Report in Taiwan-Telecommunication" and silver award in "Transparency and Integrity Awards" from Taiwan Institute for Sustainable Energy (TAISE).
- 2014/10 FET garnered first place in "Top Service Award 2014-Mobile and Communication" from Next Media Magazine. And won gold medal in all industries from Next Media Magazine.
- 2014/09 FET won placed first in the 7th "Taipei Energy Conservation Award Competition" in the Industry A group.
- 2014/08 FET launched 4G service in 1800MHz spectrum and becomes the first 4G carrier 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 won the highest ranking in the "Information Transparency and Disclosure Rankings", and was graded "Grade A++" among over a thousand companies for the 8th time.
- 2014/06 FET launched 4G mobile services, with 4G services covering 75% of the area in Taiwan, creating a more expansive 4G coverage than all the other carriers in the industry.
- 2014/06 FET was awarded the gold medal in Service Survey in Taiwan by Commercial Times three years in a row.
- 2014/05 FET's branding campaign, "Express your Love, Let it be Heard", obtained merit award in New York "One Show Advertising Awards 2014.
- 2014/04 FET was selected 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 commended for promoting broadband and raising the speed in remote districts by the National Communications Commission (NCC).
- 2013/12 FET won the "2013 CSR Award - Top 50 of CSR Reports in Taiwan-Telecommunications", awarded by the Taiwan Institute for Sustainable Energy (TAISE)

- 2013/11 FET won the “Global Views Excellent Service Awards-Telecommunications” awarded by Global Views Magazine
- 2013/10 FET won three 4G frequency bands and is the only carrier in telecom industry offering the 20 MHz contiguous spectrum in the telecom industry.
- 2013/10 FET garnered number 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, and came top in “2013 Facebook Ads API Hackathon” out of the 12 contesting teams from different countries around the world.
- 2013/06 FET has passed the advanced verification stages of the “Taiwan Corporate Governance Association award” twice in a row, and was bestowed with the “CG6008 Advanced Corporate Governance” certification.
- 2013/06 For the second consecutive year, FET was honored in six categories at Finance Asia Magazine's 'Best Asian Companies' awards, including 'Best Managed Company', 'Best Company Administration', 'Best at Investor Relations', 'Best Corporate Social Responsibility', 'Most Effort in Benefiting Shareholders', and 'Best Chief Executive'.
- 2013/05 FET collaborated with Vodafone and became its sole authorized partner in Taiwan.
- 2013/04 FET signed a Business Cooperation Framework Agreement with China Mobile Limited.
- 2013/01 The Taiwan Strait Express-1 (TSE-1) between Taiwan and China was inaugurated by six telecommunication companies, and by laying cable from FET’s Total station room, along the sea bed, all the way to China, this minimizes distances involved in communication across the strait and around the world.
- 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 award” by “Business Next” magazine
- 2012/05 FET was awarded 7 prizes in the 12th FinanceAsia Asia’s Best Company awards, including “Best Managed Company”, “Best Corporate Governance”, “Best at 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, based on the concept of “Eco-Fashion and Creative - Responsibility”, was published, signaling that FET is heading towards combining corporate sustainable development with social responsibility
- 2012/01 FET was awarded with 4 prizes from Corporate Governance Asia: “Best at Investor Relations Website / Promotion”, “Best at 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 created 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 first place amongst 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 one carrier obtained “ISO 20000 information security management certification” in Taiwan.
- 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 six 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/WCMA 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 FET was garnered the " Best Community Service Award" from the GSM(Global System for Mobile Communications) Association for outstanding contribution to 921 earthquake relief.
- 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 2G licenses (GSM1800-whole region & GSM900-Northern region frequency band) from Ministry of Transportation and Communication R.O.C (MOTC).



2600MHz has launched on 2016/3/31, FET officially strides into 4.5G/LTE era with intergrated tri-band network (700 MHz, 1800 MHz and 2600MHz).

2-2 2015 Honors held until the Annual Report being Published

2015/03	FET won "Best CEO", "Best CSR" and "Best at Investor Relations Company (Taiwan)" prizes at "The 5th Asian Excellence Recognition Awards 2015" from Corporate Governance Asia.
2015/03	FET was rgarnered the "Best Managed Company", "Best Corporate Governance", "Best at Investor Relations" and "Most Committed to a Strong Dividend Policy" in Taiwan from FinanceAsia.
2015/04	FET garnered the Asian top spot in the SGS BS 8477 Code of Practice for Customer Service Certification.
2015/06	FET Ranked top 5% of the 1 st "Corporate Governance Evaluation in 2015 (TAISE).
2015/06	FET was awarded the gold medal in Service Survey in Taiwan by Commercial Times four years in a row.
2015/10	FET garnered first place in "Top Service Award 2015-Mobile and Communication" from Next Media Magazine.
2015/11	FET was awarded with 4 prices from "2015 Taiwan Corporate Sustainability Awards", hosted by the Taiwan Institute for Sustainable Energy (TAISE). Awards included "Top 10 Most Sustainable Company Award", "Growth Through Innovation Award", "Social Inclusion Award", and "Taiwan Top 50 Corporate Sustainability Report Silver Award".
2016/03	FET was garnered the "Best Managed Company", "Most Committed to Corporate Governance", "Best at Investor Relations", "Best at Corporate Social Responsibility" and "Best CFO" in Taiwan from FinanceAsia.
2016/03	FET launched 4.5G/LTE on 2,600MHz bands and became the first 4G operator with 700MHz, 1800 MHz and 2600MHz tri-band in Asia.
2016/04	FET Ranked top 5% of the 2 nd "Corporate Governance Evaluation in 2016 (TAISE)..
2016/04	Chairman, Douglas Hsu listed the 2016 Top 50 of Best Performing CEOs in the Taiwan, according to the Harvard Business Review.

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

2016/3/31; 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.	88,894,286	99.99
	ARCOA Communications Co., Ltd.	82,762,221	61.63
	Hiiir Inc.	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
	Ding Ding Integrated Marketing Service Co., Ltd.	10,408,200	15.00
	Far Eastern Electronic Commerce Co., Ltd.	6,691,000	14.85
	Alliance Digital Technology Co., Ltd.	3,000,000	13.33
	Omusic Co., Ltd.	2,500,000	50.00
	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.	10,249,047	100.00
	Digital United (Cayman) Ltd.	4,320,000	100.00
	Far Eastern Electronic Commerce Co., Ltd.	2,392,000	5.31
	Ding Ding Integrated Marketing Service Co., Ltd.	3,469,400	5.00
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*
	New Diligent Hong Kong Company Ltd. (Note 1)	0	0*
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.

Note 1: Establishment completed on December 4, 2014, but the investment amount had not been remitted to the investee as of March 31, 2016.

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.

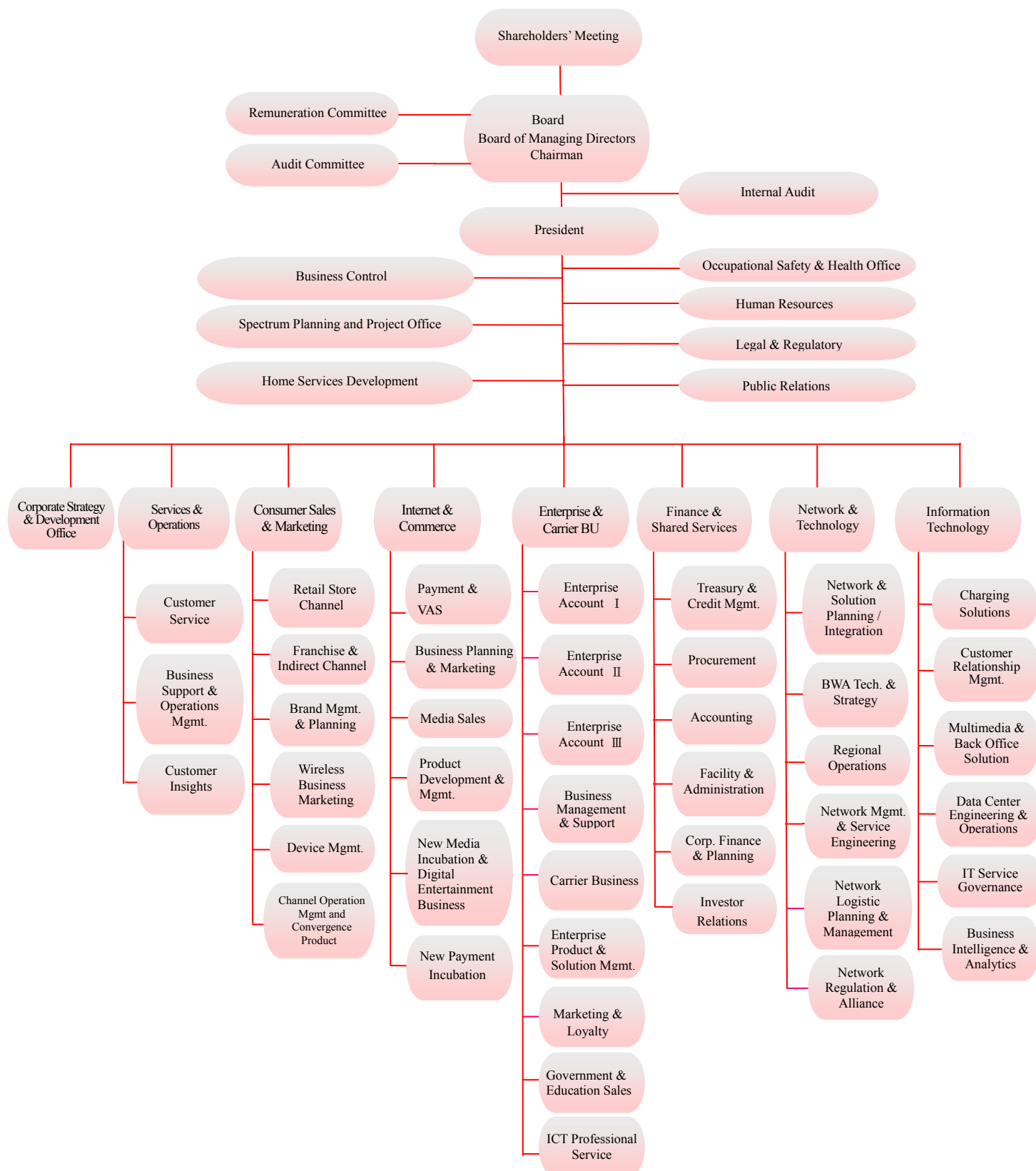
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 Corporate Governance

- 1. Organization Structure**
- 2. Directors, President, Vice Presidents, Senior Directors and Department Heads**
- 3. Corporate Governance Executive Status**
- 4. CPA Service Fee**
- 5. Information for Change of CPA**
- 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 Last Year**
- 7. Shares Transferred or Pledged by Directors, Supervisors, and Managers, or Major Shareholders in the Recent Years until the Annual Report being published**
- 8. The Relationship between Top Ten Shareholders With Major (With Major Institutional Shareholders)**
- 9. Shares of the Company, Directors, Supervisors, Managers, and Direct and Indirect Investments of the Company in Affiliated Companies**

1. Organization Structure

1-1. Organization Chart



1-2. Roles and Responsibilities

2016/4/30

Department	Name	Title	Job Description
President Office	Yvonne Li	President	Responsible for implementing the BOD's decisions, developing material strategies and directions for the Company, and supervising overall operation and organization.
Business Control	Jennifer Liu	Vice President	Responsible for 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.
Spectrum Planning and Project Office	Dick Lin	Vice President	Responsible for spectrum management and special projects assigned by the President.
Home Services Development	Taylor Yang	Vice President	Responsible for formulating directions for FET's business development of the Home Services department, and for planning and developing Home services and products.
Human Resources	Joann Chang	Vice President	Responsible for Human Resources management, development and training, internal communications, recruitment, employee relations, compensation and benefits management, health and safety, and the Human Resources Information System.
Legal & Regulatory	Jessica Chen	Vice President	Responsible for legal litigation, IP, regulatory issues, contract management, and public affairs.
Public Relations	Yaling Lang	Senior Director	Responsible for corporate communications, the public relations for corporate and corporate image.
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 providing logistical 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, and formulating expansion strategy for new stores.
Internet & Commerce	Jennifer Liu (Acting)	Vice President	Responsible for promoting e-commerce synergy and developing Internet and commerce related business.
Enterprise & Carrier BU	Mike Lee	Executive Vice President	Responsible for the business planning and sales of Enterprise BU.
Finance & Shared Services	T.Y. Yin	Executive Vice President & CFO	Responsible for finance, accounting, investor relations, procurement, general administration and collection .
Network & Technology	Herman Rao	Executive Vice President	Responsible for Mobile/ Broadband/ ISP Network planning, development and operation, technology strategy, planning and development.
Information Technology	Magdalena Lin	Executive Vice President	Responsible for strategic planning, developing and operating of Company information technology strategy and 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 deficiencies in 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 systems, as well as to drive continuous improvement.

2. Directors, President, Vice President, Senior Directors and Department Heads

2-1. Directors (The tenure of the Supervisors expired on June 18, 2015. Supervisors ceased to function upon the establishment of Audit Committee.)



2016/4/18

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 is a Spouse or consanguinity within 2 degrees to each other		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	R.O.C.	Douglas Hsu, Representative of Yuan Ding Investment Co., Ltd.	2015/6/18	3	1997/4/11 *1997/4/11	1,066,657,614 *0	32.73 *0	1,066,657,614 *0	32.73 *0	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 Jeff Hsu	Brother Father and Son
Managing Director	R.O.C.	Peter Hsu, Representative of Yuan Ding Investment Co., Ltd.	2015/6/18	3	1997/4/11 *1997/4/11	1,066,657,614 *0	32.73 *0	1,066,657,614 *0	32.73 *0	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	Douglas Hsu	Brother
Managing Director	Sweden	Jan Nilsson, Representative of Yuan Ding Investment Co., Ltd.	2015/6/18	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	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, Linköping University, Sweden	None	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 is a Spouse or consanguinity within 2 degrees to each other		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Independent Director	Hong Kong (China)	Lawrence Juen-Yee LAU	2015/6/18	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, Stanford University; M.A. and Ph.D. in Economics, University of California at Berkeley	Ralph and Claire Landau Professor of Economics, The Chinese University of Hong Kong; Independent Non-executive Director, CNOOC Limited in Hong Kong; Independent Non-executive Director, AIA Group Limited in Hong Kong; Independent Non-executive Director, Hysan Development Company Limited in Hong Kong; Member of the Hong Kong Special Administrative Region Exchange Fund Advisory Committee, member of its Currency Board and Investment Sub-Committees and Chairman of its Governance Sub-Committee; Vice-Chairman, Our Hong Kong Foundation; Member and Chairman of the Prize Recommendation Committee, the LUI Che Woo Prize Company	None	None	None
Independent Director	Sweden	Kurt Roland Hellström	2015/6/18	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
Independent Director	R.O.C.	Chung Laung Liu	2015/6/18	3	2015/6/18	0	0	0	0	0	0	0	0	Sc. D., Massachusetts Institute of Technology; President and Mei Yi Che Honorary Chair Professor of National Tsing Hua University, Taiwan; Professor Emeritus of University of Illinois at Urbana-Champaign	William M. W. Mong Honorary Chair Professor, National Tsing Hua University, Taiwan; Independent Director of United Microelectronics Corporation; Independent Director of Richtek Technology Corporation; Independent Director of Powerchip Semiconductor Corporation; Director of Macronix International Co., Ltd.; Supervisor of Andes Technology Corporation	None	None	None
Director	R.O.C.	Champion Lee, Representative of Yuan Ding Co., Ltd.	2015/6/18	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	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	R.O.C.	Jeff Hsu Representative of Yuan Ding Co., Ltd.	2015/6/18	3	2003/5/23 *2015/6/18	4,163,500 *0	0.13 *0	4,163,500 *0	0.13 *0	0 *0	0 *0	0 *0	0 *0	Master's degree in Design and Innovation Methods, Institute of Design, Illinois Institute of Technology; MBA, University of Notre Dame; Worked as a Strategy and Design Consultant in the United States with clients ranging from hi-tech startups to Nestle, Denso Automotive, Kia Motors, and Target. Captain's commission in the United States Marine Corps	Chief Innovation Officer of Far Eastern Group; Director and Senior Vice President of U-Ming Marine Transport Corp.	Chairman	Douglas	Father and Son

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 is a Spouse or consanguinity within 2 degrees to each other		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	Japan	Keisuke Yoshizawa, Representative of U-Ming Marine Transport Corp.	2015/6/18	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	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
Director	R.O.C.	Bonnie Peng, Representative of Asia Investment Corp.	2015/6/18	3	2006/5/26 *2012/6/13	986,303 *0	0.03 *0	1,426,303 *0	0.04 *0	0 *0	0 *0	0 *0	0 *0	0: Doctor of Journalism, Southern Illinois University, Carbondale, U.S.A. Chairperson of the 2nd term of National Communication Commission Professor, Department of Journalism (Graduate program), National Chengchi University, Taiwan	Professor, Department of Social and Policy Sciences, and Department of Information Communication (Graduate program), Yuan Zu University Independent Director of XPEC Art Center Inc.	None	None	None
Director	Singapore	Toon Lim, Representative of Ding Yuan International Investment Co., Ltd.	2015/6/18	3	2012/6/13 *2008/1/10	919,653 *0	0.03 *0	919,653 *0	0.03 *0	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

*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

2016/4/18

Condition	With work experience for more than 5 years and the following professional qualification requirements				Conform to Independent (Note)										No. of Public companies in which he/she serves as Director
	An instructor or higher up in a department of commerce, law, finance, accounting, or other academic department related to company business in a public or private junior college, college, university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a professional capacity that is necessary for company business	Having work experience in the area of commerce, law, finance, or accounting, or otherwise necessary company business		1	2	3	4	5	6	7	8	9	10	
Name															
Douglas Hsu			V				V				V		V		None
Peter 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
Chung Laung Liu	V		V		V	V	V	V	V	V	V	V	V	V	3
Champion Lee			V				V	V			V	V	V		None
Jeff Hsu			V				V				V		V		None
Keisuke Yoshizawa			V		V	V	V	V	V	V	V	V	V		None
Bonnie Peng	V		V		V	V	V	V	V	V	V	V	V		None
Toon Lim			V		V	V	V	V	V	V	V	V	V		None

Note: V indicates qualified Directors 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

2015/12/31

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%)
U-Ming Marine Transport Corp.	Asia Cement Co., Ltd. (38.66%)・Nan Shan Life Insurance Co., Ltd. (3.38%)・Fund of Labor Insurance (2.78%)・Cathay Life Insurance Co., Ltd. (2.72%)・Public Service Pension Fund Management Board (1.95%)・Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds (0.94%)・Yue Yuan Investment Co., Ltd. (0.93%)・Asia Investment Corp.(0.91%)・Ya Li Transportation Co. Ltd. (0.74%)・Yuan Ding Investment Co., Ltd. (0.72%)
Asia Investment Corp.	Asia Cement Co., Ltd. (100%)
Ding Yuan International Co., Ltd.	Far Eastern New Century Corporation (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

2015/12/31

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(3.00%)・Cathay Life Insurance Co., Ltd. (2.92%)・Yuan-Ze University(2.74%)・Nan Shan Life Insurance Co., Ltd. (2.33%)・Shin Kong Life Insurance Co., Ltd.(2.33%)・China Life Insurance Company, Ltd.(1.63%)・Public Service Pension Fund Management Board (1.59%)
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. (4.35%)・Cathay Life Insurance Co., Ltd. (2.08%)・Far Eastern Department Stores Co., Ltd.(1.81%)・The committee of Employee Pension Fund of Far Eastern New Century Corporation (1.51%)・Yuan-Ze University(1.41%)・Shin Kong Life Insurance Co., Ltd.(1.39%)・Labor Insurance Funds (1.33%)・Yue Yuan Investment Co., Ltd.(1.29%)
Der-Ching Investment Corp.	Asia Cement Co., Ltd. (99.99%)・Asia Investment Corp. (0.001%)・Peter Hsu (0.001%)
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%)・The committee of Employee Pension Fund of Far Eastern Department Stores Co., Ltd. (2.19%)・Cathay Life Insurance Co., Ltd. (2.05%)・Yu Yuan Investment Co., Ltd. (2.02%)・Morgan Stanley & Co. International Plc . (1.59%)・Kai Yuan International Investment Co., Ltd. (1.44%)・Nan Shan Life Insurance Co., Ltd. (1.39%)
Nan Shan Life Insurance Co., Ltd.	First Commercial Bank Trustee Account For Representative of Ruen Chen Investment Holding Co., Ltd. (76.46%)・Ruen Chen Investment Holding Co., Ltd. (14.16%)・Y. T. Du (3.25%)・Ruen Hua Dyeing & Weaving Co., Ltd. (0.28%)・Ruentex Leasing Co., Ltd. (0.15%)・Boon-Teik Koay (0.11%)・Chi-Pin Investment Company (0.11%)・Taishin International Bank Trustee Account For Nan Shan Life Insurance Co., Ltd. (0.06%)・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 Co., Ltd. (40%)・Ding Yuan International Investment Co., Ltd. (10%)・

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. President, Vice Presidents, Senior Directors and Department Heads

2016/4/18

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	R.O.C.	Yvonne Li	2010.09.10	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	Director of Far Eastern Department Stores Ltd. 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 & President 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	R.O.C.	Sherman Lee	2014.06.16	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	R.O.C.	Eton Shu	2010.07.01	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 Omusic 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	R.O.C.	Maxwell Cheng	2013.01.01	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. Chairman of Linkwell Tech. Ltd. Chairman of Home Master Technology Ltd.	None	None	None
Executive VP, Enterprise & Carrier BU	R.O.C.	Mike Lee	2012.05.01	0	0.00	17,895	0.00	0	0.00	President of Far Eastern Electronic Toll Collection Co., Ltd. ; Ph.D., E.E., SUNY at Stony Brook.	Chairman & President of KGEx.com Co., Ltd. Chairman of Sino Lead Enterprise Limited Director of New Century InfoComm Tech Co., Ltd. Director of New Diligent Co., Ltd. Liquidator of Simple InfoComm Co., Ltd. Director of Q-ware Communications 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 Director of Digital United (Cayman) Ltd. Director of Digital United Information Technology Co., Ltd. (Shanghai) Independent Director and Remuneration Committee member of Taiwan Shin Kong Security Co., Ltd.	None	None	None
Executive VP & CFO, Finance & Shared Services	R.O.C.	T.Y. Yin	2010.03.15	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 Omusic 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) Supervisor of Hiiir Co., Ltd. Supervisor of Far Eastern Electronic Toll Collection 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
Executive VP, NT	R.O.C.	Herman Rao	2008.02.01	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	R.O.C.	Magdalena Lin	2010.07.16	0	0.00	0	0.00	0	0.00	Practice Partner of Teradata Inc., Taiwan; B.S., Commercial Mathematics, Providence University	Director of Hiiir Inc.	None	None	None
VP, Business Control	R.O.C.	Jennifer Liu	2015.03.16	0	0.00	0	0.00	0	0.00	Special Assistant to Chairman, Far Eastern Textile Ltd.; MBA, New York University	Chairwoman of Hiiir Inc. Chairwoman of Far Eastern New Century Information Technology (Beijing) Limited Director of Omusic Co., Ltd. Director of New Diligent Hong Kong Company Ltd. Director of Yuan Hsin Digital Payment Co., Ltd. Director of Far Eastern Info Service (Holding) Ltd. Director of Far Eastern Tech-info Ltd.(Shanghai) Director of Ding Ding Integrated Marketing Service Co., Ltd. Director of FarEastern New Diligent Company Ltd.	None	None	None
VP, Spectrum Planning and Project Office	R.O.C.	Dick Lin	2015.09.07	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, Home Services Development	R.O.C.	Taylor Yang (Note 1)	2015.09.07	0	0.00	0	0.00	0	0.00	GM & COO of Dafeng Cable TV, MS, Electrical Engineering, National Taiwan University	None	None	None	None
VP, HR	R.O.C.	Joann Chang	2011.11.07	0	0.00	0	0.00	0	0.00	VP of HR of IBM (Taiwan); M.S., HR, Cornell University, USA	Director of Hiiir Inc.	None	None	None
VP, L&R	R.O.C.	Jessica Chen	2005.04.18	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, Services & Operations	R.O.C.	Maggie Mei	2006.01.01	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	R.O.C.	Jessica Sung	2015.05.18	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, Consumer Sales & Marketing	R.O.C.	Samuel Yuan	2003.07.01	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. Director of Q-ware Communications Co., Ltd.	None	None	None
VP, Consumer Sales & Marketing	R.O.C.	Belinda Chen	2013.04.01	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 Inc.	None	None	None
VP, Consumer Sales & Marketing	R.O.C.	Brian Chao	2013.04.01	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 ARCOA Communications Co., Ltd. Director of DataExpress Infotech Co., Ltd.	None	None	None
VP, Consumer Sales & Marketing	R.O.C.	Roger Lin	2014.10.01	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, Consumer Sales & Marketing	R.O.C.	Charlene Lin	2015.05.18	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, Consumer Sales & Marketing	R.O.C.	Andy Tu (Note 2)	2015.07.13	0	0.00	0	0.00	0	0.00	Vice President of Samsung Electronics Taiwan & GM of IT & Mobile, MBA Portland State University, Oregon, USA	President of DataExpress Infotech Co., Ltd.	None	None	
VP, Enterprise & Carrier BU	R.O.C.	Mark Lee	2014.10.01	0	0.00	0	0.00	0	0.00	Director of Sales of NCIC; B.S., Information Technology of Chung-Yuen University	Director of Information Security Service Digital United Inc.	None	None	None
VP, Enterprise & Carrier BU	R.O.C.	Eric Li	2010.10.05	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	Chairman of New Diligent Co., Ltd. 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	R.O.C.	James Lee	2007.07.01	676	0.00	0	0.00	0	0.00	Director of KG Telecom; B.S., Electrical Engineering, Feng Chia University	Director of KGEx.com Co., Ltd. Director of New Diligent 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	R.O.C.	Sharon Lin	2007.07.01	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. Supervisor of FarEastern New Century Information Technology (Beijing) Limited	None	None	None
VP, F&SS	R.O.C.	David Tsai	2005.07.01	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	R.O.C.	Bruce Yu	2013.04.01	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	R.O.C.	James Lin	2012.04.01	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,	R.O.C.	Jessie Teng	2015.05.18	0	0.00	0	0.00	0	0.00	Director of Taiwan High Speed Rail Corporation; M.S., Business Administration, Southern Methodist University	Director and President of ARCOA Communications Co., Ltd.	None	None	None
Senior Director, Public Relations	R.O.C.	Yaling Lang	2015.04.01	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, Services & Operations	R.O.C.	Andy Kuo	2015.05.18	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	R.O.C.	Andy Kuo	2013.10.01	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	R.O.C.	Allan Lee	2013.10.01	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	R.O.C.	Ann Chang	2013.10.01	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	R.O.C.	Gary Lai	2013.10.01	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, F&SS	R.O.C.	Andrea Shen (Note 3)	2016.04.01	0	0.00	0	0.00	0	0.00	FP&A Senior Manager and Accounting Head of PepsiCo Inc. Taiwan Foods; Executive MBA of NCCU	Director of Far Eastern New Century Information Technology (Beijing) Limited	None	None	None
Senior Director, F&SS	R.O.C.	Jason Chen (Note 4)	2015.10.01	0	0.00	0	0.00	0	0.00	Manager of KG Telecom Co. ; M.S., E.E., Polytechnic University	None	None	None	None
Senior Director, NT	R.O.C.	Tony Wang	2013.10.01	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	R.O.C.	Vivian Chiang	2014.10.01	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	R.O.C.	Hae-Shung Ju	2013.10.01	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	R.O.C.	Leon Li	2013.10.01	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	R.O.C.	D.J. Chen	2014.10.01	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	R.O.C.	Maurenda Chang (Note 5)	2015.11.09	0	0.00	0	0.00	0	0.00	Sr. Director of Customer Intelligence Solutions Greater China; Public Finance of Chung Shing University	None	None	None	None
Chief Auditor, Internal Audit	R.O.C.	Iris Su	2015.03.16	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

Note: The Company has not issued employee stock options.

Note 1: On board on Sep. 07, 2015

Note 2: On board on Jul. 13, 2015

Note 3: Promoted on April 01, 2016

Note 4: Promoted on Oct. 01, 2015

Note 5: On board on Nov. 09, 2015

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

Remuneration to Directors

2015/12/31; NTS'000

Title	Name		Remuneration to Directors										Remuneration to Concurrent Employment										(A)+(B)+(C)+(D)+(F)+(G)		Other remuneration from investment business except subsidiary				
			Compensation (A)		Pension Fund (B)		Directors remuneration (C) (Note 1)		Operating allowance (D) (Note 2)		(A)+(B)+(C)+(D) Percentage of net income after tax (%) (note 3)		Salary, bonus, special allowance (E)		Pension Fund (F)		Remuneration to employees (G)				Number of held employee share subscription (H)		Number of acquired new restricted employee shares (I)			Percentage of net income after tax (%) (note 3)			
	Election Before	Election After	The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	The company		Consolidated		The Company	Consolidated	The Company	Consolidated		The Company	Consolidated		
																	Cash Amount	Stock Amount	Cash Amount	Stock Amount									
Chairman	Douglas Hsu, Representative of Yuan Ding Co., Ltd.	Douglas Hsu, Representative of Yuan Ding Investment Co., Ltd.																											
Managing Director	Peter Hsu, Representative of Ding Yuan International Investment Co., Ltd.	Peter Hsu, Representative of Yuan Ding Investment Co., Ltd.																											
	Jan Nilsson, Representative of Yuan Ding Investment Co., Ltd.																												
	Lawrence Juen-Yee LAU																												
Independent Director	Kurt Roland Hellström																												
	None	Chung Laung Liu																											
Director	Champion Lee, Representative of Yuan Ding Investment Co., Ltd.	Champion Lee, Representative of Yuan Ding Investment Co., Ltd.	18,213	18,213	0	0	99,721	99,751	6,884	6,884	1.09%	1.09%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1.09%	1.09%	6,368
	None	Jeff Hsu, Representative of Yuan Ding Co., Ltd.																											
	Keisuke Yoshizawa, Representative of U-Ming Marine Transport Co., Ltd.																												
	None	Bonnie Peng, Representative of Asia Investment Corp.																											
	Toon Lim, Representative of Yuan Ding Investment Co., Ltd.	Toon Lim, Representative of Ding Yuan International Investment Co., Ltd.																											
	Johnny Shih, Representative of Yuan Ding Co., Ltd.	None																											

Note 1 : The remuneration from 2015 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 : 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

2015/12/31

Escalation for remuneration paid to individual directors of the Company (NTD)(Note1)	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	All companies in the consolidated statement	The Company	All Affiliated Companies
Less than 2,000,000	Chung Laung Liu Kurt Roland Hellström Lawrence Juen-Yee LAU	Chung Laung Liu Kurt Roland Hellström Lawrence Juen-Yee LAU	Chung Laung Liu Kurt Roland Hellström Lawrence Juen-Yee LAU	Chung Laung Liu Kurt Roland Hellström Lawrence Juen-Yee LAU
2,000,000~5,000,000 (inclusive of 2,000,000)	None	None	None	None
5,000,000~10,000,000 (inclusive of 5,000,000)	Bonnie Peng, Representative of Asia Investment Corp. Jeff Hsu, Representative of Yuan Ding Co., Ltd. Toon Lim, Representative of Ding Yuan International Investment Co., Ltd. Champion Lee Representative of Yuan Ding Co., Ltd. Keisuke Yoshizawa Representative of U-Ming Marine Transport Corp. Jan Nilsson Representative of Yuan Ding Investment Co., Ltd.	Bonnie Peng, Representative of Asia Investment Corp. Jeff Hsu, Representative of Yuan Ding Co., Ltd. Toon Lim, Representative of Ding Yuan International Investment Co., Ltd. Champion Lee Representative of Yuan Ding Co., Ltd. Keisuke Yoshizawa Representative of U-Ming Marine Transport Corp. Jan Nilsson Representative of Yuan Ding Investment Co., Ltd.	Bonnie Peng, Representative of Asia Investment Corp. Jeff Hsu, Representative of Yuan Ding Co., Ltd. Toon Lim, Representative of Ding Yuan International Investment Co., Ltd. Champion Lee Representative of Yuan Ding Co., Ltd. Keisuke Yoshizawa Representative of U-Ming Marine Transport Corp. Jan Nilsson Representative of Yuan Ding Investment Co., Ltd.	Bonnie Peng, Representative of Asia Investment Corp. Jeff Hsu, Representative of Yuan Ding Co., Ltd. Toon Lim, Representative of Ding Yuan International Investment Co., Ltd. Champion Lee Representative of Yuan Ding Co., Ltd. Keisuke Yoshizawa Representative of U-Ming Marine Transport Corp. Jan Nilsson Representative of Yuan Ding Investment Co., Ltd.
10,000,000~15,000,000 (inclusive of 10,000,000)	Johnny Shih (Note 2) Representative of Yuan Ding Co., Ltd.	Johnny Shih (Note 2) Representative of Yuan Ding Co., Ltd.	Johnny Shih (Note 2) Representative of Yuan Ding Co., Ltd.	Johnny Shih (Note 2) Representative of Yuan Ding Co., Ltd.
15,000,000~30,000,000 (inclusive of 15,000,000)	Peter Hsu Representative of Yuan Ding Investment Co., Ltd.	Peter Hsu Representative of Yuan Ding Investment Co., Ltd.	Peter Hsu Representative of Yuan Ding Investment Co., Ltd.	Peter Hsu Representative of Yuan Ding Investment Co., Ltd.
30,000,000~50,000,000 (inclusive of 30,000,000)	Douglas Hsu Representative of Yuan Ding Investment Co., Ltd.	Douglas Hsu Representative of Yuan Ding Investment Co., Ltd.	Douglas Hsu Representative of Yuan Ding Investment Co., Ltd.	Douglas Hsu Representative of Yuan Ding Investment Co., Ltd.
50,000,000~100,000,000 (inclusive of 50,000,000)	None	None	None	None
More than 100,000,000	None	None	None	None
Total	12	12	12	12

Note 1: Except for note 2, information regarding independent Directors, Institutional Directors and its representatives disclosed above refers to the Institutional Directors and their representatives after re-election on June 18, 2015. The aforementioned remuneration for Institutional Representative is proposed amount of remuneration (not an actual amount) before and after re-election on 18, June, 2015, respectively, and was equally allocated to institutional representatives.

Note 2: Tenure expired on June 18, 2015 after re-election.

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
2014	1.06%	1.06%
2015	1.09%	1.09%

Remuneration to Supervisors

(The tenure of the Supervisors expired on June 18, 2015. Supervisors ceased to function upon the establishment of Audit Committee.)

2015/12/31; NT\$'000

2013/12/31, NT\$ 000,000										
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	915	915	300	300	0.01%	0.01%	None
	C.K. Ong, Representative of Asia investment Corp.	0	0	1,442	1,442	690	690	0.02%	0.02%	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 2015 distribution of earnings is the proposed amount and not actual payment amount yet.

Escalation for remuneration to Supervisors

2015/12/31

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
2014	0.06%	0.06%
2015	0.03%	0.03%

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 remuneration: compensation, remuneration paid from distribution of earnings, and operating allowance. According to Item 5 of Article 15 of the Articles of Incorporation of the Company, the Remuneration Committee and the Board of Directors shall submit recommendations in connection with remuneration for Directors and Supervisors for resolution. For remuneration paid from the distribution of earnings, the standard is set according to Article 26 of the Articles of Incorporation of the Company, which will be submitted to the Y2016 Shareholders' meeting. If there is profit for that year, the Company shall set aside 1%-2% of it as compensation for employees and not more than 1% of it as compensation for Directors. If there is accumulated loss on the books of the Company, a portion of the profit equaling the loss shall first be set aside to cover the latter. The employees' compensation may be distributed by shares or by cash. The Company shall, by a resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of Directors, determine the actual profit ratio of distribution, amount, methods, and number of shares, and shall report decisions at the Shareholders' meeting. The Board of Directors shall also determine the ratio of distribution of the Directors compensation, as well as the amount, and shall report to the Shareholders' meeting. If the closing accounts at the end of the fiscal year indicate that the Company discloses profit, the Company, when allocating its profit, after paying all taxes, making good all losses of previous year(s), shall first set aside 10 % of said profit in balance as statutory surplus reserve, and then set aside special surplus reserve as required by the Articles of Incorporation or by a resolution at a Shareholders' meeting. The rest of the surplus, if any, shall be consolidated with the unallocated earnings accumulated in the preceding year(s) as distributable earnings, as determined by the Shareholders' meeting to be allocated equally according to all shares held by Shareholders in the form of dividends, or will be retained. Since the remuneration is taken as a certain limited percentage of the annual earnings, its amount is highly correlated with the operational performance of the Company. Travel allowance is a major component of operating expenses, and these are benchmarked against other high tech industry companies and approved by the Board of Directors. The remuneration is determined and adjusted in terms of criteria and structure, and is based not only on the historical operational performance but also on future risk factors, i.e. during an economic downturn or where 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 has received in the election of Directors and Supervisors, and the effort each has made to the Company's affairs, are all carefully considered within the remuneration arrangement. In addition, the Remuneration Committee of the Company will also periodically review and evaluate the salary and remuneration for Directors and Supervisors 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

2015/12/31; NTS'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	Cash bonus	Stock bonus	Cash bonus	Stock bonus	The Company	Consolidated	The Company	Consolidated	The Company	
President	Yvonne Li																	
Chief Advisor	Sherman Lee																	
Executive VP	Eton Shu																	
Executive VP ,Chief Sales & Marketing Officer	Maxwell Cheng																	
Executive VP	Mike Lee																	
Executive VP & CFO	T.Y. Yin																	
Executive VP	Herman Rao																	
Executive VP	Magdalena Lin																	
VP	Jennifer Liu																	
VP	Dick Lin																	
VP	Taylor Yang (Note 1)																	
VP	Joann Chang																	
VP	Jessica Chen	113,760	113,760	2,743	2,743	26,519	26,519	38,499	0	38,499	0	1.58%	1.58%	0	0	0	0	100
VP	Maggie Mei																	
VP	Jessica Sung																	
VP	Samuel Yuan																	
VP	Belinda Chen																	
VP	Brian Chao																	
VP	Roger Lin																	
VP	Charlene Lin																	
VP	Andy Tu (Note 2)																	
VP	Mark Lee																	
VP	Eric Li																	
VP	James Lee																	
VP	Sharon Lin																	
VP	David Tsai																	
VP	Bruce Yu																	
VP	James Lin																	
VP	Jessie Teng																	

Note 1 : On board on Sep. 07, 2015.

Note 2 : On board on July 13, 2015.

Note 3 : The figures shown in the table include actual payment for pension fund in 2015 and pension fund contribution.

Note 4 : Including bonus, special allowance, transporting allowance, other allowance, accommodation allowance, business vehicle...and etc, business vehicle is NT\$8,305thousand for car rental. In addition, the compensation paid to the driver is NT\$624 thousand in total, but excluding from remuneration to employees

Note 5 : The remuneration from 2015 distribution of earnings is the proposed amount and not actual payment amount yet.

Escalation for remuneration to President and Vice Presidents

2015/12/31

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	Taylor Yang(Note1)	Taylor Yang(Note1)
2,000,000~5,000,000 (inclusive of 2,000,000)	Andy Tu (Note2), Bruce Yu , Mark Lee, James Lee, Eric Lee, Sharon Lin, Roger Lin, James Lin, Charlene Lin, Samuel Yuan, Belinda Chen, Jessica Chen ,Brian Chao, David Tsai, Jessie Teng	Andy Tu (Note2), Bruce Yu , Mark Lee, James Lee, Eric Lee, Sharon Lin, Roger Lin, James Lin, Charlene Lin, Samuel Yuan, Belinda Chen, Jessica Chen ,Brian Chao, David Tsai, Jessie Teng
5,000,000~10,000,000 (inclusive of 5,000,000)	Jessica Sung, Dick Lin, Joann Chang, Maggie Mei , Jennifer Liu, Sherman Lee, Mike Lee, Eton Shu, Magdalena Lin, Maxwell Cheng, Herman Rao	Jessica Sung, Dick Lin, Joann Chang, Maggie Mei , Jennifer Liu, Sherman Lee, Mike Lee, Eton Shu, Magdalena Lin, Maxwell Cheng, Herman Rao
10,000,000~15,000,000 (inclusive of 10,000,000)	T.Y. Yin	T.Y. 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	29	29

* Names of employees with the same position are in order of Chinese last name.

Note 1 : On board on September 07, 2015.

Note 2 : On board on July 13, 2015.

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
2014	1.65%	1.64%
2015	1.58%	1.58%

The policy, criteria, composition and process to set the 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 allowances, and bonuses to employees paid from the distribution of earnings. As salary is compensation based on the Company Act, it is paid according to tasks performed, the general economic situation, and market standards. Travel allowances are a major component of bonuses, and special allowances are divided into three options offered: fixed amount allowance, rental cars, or allowance by mileage. As bonuses to employees are paid according to Article 26 of the Articles of Incorporation to be submitted to the Y2016 Shareholders' meeting. If there is profit for that year, the Company shall set aside 1%-2% of it as compensation for employees and not more than 1% of it as compensation for Directors. If there is accumulated loss on the books of the Company, a portion of the profit equaling the loss shall first be set aside to cover the latter. The employees' compensation may be distributed by shares or by cash. The Company shall, by a resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of Directors, determine the actual profit ratio of distribution, amount, methods, and number of shares, and shall report decisions at the Shareholders' meeting. The Board of Directors shall also determine the ratio of distribution of the Directors compensation, as well as the amount, and shall report to the Shareholders' meeting. If the closing accounts at the end of the fiscal year indicate that the Company discloses profit, the Company, when allocating its profit, after paying all taxes, making good all losses of previous year(s), shall first set aside 10% of said profit in balance as statutory surplus reserve, and then set aside special surplus reserve as required by the Articles of Incorporation or by a resolution at a Shareholders' meeting. The rest of the surplus, if any, shall be consolidated with the unallocated earnings accumulated in the preceding year(s) as distributable earnings, as determined by the Shareholders' meeting to be allocated equally according to all shares held by Shareholders in the form of dividends, or will be retained. Since the remuneration is taken as a certain limited percentage of the annual earnings, its amount is highly correlated with the operational performance of the Company. The remuneration is determined and flexibly adjusted in terms of multiple criteria; and its structure is based not only on industry standards and historical operational performance but also the actual operating situation and laws / regulations and amendments. It 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 2 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. 2.70% of the net income has been paid to Directors, Supervisors, President, and Vice Presidents as the remuneration for the standalone basis in 2015 and 2.7% for the consolidated basis. These figures were 2.77% and 2.76% for both the standalone and consolidated basis of the company in 2014.

Remuneration to President, Vice President and Senior Director

2015/12/31; Unit: NT\$'000

	Title	Name	Stock bonus	Cash bonus (Note 6)	Total	Percentage of Net income after tax (%)
Executive Officer	President	Yvonne Li	0	48,434	48,434	0.42%
	Chief Advisor	Sherman Lee				
	Executive VP	Eton Shu				
	Executive VP, Chief Sales & Marketing Officer,	Maxwell Cheng				
	Executive VP	Mike Lee				
	Executive VP & CFO	T.Y. Yin				
	Executive VP	Herman Rao				
	Executive VP	Magdalena Lin				
	VP	Jennifer Liu				
	VP	Dick Lin				
	VP	Taylor Yang (Note1)				
	VP	Joann Chang				
	VP	Jessica Chen				
	VP	Maggie Mei				
	VP	Jessica Sung				
	VP	Samuel Yuan				
	VP	Belinda Chen				
	VP	Brian Chao				
	VP	Roger Lin				
	VP	Charlene Lin				
	VP	Andy Tu(Note 2)				
	VP	Mark Lee				
	VP	Eric Li				
	VP	James Lee				
	VP	Sharon Lin				
	VP	David Tsai				
	VP	Bruce Yu				
	VP	James Lee				
	VP	Jessie Teng				
	Senior Director	Yaling Lang				
	Senior Director	Andy Kuo				
	Senior Director of Sales	Andy Kuo				
	Senior Director	Allan Lee				
	Senior Director	Ann Chang				
	Senior Director	Gary Lai				
	Senior Director	Andrea Shen (Note 3)				
	Senior Director	Jason Chen (Note 4)				
	Senior Director	Tony Wang				
	Senior Director	Vivian Chiang				
	Senior Director	Hae-Shung Ju				
	Senior Director	Leon Li				
	Senior Director	D.J. Chen				
	Senior Director	Mauenda Chang (Note5)				
	Chief Auditor	Iris Su				

Note 1 : On board on Sep. 07, 2015

Note 2 : On board on Jul. 13, 2015

Note 3 : Promoted on Apr.01, 2016

Note 4 : Promoted on Oct. 01, 2015

Note 5 : On board on Nov.09, 2015

Note 6 : Remuneration of 2015 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:

2015/12/31; Unit: NT\$'000

Name (Note 1)	Position	Bonuses Amount (Note 2)			
		Cash Dividend	Stock dividend		
			Shares	Market Price	Amount
Yvonne Li	President	22,284	0	Not Applicable	0
T.Y. Yin	Executive VP & CFO				
Mike Lee	Executive VP				
Eton Shu	Executive VP				
Magdalena Lin	Executive VP				
Maxwell Cheng	Executive VP & Chief Sales & Marketing Officer				
Herman Rao	Executive VP				
Jessica Sung	VP				
Charlene Lin	VP				
Joann Chang	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 amount of 2014 earnings.

3. Corporate Governance Executive Status

3-1. Executive Status of the Board of Director

Holding 8 times (A) of the Board Meeting, and the attendance status of Board of Directors in the Year and recent Year :

2016/4/30

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 Investment Co., Ltd.	8	0	100	100	
Managing Director	Peter Hsu, Representative of Yuan Ding Investment Co., Ltd.	8	0	100	100	
Managing Director	Jan Nilsson, Representative of Yuan Ding Investment Co., Ltd.	7	1	88	100	
Independent Director	Lawrence Juen-Yee LAU	8	0	100	100	
Independent Director	Kurt Roland Hellström	6	2	75	100	
Independent Director	Chung Laung Liu	5	1	83	100	The tenure of the Director effected on June 18, 2015, shall present 6 times.
Director	Champion Lee, Representative of Yuan Ding Co., Ltd.	7	1	88	100	
Director	Johnny Shih, Representative of Yuan Ding Co., Ltd.	1	1	50	100	The tenure of the Director expired on June 18, 2015, shall present 2 times.
Director	Jeff Hsu, Representative of Yuan Ding Co., Ltd.	6	0	100	100	The tenure of the Director effected on June 18, 2015, shall present 6 times.
Director	Keisuke Yoshizawa, Representative of U-Ming Marine Transport Co., Ltd.	8	0	100	100	
Director	Bonnie Peng, Representative of Asia investment Corp.	6	0	100	100	The tenure of the Director effected on June 18, 2015, shall present 6 times.
Director	Toon Lim, Representative of Yuan Ding Investment Co., Ltd.	8	0	100	100	

Other matters of importance:

- Any circumstances referred to in Article 14-3 of the Securities and Exchange Act and resolutions of the Directors meetings that are objected by Independent Directors or subject to qualified opinion and recorded or declared in writing including dates of meetings, sessions, the contents of motions, all independent opinions and the Company's response to such Independent Directors' opinion : None.
- Any Directors avoidance of motions due to conflict of interests, including the Directors' names, the content of the motions and the causes for avoidance and voting:
 - In the 13th Meeting of the 6th term of Board of Directors on April 28th, 2015, FET discussed and approved share subscription of Ding Ding Integrated Marketing Service Co., Ltd. for capital increase by cash. Chairman Douglas Tong Hsu withdrew from the discussion and vote due to his 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.
- In recent years, a number of actions have been made to improve the functions of the Board of Directors, including the establishment of the Audit Committee, and the strengthening of the disclosure of information. Evaluating these:
 - The Audit Committee was officially established when the 7th term of the Board of Directors was elected to the office in 2015 and was made up of the entire number of the independent Directors. The Audit Committee meeting was held 4 times during the year.
 - The Company's public disclosure of the information is quite transparent and immediate. It has set up both Chinese and English websites and appoints personnel to gather and disclose financial and business relevant information including information from the Investor's conference. Furthermore, considering the convenience of information access for both foreign and domestic Shareholders, the Company discloses information in both Chinese and English on the Market Observation Post System and the Company website. FET has been rated the highest score of A++ for 9 consecutive years in the Information Transparency and Disclosure Ranking System (IDTRS) by the Securities and Futures Institute (SFI), ranking in the Top 5 among the best OTC companies in Taiwan.
- The Company's execution of its major operational plan and the preparation of its financial statement is made under the supervision of Independent Directors. The Company holds a Financial and Business Conference before the quarterly Board of Directors meeting, and also holds annual strategy meetings involving top-level management at the end of every year. To strengthen the Company's operations and substantiate their Supervisory responsibility, Independent Directors 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 a professional accounting or financial background, and engages in the review and communication of the Company's financial statements with the dedicated accounting team.

3-2. Execution Status of the Audit Committee or the Supervisors' Participation in the Board Meetings:

Holding 4 times (A) of Audit Committee Meetings, the attendance status of Independent Directors in the Year and recent Year :

2016/4/30

Title	Name	Times of Attendance (B)	Proxy	Actual Percentage of Attendance (%) (B/A)	Remark
Chairman	Lawrence Juen-Yee LAU	4	0	100	
Member	Kurt Roland Hellström	4	0	100	
Member	Chung Laung Liu	4	0	100	

- Any objections or issues raised by the Audit Committee against resolutions, pursuant to Article 14-5 of the Securities and Exchange Act, that were approved by over two-thirds of the directors: None.
- If there is Independent Director' avoidance of motions in conflict of interest, should specify the Independent Directors' names, contents of motions, causes for avoidance and voting :None
- Communications among Independent Directors and the Company's Chief Auditor and CPA(ex: Result and communication of Financial update, and business update)
 - Audit Committee meeting is held quarterly, and meeting minutes is submitted to inform Directors, President, and the company's top management of important discussions and resolutions. In the year and recent year, there were 4 Audit Committee meetings in which the Chief Auditor reported and updated audit task progress and significant audit activities. Execution, reporting and tracking were based on Independent Directors' instruction. Additionally, monthly Internal Audit Update is submitted to Independent Directors from the Chief Auditor.
 - In 2016 Q1 Audit Committee Meeting, the Annual Financial Statements were submitted and reported to Independent Directors solely by the CPA. Execution, reporting and tracking of items instructed by committee members were provided after the meeting.

Holding 2 times (A) of the Board Meeting, the attendance status of Independent Directors in the Year and recent Year :
(The tenure of the Supervisors expired on June 18, 2015. Supervisors ceased to function upon the establishment of Audit Committee.)

2016/4/30

Title	Name	Times of Attendance (B)	Actual Percentage of Attendance (%) (B/A)	Remark
Supervisor	Chen-En Ko	2	100	The tenure of the Director expired on June 18, 2015, shall present 2 times.
Supervisor	Eli Hong, Representative of Far Eastern International Leasing Corp.	0	0	The tenure of the Director expired on June 18, 2015, shall present 2 times.
Supervisor	C.K. Ong, Representative of Asia investment Corp.	2	100	The tenure of the Director expired on June 18, 2015, shall present 2 times.

- The composition and responsibility of supervisors:
 - 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 supervisors for communications purpose. After board member re-election on 2015/06/18, there's no longer supervisor in the board, therefore the aforementioned mailbox has been removed.
 - Communications among Supervisors and the Company's Chief Auditor and CPA: (ex: Result and communication of Financial update, and business update)
 - 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 2 Supervisors Meetings in 2015. 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 were submitted by Chief Auditor on a monthly basis.
 - Communications with the CPA: Supervisors regularly hold Supervisors' Audit Meetings, in which the 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.
- If there is any Supervisors' avoidance of motions in conflict of interest, should specify the Supervisors' names, contents of motions, causes for avoidance and voting should be specified: None.

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

(The NCIC Special Shareholders' Meeting in 2010 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	
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 "Ethical Corporate Management Best Practice Principles" and "Guidelines for the Adoption of Code of Ethical Conduct" have been approved and amended by the 3rd meeting of the 7th term of Board of Directors on 30th July, 2015, and will be submitted to the Y2016 FET Shareholders' meeting. In order to fulfill the "Ethical Corporate Management Best Practice Principles" and "Guidelines for the Adoption of Codes of Ethical Conduct", the Company undertakes educational communications of principles for employees on a regular basis. It also promotes the concept of business conduct in daily operations to all employees. Furthermore, Far EasTone communicates the guidance of "Ethical Corporate Management Best Practice Principles" and "Guidelines for the Adoption of Code of Ethical Conduct" to the Board of Directors and company management at Board of Director meetings bi-annually to ensure their understanding of the guidelines. The Company also requires new suppliers to sign "Code of Conduct for Fareastone Supplier Chain Social Responsibility" within the commercial document data sheet provided to suppliers as a way of encouraging them to comply with the company's "Ethical Corporate Management Best Practice Principles". Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies.

Evaluation Criteria	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and Reasons
	Yes	No	Illustration	
(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 "Ethical Corporate Management Best Practice Principles" and "Guidelines for the Adoption of Codes of Ethical Conduct" through the FET e-Paper, we have included "Code of Conduct for Fareastone Supplier Chain Social Responsibility" 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 Intranet information or e-Learning courses, such as the "Information Security" website, which incorporated additional information about information security, and conducted annual e-learning course on Information Security for all employees. In August 2015, we announced that all the employees should comply with "Employee Behavior Manuals" and "Confidentiality Agreements." In December 2015, we made a full announcement, and emphasized "Ethical Corporate Management Best Practice Principles", "Guidelines for the Adoption of Codes of Ethical Conduct", and internal report mechanisms. This is to strengthen the management's internal control and internal auditing process for new managers. The related SOPs and standards about "Ethical Corporate Management Best Practice Principles" and "Guidelines for the Adoption of Codes of Ethical Conduct" 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 also established a disciplinary and complaints system. Anyone can report an offense by internal mailbox or through public channels. Subsidiary-ARCOA has also established "Ethical Corporate Management Best Practice Principles" 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 "Ethical Corporate Management Best Practice Principles" and "Guidelines for the Adoption of Codes of Ethical Conduct" have been approved by the Board of Directors and will be submitted to the Shareholders' meeting. These regulations stipulate that board members, the company's directors, managers, employees, and any personnel taking decisions on behalf of the company may not, directly or indirectly, offer, promise, demand or accept any form of dishonest benefit while conducting their work. This includes 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 they refuse any further dealing.	
II. Implementation of the Code of Business Conduct				
(i) Does the company evaluate counterparties' ethical records and specify "Ethical clauses" in business contracts?	V		In order to fully implement "Ethical Corporate Management Best Practice Principles", the company requires that all suppliers sign "Code of Conduct for Fareastone Supplier Chain Social Responsibility" and stamp the agreements with the company's seal. The clause of "Ethical Corporate Management Best Practice" is also added to each purchase order as an appendix. This is to encourage all suppliers to abide by it. If any dishonest behavior is found on the part of the other party, business dealings must immediately cease. The contract must terminate and the party must be recorded as one with whom any further dealings will be ceased. The subsidiary company - ARCOA added a no-bribery provision in their standard sales contracts. This guarantees that no bribe, commission, percentage, brokerage, kickback, rebate, gift, entertainment or any other unethical benefit is given to 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. In addition, the breaching party must take 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 encouraging ethical management. It regularly reports the status of its implementation to the Board of Directors every year. The Internal Audit will report contravening matters to the Board of Directors.	Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies.
(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 codes of conduct which have been set up, employees receiving gifts, benefit, or discounts must initiatively submit a declaration. A Far EasTone Employee Notice has been drawn up, for employees to fill out and submit when they suspect a conflict of interest 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 requirements to ensure accuracy and transparency of financial information. FET has established the Internal Audit Division and related internal audit systems. It reviews and revises these systems periodically to ensure their effectiveness, so as to enforce the Regulations Governing Establishment of Internal Control Systems by Public Companies and the Ethical Corporate Management Best Practice Principles. 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 relevant 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		The revised "Ethical Corporate Management Best Practice Principles" and "Guidelines for the Adoption of Codes of Ethical Conduct" were announced through the Far Eastone e-Paper on the 12th of August 2015. Far EasTone has incorporated the "Code of Conduct for Fareastone Supplier Chain Social Responsibility" into business documents for external use such as on the supplier data sheet. This is to remind Company stakeholders to abide by and respect Far EasTone's ethics and integrity standards. Furthermore, Far EasTone communicates the guidance of "Guidelines for the Adoption of Code of Ethical Conduct" and "Ethical Corporate Management Best Practice Principles" to the Board of Directors and company management at Board of Director meetings bi-annually to ensure their understanding of the guidelines.	

Evaluation Criteria	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and Reasons
	Yes	No	Illustration	
III. The operation of internal /external personnel petition mechanism. (i) Has the company established disciplinary and petition mechanisms and built the requisite channels and processes for those violating the code of business conduct to be punished. Does it assign appropriate specialists to investigate any reported cases?	V		Internally, the Business Control Department has set the "Regulations of Whistle-blowing Management" in accordance with the "Ethical Corporate Management Best Practice Principles" and "Guidelines for the Adoption of Codes of Ethical Conduct". Employees can report any violation of related regulations via the "whistle-blower" mailbox on the intranet. In December 2015, we made a full announcement through e-Paper, and emphasized internal report mechanisms. If employees are found to have violated the regulations, the company will implement necessary penalties and ensure that relevant legal action will be taken. The investigations team will ensure that it keeps its processes confidential in order to protect the informant. Far EasTone has established penalty and appeal systems. Anyone can use the company mailboxes or publicized channels for reporting and for appeals. Externally, external personnel can use reporting channels to report as follows: Opinions for Internal Audit e-mail: ia@fareastone.com.tw Complaint on supplier e-mail: feg_complaint@feg.com.tw The company's suppliers whoever involving 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 Upon receipt of the complaint from external personnel, professional personnel are assigned to immediately launch an investigation, as well as to handle and reply to cases. The name and identity of the complainant and the investigation process are kept confidential, and all matters reported in this way are verified through independent channels in order to protect the complainant. ARCOA's employees can feed back their opinions or report transgressions via the 'Speak Your Mind' letter box	Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies.
(ii) Has the company established standard investigation procedures and security mechanisms for the cases reported?	V		Internally, the Business Control Department clearly stated the investigation of cases accepted and specification of procedural norms in Far EasTone's "Regulations of Whistle-blowing Management" that matters reported should be completely confidential to protect the individual making the report. Externally, the Internal Audit Division treats any complaint in a confidential and sensitive manner. Upon receipt of the complaint from external personnel, professional personnel are immediately assigned to launch an investigation. The name and identity of the complainant and the investigation process are kept confidential, and all matters reported in this way are verified through independent channels in order to protect the complainant.	
(iii) Does the company take measures to protect accused persons from inappropriate treatment?	V		Internally, the Business Control Department clearly stated the investigation of cases accepted and specification of procedural norms in Far EasTone's "Regulations of Whistle-blowing Management" that matters reported should be completely confidential to protect the individual making the report. Externally, the Internal Audit Division treats any complaint in a confidential and sensitive manner. Upon receipt of the complaint from external personnel, professional personnel are immediately assigned to launch an investigation. The name and identity of the complainant and the investigation process are kept confidential, and all matters reported in this way are verified through independent channels in order to protect the complainant from any form of improper treatment.	
IV. Improvements in information disclosure (i) Does the Company disclose information related to the "Code of Ethics" through its website?	V		Regarding of the "Ethical Corporate Management Best Practice Principles" and "Guidelines for the Adoption of Codes of Ethical Conduct", please refer to Far EasTone's company corporate website for details. (Website: CompanyInformation>CorporateGovernance>Articles of Incorporation and others.">http://www.farEasTone.com.tw/Home>CompanyInformation>CorporateGovernance>Articles of Incorporation and others.) The "Ethical Corporate Management Best Practice Principles" and "Guidelines for the Adoption of Codes of Ethical Conduct" are disclosed on "Market Observation Post System" as well. More details about ARCOA's "Ethical Corporate Management Best Practice Principles", please visit 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 transparent and immediate. FET has been awarded the highest score of A++ for 9 consecutive years in the Information Transparency and Disclosure Ranking System (IDTRS) by the Securities and Futures Institute (SFI), ranking top-five among the best of all listed and OTC companies in Taiwan.
- The following code of procurement conduct is shown on each purchasing order to ensure supplier's complicity: "FET employees or FET suppliers are expected to observe a high-standard of ethics. Suppliers bribing the company's employees or FET employees asking for bribes from suppliers shall be referred to a court of law. Please follow the code in detail, as set out, as well as in its spirit"
- 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 understands the latest "Code of Business Conduct" and "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" company has a dedicated team responsible for reviewing the code. Those were approved by the 3rd meeting of the 7th term of Board of Directors on 30th July, 2015, and will be submitted to the Y2016 Far EasTone Shareholders' meeting.

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 management of the unit. FET also defined a "FET Corporate Social Responsibility Policy". The policy was approved as the guiding principle of FET CSR policies at a meeting of the Board of Directors. The FET CSR Committee meets regularly to discuss relevant CSR issues and proposals. Various communication channels are 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 invites CSR specialists to share CSR trends and innovations at the CSR committee and managerial meetings annually.	

Evaluation Criteria	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies" and Reasons
	Yes	No	Illustration	
(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 pursue FET "4G" Go Prosperous, Go Innovative, Go Caring and Go Inclusive as its central themes for sustainable development in the future.	
(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 FET undertakes a remuneration survey to benchmark the industry, and ensures salaries paid are competitive in the market. It also adjusts salaries and pay bonuses every year on the basis of employees' work performance and the overall company performance. ARCOA's five core values (Trustworthiness, Innovation, Proactivity Accountability, and Collaboration). To encourage the core values in everyday affairs, we held core value consensus camps to promote and strengthen their advocacy and communication from 2012 to 2015. Recently we integrated the core values and functions within the staff performance appraisal system and reward staff accordingly.	
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 energy saving and carbon reduction throughout our operations network on an ongoing basis. A. The outcomes in 2015 included: a. 19 mega kwh of electricity saved, and 9,848 tons of CO₂ reduced, equivalent to 26 times the annual carbon absorption of Daan Forest Park. b. Deploy high efficiency base station equipment, power supplier and inverter air-conditioner. Demolish redundant telecom equipment. More than 350 base stations have been implemented energy-saving system to reduce 14% of electricity consumption for each base station. c. Innovative technology and high-performance equipment was installed to improve energy efficiency in office and equipment rooms. The measures included the installation of more efficient air conditioning and lighting equipment. Electricity consumption was reduced 392,689 kWh and 205 tons of GHG emissions compared to 2014. B. Major focuses for energy saving and carbon reduction in 2016: a. Continue to deploy new base station by small weather proof shelter with high-performance cooling fans to reduce power consumption of air conditioner. Around 300 shelters have been installed and another 112 are on planned. b. Continue to replace A/C by inverter air conditioner with a target of 80 base stations to reduce 10% power consumption from each base station. c. Increasing the proportion of renewable energy. Set up new 10Kw solar systems in order to reduce the dependence on traditional power. d. Using higher efficiency air conditioner chillers to increase energy efficiency. ARCOA has produced many efficiencies, its main achievements are: a. By using compact fluorescent lamps in retail store remodeling ,a 10% electricity-saving has resulted. b. Contract and tender documents are to be printed using soybean oil-based ink that is biodegradable and can be recycled, unlike petroleum-based ink.	Compliant with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.
(ii) Has the company established a suitable system for environmental management based on the characteristics of its business?	V		The Company has established an Online Environment Monitoring System, to routinely measure environmental quality, such as: temperature, humidity, illumination, indoor CO ₂ concentration, hydrogen concentration in battery chambers etc. The Company is not a manufactures, thus ISO 14001 is not applicable to the Company.	
(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 2015, FET's GHG (Greenhouse Gas) emission reached 267,774.546 metric tons. The major difference came from instruction of ISO014064-1, with different principles to measure greenhouse gas (GHG) emissions and removals, and the substantial uptake of 4G equipment. To ensure ongoing energy saving and carbon reduction we set up an energy management committee and energy management policy ensuring these issues are constantly addressed. There are two major indices for assessment: EUI (Energy Use Intensity) and PUE (Power Usage Effectiveness), which were increased 0.71% and 0.83%, respectively in 2015. As for the BTS energy consumption index, it increased 1.9% in 2015. Subsidiary- ARCOA The subsidiary ARCOA has chosen to use energy-saving lamps in all retail stores. Meanwhile ARCOA is replacing its existing air conditioner system with "Green Mark" air-con systems.	
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 relevant labor regulations with regards to employees. The Company has also convened labor-management meetings to ensure the addition to or changes to affairs that affect employees' rights. Thus, changes are only made after both parties have discussed issues. The Company has also set up dedicated channels for employees to file complaints as a way of safeguarding their rights. Subsidiary- ARCOA has complied with all pertinent labor regulations with regards to all measures and policies that relate to employees. It has also convened labor-management meetings and dedicated channels for employees to file complaints as a measure to safeguard their rights.	Compliant with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.
(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 employee 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 Company premises. The Company's premises have medical rooms, attended by qualified medical staff to provide basic workplace accident assistance. They also offer health consultation services, annual CPR training, screening for major illnesses and seminars on staying healthy. All offices are equipped with first aid kits and nursery rooms, in addition to massage services by visually impaired massage therapists and various employee	

Evaluation Criteria	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies" and Reasons
	Yes	No	Illustration	
			assistance solutions to maintain employees' physical and mental health. The Company has also implemented occupational safety and health training as stipulated by law to improve employees' awareness of the potential hazards in their work. The Company performs work environment audits and employee health check-ups on a regular basis. A blood donor drive is a major annual event that involves everyone at the company. Relating to our subsidiary ARCOA, smoking is prohibited on the ARCOA premises. ARCOA carries out regular employee health checkups and holds seminars on staying healthy. ARCOA's premises are equipped with first aid kits. Safety and health training sessions have been launched to improve employees' safety awareness. In addition, environmentally-friendly paper cups are used. These were designed with reference to food utensil standards, ensuring they contain no fluorescent substances, heavy metals (lead/cadmium), or alizarine acid. The paper cups do not contain Bisphenol A, thus guaranteeing employee's safety.	
(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 ARCOA, the company provides diverse communication modes to interact and reach a consensus with employees. More details, please refers to "Employee Care" disclosed under "Corporate Governance".	
(v) Does the company establish efficient career development and training plans for employees?	V		We have established a career development structure and linked it to the company's core competency measures, using this as the basis for a management mechanism to develop all kinds of opportunity for personnel. The career hierarchy structure is dual-track, incorporating both management skills and professional tracks, and divided into six grades based on the company's short-term strategic direction and operations. It simultaneously maintains consistency of rank across departments and encourages employees to develop cross-functional experience. Subsidiary – ARCOA has also established an annual employee training program. The program is designed according to the needs of each department and level thus co-ordinating 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 phone shops that offer face-to-face services across Taiwan, our customer service center provides a 24-hour online service. This can be accessed anywhere, anytime 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.	
(vii) Does the company follow the relevant international standard rules for marketing and marketing products and services?	V		The Company engages in active, detailed disclosure and communication for all rate plans and services by various channels such as website and stores. For new rate plans and services, FET ensures 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 operational procedures ensure all services and promotions are in accordance with regulations. All cell phone brands follow the NCC principles to obtain license numbers. In addition, the following information must be printed on the packaging: product name / model, rated voltage / frequency, total rated power consumption of electricity, 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. FET also requests that vendors fill out a CSR self-disclosure statement to ensure they adhere to regulations relating to Environment, Economic and Social regulations defined in 2015.	
(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, FET lists 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 also has no-bribery provisions in standard sales contracts, guaranteeing that no bribe, commission, percentage, 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 a section entitled "FET Corporate Social Responsibility" on its website to disclose relevant information including Charity and Sponsorships, Awards and Recognition and FET corporate social responsibility statements which are available for download. For more details, please visit: http://www.fetnet.net/cs/Satellite/Corporate/coSociety FET discloses its CSR Report not only on its corporate website but also at Market Observation Post System(MOPS), please visit http://mops.twse.com.tw/mops/web/t100sb11 The relevant charity and sponsorship events are disclosed in the 「Social Care」 area shown 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.

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

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: Amendments to FET's "Corporate Social Responsibility Policy" was approved by the 3rd Meeting of the 7th Term Board of Directors on July 30, 2015

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, inviting young people to participate in events and stimulate creativity. In the future, we will continue to influence FET customers and attempt to change their attitudes towards sustainability, environmentalism, and energy conservation. Spreading the idea of environmental conservation can be a form of fashion where responsibility is expressed through creativity. In order to create comprehensive communication channels in the community FET's Corporate Social Responsibility Report is posted on our corporate website.

► **FET's energy conservation gets results. Our green procurement policies are ongoing and our energy conservation benchmarks continues to improve**

In order to fulfill corporate social responsibility and continuously improve energy performance, we are committed to improving in the following areas:

- 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 an Energy Management Committee meeting every quarter to report and discuss the energy systems operation and energy performance of the previous quarter.

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

In 2015, FET received the highest rating in the Information Disclosure of Listed Companies Evaluation for the 9th consecutive year. There is no doubt that FET has become a model of excellence in corporate governance in Taiwan. FET always takes 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 both domestically and abroad. In 2015, FET was awarded with "Best Managed Company," "Best Corporate Governance," "Best at Investor Relations" and "Most Committed to a Strong Dividend Policy" by Finance Asia and "Best CEO," "Best CSR" and "Best at Investor Relations Company (Taiwan)" by Corporate Governance Asia. Meanwhile, FET garnered the "Best Managed Company", "Most Committed to Corporate Governance", "Best at Investor Relations", "Best at Corporate Social Responsibility" and "Best CFO" in Taiwan from FinanceAsia. FET believes that only indeed implement of company governance could improve external assessment of the company and provide a better investment return for shareholders, enabling the sustainability of the company.

► **FET devoted 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 nine years now since our involvement in the Saving the Lives of Abandoned Children fund-raiser. We have recruited volunteers and joined efforts with Homemakers Union to provide services at schools in remote areas, engage in environmental education, and support philanthropic organizations with concrete actions. In 2015, we also teamed up with John Tung Foundation to organize EQ education class called "Express your love, Listen with your heart" at remote schools.

► **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 launched the third 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 "Encourage Taiwan with words of love." This campaign aims to urge the public to back up Taiwan with positive attitudes and energy, so that this island can get better and better. 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 4th Green Kung-Fu – '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 2015, Far EasTone had already sent out almost 800 digital picture books, also converting award-winning products into animations, and providing both picture books and animations on the "friDay Video" and "friDay Reading" 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**

Far EasTone displays the "friDay" brand spirit in its services as it looks to develop digital content, mobile payment, and business transactions. We do our best to support industry-relevant events. The new friDay mobile life brand has three key facets: digital content, mobile business transactions, and mobile payment. The digital content plays a major role in content integration, with expert curation and design. Our end-goal is to ensure applications such as mobile payment and mobile business transactions are able to fulfil the purposes our market segmented group, and to ensure that people with different lifestyles can enjoy the convenience and comfort of mobile lives. Far EasTone not only exhibits brand spirit in all of its mobile services, but in 2015 we even got involved with offline popular cultural and sports events. We sponsored the Taipei Film Festival, provided WBSC Premier 12 live, and allowed people to view the 52nd Golden Horse Film Festival online for free.

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

The FET CSR report was externally verified by SGS Taiwan, an independent third-party certification institution, as being in accordance with GRI G4 core option and AA1000 (AccountAbility) Type 2 High Level.

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 "Corporate Governance Best Practice Principles" 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 have been no deviations from these principles.	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 "Corporate Governance Best Practice 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 suggestions or inquiries. The Legal and Regulatory Department deals with disputes or legal cases.	
2-2 Has the company identified major shareholders and/ or their ultimate controlling parties?	V		The Finance and Shared Services Division of the company is responsible for collecting the updated information on major shareholders and/or their ultimate controlling parties. This information is disclosed /registered by the Regulations Governing Information Reporting by TWSE Listed Companies.	Compliant with the "Corporate Governance Best-Practice Principles for TWSE / GTSM 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 "Guidelines for the Adoption of codes of Ethical Conduct" to prohibit any insiders taking advantage of inside information for stock trading. Besides, the company regularly advocates regulations to prevent "Insider Trading" on a 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.	
3-2. Has the company set up any functional committee other than Remuneration Committee and Audit Committee?		V	The company hasn't established other functional committees.	
3-3. Has the company established measurement to evaluate the Board's performance and stipulate to apply external evaluation at least once every 3 years.		V	The company plans to set up a "Procedures for performance appraisal of Board of Directors Meeting" in the board meeting held in the second half year of 2016. The Company shall conduct an internal board performance evaluation at least once a year. And external evaluation shall be conducted by independent external institutions or expert team once every three years. And fully disclose the result of the evaluation s on the Company's website.	Except for item 3-2 & 3-3, all items are compliant with the "Corporate Governance Best-Practice Principles for TWSE / GTSM Listed Companies"
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". The accounting department is responsible for evaluating the independence of the CPA appointed by the company annually and announces the results of evaluations to the Board of Directors. It has been approved by the 12th meeting of the 6th term Board of Directors on Feb. 13, 2015, and the 5th meeting of the 7th term Board of Directors on Feb. 17, 2016, respectively. ("Confirmation of Independence" and "Assessment Result of Expertise and Eligibility of Certified Public Accountant" from Accounting firm are included) The rules to evaluate the independence of the CPA as follows: 1. Obtain a Confirmation of Independence from CPA periodically. 2. A CPA does not assume the company's external auditor for 7 consecutive years. Currently, all appointed CPAs meet the requirement of independence.	
(4) Does the company build up communication channels with interest-conflicting parties, dedicate a specific area on the company website, and properly respond to important issues regarding CSR?	V		In addition to a formal spokesperson mechanism, suggestions or disputes from 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	V		The Company has set up an English website and appoints personnel responsible for gathering and disclosing financial and business relevant information, minutes of institutional investors meetings, etc.	

Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE / GTSM Listed Companies" and Reasons
	Yes	No	Illustration	
disclosure; establishment of a spokesperson policy; disclose process of institutional investors' meetings; information on company web site, 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):

7-1 Employee rights and interests:

It has been 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 emphasized 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	On a quarterly basis, or more frequently where necessary, meetings are held in which constructive suggestions which promote organizational harmony, demonstrate core values, and enhance corporate competitiveness, may be raised. This is so as to build a better unified future for FET
Employee Conference	The "Employee General Meeting" is hosted by the general manager as a forum for sharing operational outcomes and communicating new policies that benefit employees
United Employee Welfare Committee Meeting	On a quarterly basis, or more frequently where necessary, the "United Employee Welfare Committee" holds meetings where employee activities are planned out as a way of driving employee welfare
Management Two-way Communication Conference	At the "Two-Way Quarterly Meeting" with officers, operational policies and implementation effectiveness are communicated. Senior managers propose operation-related topics for discussion, with management responding to these topics at the meeting as a way of improving staff-management interaction.
Employee Engagement Survey	An employee engagement survey is conducted on an irregular basis by external organizations in order to gain a deeper understanding of employee sentiment for the purpose of building continuous organizational improvement.

Electronic Communication Channel

e Newsletter	Published monthly as a way of encouraging learning and sharing within the organization
e-Paper	Published every Wednesday as a way of summarizing important FET news and industrial information
e-Express	Continual ad-hoc distribution of important real-time information for immediate employee attention
Pops-up window	Automatic pop-up in the intranet when selected by employees as way of increasing exposure to important information
Employee Suggestions	Creative proposals which benefit organizational operations submitted where and when relevant
I Want to Complain	Employees may seek assistance through the opinion box for cases where queries to responsible units or supervisors has met with no response
"Whistle-blower" mailbox	Employees could report through the mailbox when violations of business conduct are discovered

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 system based on the employees' responses. The existing communication channels are as follows:

Physical Communication Channels

Labor-management meeting	Labor-management meetings to ensure the addition to or changes to affairs that affect employees' rights, changes are only made after both parties have discussed issues.
Employee Conference	The "Employee General Meeting" is hosted by the general manager as a forum for sharing operational outcomes and communicating new policies that benefit employees
ARCOA Staff Welfare Committee	This meeting is held quarterly, or on one-off occasions, to improve welfare and harmony in the organization.

Electronic Communication Channels

e-Newsletter	Published monthly as a way of encouraging learning and sharing within the organization
Sexual Harassment Letterbox	Employees may seek assistance through the opinion box when encounter sexual harassment, or need advice or assistance.
"Speak Your Mind" Letterbox	Employees may seek assistance through the opinion box for cases where queries to responsible units or supervisors has met with no response

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, and for establishing communication channels between management and external investors. Through such communication, the valuable suggestions of investors can be relayed to management as reference points in the process of developing long term strategies. Investor conferences are held every quarter, and questions and suggestions offered by institutional investors and shareholders may be addressed. An email dedicated to investor service has also been established as a way of facilitating quick and effective communication with institutional investors and shareholders.

7-4 Supplier Relations:

The establishment and management of supplier relationship is the most important task for procurement. The annual Supplier Performance Evaluation will definitely be an important tool for supplier management. There were 150 total suppliers evaluated in 2015 which the total purchase amount contributed to 96% of the FET annual purchase amount and the total PO count reached 90%. Not only are all major divisions 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. Suppliers will be rewarded or punished by the evaluation results. Because of the continuing requirements of the Supplier evaluation, the suppliers 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 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 or the Company has been provided the newly law/regulation to gain new knowledge.

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

(The tenure of the Supervisors expired on June 18,2015. Supervisors ceased to function upon the establishment of Audit Committee.)

Title	Name	Study Date		Sponsoring Organization	Course Name	Study Hours
		From	To			
Chairman	Douglas Hsu	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
		2015/9/22	2015/9/22	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2015/12/23	2015/12/23	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
Director	Champion Lee	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
		2015/9/22	2015/9/22	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2015/12/23	2015/12/23	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
Director	Peter Hsu	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
		2015/10/20	2015/10/20	Taiwan Corporate Governance Association	Internal Audit and External Audit: From Directors and Supervisors' point of view	3
		2015/12/23	2015/12/23	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
Director	Jeff Hsu	2015/08/10	2015/08/10	Wood Mackenzie	The impact of steel demand and Bulk shipping from the Belt and Road Initiative	2
		2015/09/22	2015/09/22	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
Director	Bonnie Peng	2015/12/11	2015/12/11	Securities and Futures Institute	The trend of M&A and case study	3
Independent	Chung Laung	2015/9/8	2015/9/8	Taiwan Corporate Governance Association	Trade Secret Act and The practice of M&A	6
Director	Liu	2015/10/28	2015/10/28	Taiwan Corporate Governance Association	The chance and challenge of CSR	3
Supervisor	Chen-En Ko	2013/1/30	2013/1/30	Taiwan Corporate Governance Association	IFRS imports and the responsibilities of directors and supervisors in financial reporting.	1
		2013/7/24	2013/7/24	Taiwan Corporate Governance Association	The management and disclosure of intellectual property with case studies.	1
		2013/10/31	2013/10/31	Taiwan Corporate Governance Association	Studies of Corporate Governance in a New Era--The cases of general family businesses and small and medium-sized public companies	3
		2013/11/1	2013/11/1	Taiwan Corporate Governance Association	Case studies of Business Standards and International Business - the Responsibilities of Board of Directors and Supervisors in interested party transactions	3
		2014/2/25	2014/2/25	Taiwan Corporate Governance Association	Amendments to the Business Mergers and Acquisitions Act, and sharing of experiences related to the due diligence of directors & supervisors, and of the operation of Independent Audit Committees in M&A Companies	1
		2014/4/22	2014/4/22	Taiwan Corporate Governance Association	The Corporate Governance Outlook --Corporate Governance Blueprint	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
		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
		2013/08/08	2013/08/08	Taiwan Corporate Governance Association	The impacts and responses of recent revisions of the Company Act and the Securities and Exchange Act	3
Supervisor	C.K. Ong	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 of newly laws/regulations

The tenure of the Supervisors expired on June 18,2015. Supervisors ceased to function upon the establishment of Audit Committee.

B. Executive Management (In recent 3 years)

Title	Name	Study Date		Sponsoring Organization	Course Name	Study hours
		From	To			
President	Yvonne Li	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
		2015/9/22	2015/9/22	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
		2015/12/23	2015/12/23	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3

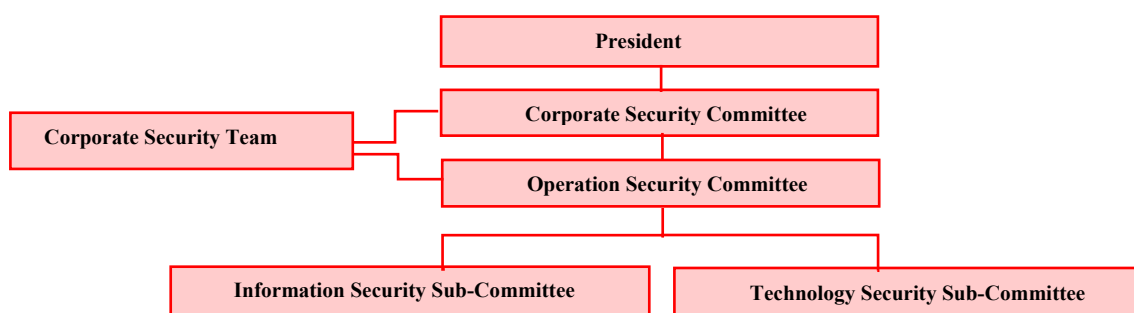
Note: Except for the above mentioned education status, the company would monthly inform all management of newly laws/regulations..

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 management, 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. 2. Formulate relevant plans; implement appropriate management measures to safeguard the company's important information and assets. 3. 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.

The FET customer service center has established service and quality management mechanisms, using customer satisfaction surveys that seek to understand customers' experiences and feedback. In addition, meetings and inspections are regularly held to review service quality, with the aim of ensuring that customers consistently receive a high quality of service.

The FET market research team tracks satisfaction levels of various products and services via regular customer surveys, and implements projects to understand customer behavior, with the aim of providing consumers a thoughtful 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 purchased 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: 5 persons in the financial and accounting department and business control department, F&SS-Andrea Shen, Peggy Chang, Tiana Chang, Wendy Su; 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 auditor: 6 persons in the financial and accounting department, business control department, and internal audit department, F&SS- Andrea Shen, Peggy Chang; business control-Jeff Su; internal audit-Ted Chang, Wendy Luong, Andy Chien.

ISO 27001 internal auditor: 12 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; business control- Jeff Su Cherry Huang, Annie Liu, Jason Chen, Irene Lin; internal audit-Tweety Yeh, Jack Mei.

ISO 9001 internal auditor: 4 persons in the business control department, business control-Jeff Su, Sandra Lin, Cherry Huang, Irene Lin.

Debt-Collection Personnel's proficiency test held by Taiwan Academy of Banking and Finance: 158 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: None

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

“Corporate Governance Best Practice Principles” 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 provide customers with secured and trustworthy telecommunications services are FET's responsibilities, which is also crucial to maintain customers' relationship and enhance their confidence with FET. To demonstrate the attention and commitment on information security management, FET constantly improves its policies and regulations. Moreover, FET continuously to pass the verification of international 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 customer information protection.

2015 is the second consecutive year that FET successfully passed four international standard verifications. In addition to ISO 20000 Service Management System verification, for ISO 27001 Information Security Management System certification, FET particularly optimized the information security risk management and performance evaluation mechanism based on the latest 2013 version of standard requirements. For BS 10012 Personal Information Management System verification, FET further enlarged the certification scope in 2015 to cover payment and prepaid card activation processes from the prospective of customer information protection. And for Cloud Security Alliance (CSA) STAR certification, FET passed the verification of upgrade standard requirements and obtained the highest level award.

10-2 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 "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:

- Employees' Code of Conduct, including: (1) the responsibility for making good use of Company resources; (2) the responsibility for ensuring the Company's use of gifts and premiums complies 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.
- 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.
- Employment Contract, including (1) date of hire; (2) salary; (3) bonus; (4) benefit; (5) special leave; (6) insurance; (7) transfer; (8) work hours; (9) health examination; (10) code of management.
- Work Rules passed by the Labor-Management Conference and sent for approval to the Taipei City Department of Labor. This includes (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 health and safety.

(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 insiders 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 insiders every month.
- (4) The Company’s insiders 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 April 14th, 2016.

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	Name	Condition	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)								No. of Public companies in which he/she serves as Remuneration Committee Member	Remark
						1	2	3	4	5	6	7	8		
Independent Director	Lawrence Juen-Yee LAU	V				V	V	V	V	V	V	V	V	0	
others	Edward Y. Way			V		V	V	V	V	V	V	V	V	11	
others	Doris, Wu				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. This is not restrictive on any person who is an independent director of the Company, or any subsidiary in which the Company holds, directly or indirectly, and holds more than 50 percent of the voting shares.
- (3) Not an individual shareholder who, together with those held by the person’s spouse, minor children, or held under others’ names, holds shares in an aggregate amount of one percent or more of the total outstanding shares of the Company, or an individual who ranks among the top ten shareholders 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 affected by the circumstances as listed in the subparagraphs of Article 30 of the Company Act.

(B) Executive Status of the Remuneration Committee

1. There are currently three members on the Remuneration Committee

2. The current term is from June 18, 2015 until June 17, 2018. Remuneration committee meetings have been held two times (A), with the attendance status listed below:

Title	Name	Times of Attendance (B)	Times of Attendance by Proxy	Actual Percentage of Attendance (%) (B/A)	Remark
Convener	Lawrenc Juen-Yee Lau	2	0	100%	This is the member of the third term of the Remuneration Committee of the Company, who was elected again on June 18, 2015, present 2 times
Committee member	Edward Y. Way	2	0	100%	This is the member of the third term of the Remuneration Committee of the Company, who was elected again on June 18, 2015, present 2 times
Committee member	Doris Wu	2	0	100%	This is the member of the third term of the Remuneration Committee of the Company, who was elected again on June 18, 2015, present 2 times

Other matters of importance:

1. Instances where the Board of Directors declines to adopt, or attempts to modify, recommendations from the remuneration committee: None. Any objection should specify the dates of meetings, sessions, contents of motion, resolution by the Board of Directors, and the Company’s response to the remuneration committee’s opinion (for example, where the remuneration passed by the Board of Directors exceeds the recommendations of the remuneration committee, the circumstances and reasons for the difference of opinions shall be specified).
2. Instances where resolutions of the remuneration committee were objected to by members, or subject to qualified opinion and recorded or declared in writing (where date of meetings, sessions, contents of motions, all members’ opinion and the response to members’ opinion are specified): None

3-6. Internal Control System Execution Status

(1) The declaration of internal control system

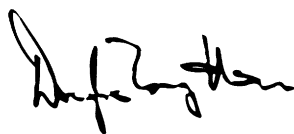
Far EasTone Telecommunications Co., Ltd.
The Declaration of Internal Control System

Date: February 17, 2016

Based on the self-examination results of the internal control system for the year ended December 31, 2015, Far Eastone Telecommunications Co., Ltd. (The Company) therefore declares the following:

- I. The Company's board of directors and management understand their responsibilities of developing, implementing and maintaining the 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:
 1. The effectiveness and efficiency of business operations (including earnings, operating performance and the safeguard of company assets);
 2. The reliability, timeliness, transparency, and regulatory compliance of the financial reports;
 3. The compliance of the relevant laws/regulations.
- II. 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.
- III. 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 activities. Details could be referred to the Regulations.
- IV. The Company management has assessment the effectiveness of the design and implementation on the internal control system based on the Regulations.
- V. 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:
 1. The effectiveness and efficiency of business operations;
 2. The reliability, timeliness, transparency, and regulatory compliance of the financial reports;
 3. The compliance of the relevant laws/regulations.
- VI. 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.
- VII. The Declaration of Internal Control System has been approved by the Company's board of directors on February 17, 2016.

Far EasTone Telecommunications Co., Ltd.



Douglas Hsu
Chairman



Yvonne Li
President

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

3-7. Violation of Internal Control Policies by Employees in Recent Years until the Annual Report is Published:
None.

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

(1) Major Resolution and Execution status of Shareholder's Meetings

Date	Resolutions of Shareholders' Meeting	Execution
June 18, 2015	Resolutions in the Annual Shareholders' Meeting of Year 2015 Matter to be reported 1. Business report of Year 2014 2. Financial report of Year 2014 3. Review of the Year 2014 closing report by Supervisors Matters to be Approved 1. Approval of the Year 2014 closing report (Including business report) 2. Approval of the proposal regarding Year 2014 earnings distribution (Cash dividend per share NT\$3.167) Matters to be Discussed 1. Approval of the cash distribution from Capital Surplus (Cash dividend per share NT\$0.583). 2. Approval of the amendment to "the Articles of Incorporation" of the Company 3. Approval of the amendment to "Handling Procedure for Acquisition and Disposal of Assets" of the Company. 4. Approval of the amendment to "Directors and Supervisors Election Guidelines" of the Company. 5. Approval of the amendment to "Procedure for loaning capital to others" of the Company. 6. Approval of the amendment to "Procedure for Making Endorsements and Guarantees" of the Company 7. Election of new Directors of the Company (The term of the newly elected eleven Directors, the newly elected Directors including three Independent Directors)	July 21, 2015 was fixed as the record date of ex-cash dividends, and cash dividends were paid on Aug. 7, 2015. Jul. 21, 2015 was fixed as the record date of ex-cash dividends, and cash were paid on Aug. 7, 2015. Operating pursuant to the amended "Articles of Incorporation". And Already approved by the Ministry of Economic Affairs on July 9, 2015. Operating pursuant to the amended Procedures. Operating pursuant to the amended Guidelines. Operating pursuant to the amended Procedures. Operating pursuant to the amended Procedures. Election result: Director : Douglas Hsu, Peter Hsu and Jan Nilsson, Representative of Yuan Ding Investment Co., Ltd. Independent Director : Lawrence Juen-Yee LAU, Kurt Roland Hellström and Chung Laung Liu Director : Champion Lee and Jeff Hsu, Representative of Yuan Ding Co., Ltd. Director : Keisuke Yoshizawa, Representative of U-Ming Marine Transport Corp. Director : Bonnie Peng, Representative of Asia Investment Corp. Director : Toon Lim, Representative of Ding Yuan International Investment Co., Ltd. Already approved by the Ministry of Economic Affairs on July 9, 2015.
	8. Approval of the release of the non-competition restriction on directors in accordance with Article 209 of the Company Law	The Company has released the non-competition restriction of Director: Keisuke Yoshizawa, Representative of U-Ming Marine Transport Corp. and Toon Lim, Representative of Ding Yuan International Investment Co., Ltd.

(2) Major Resolution of Board Meetings

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

Date	Resolutions of the Board Meetings
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.
June 18, 2015	(1) Election of three Managing Directors of the Seventh Term Board of Directors of the Company
June 18, 2015	(1) Approval of the "Charter of the Audit Committee" of the Company. (2) Approval of the appointment of the members of the Company's Remuneration Committee.
July 30, 2015	(1) Approval of the amendments to the Corporate Governance related Regulations of the Company. (2) Approval the amendments to the related Regulations for the ceased function of the Supervisors of the Company. (3) Approval of the participation in the 4G telecommunications services licenses with its 2.6GHz spectrum bidding. (4) Approval for the Company to subscribe for, at an amount of no more than NT\$17,120 million, corporate bonds issued by subsidiaries directly/ indirectly established in the R.O.C. by the fund managed by Morgan Stanley Private Equity Asia IV, LLC ("MSPE Asia"). (5) Approval for the Company, with respect to the case of CNS, to enter into (i) a Cooperation Agreement and execute relevant documents with the relevant subsidiaries established by North Haven Private Equity Asia IV L.P. ("NHPEA"), the fund managed by Morgan Stanley Private Equity Asia IV, LLC ("MSPE Asia") and (ii) a Restructuring Agreement with a subsidiary of NHPEA and the original shareholders of CNS Group.
October 28, 2015	(1) Approval of the amendment to the Year 2015 Audit Plan, and the Year 2016 Audit Plan. (2) Approval of the amendments to "Internal Audit Charter" and "Internal Control System Control Self-Assessment SOP" of the Company. (3) Approval of the disposal of equipment of the Company. (4) Approval of the major Capital Expenditure budget for Q1 2016. (5) Approval of the "Operating Procedures for Application of Suspending and Resuming Trading with Listed Securities" of the Company. (6) Approval of loan agreements to be executed with banks. (7) Approval of the release of competition restriction on managerial officers of the Company.
February 17, 2016	(1) Approval of the amendments to the "Articles of Incorporation". (2) Approval of the 2015 directors' and employees' compensation of the Company. (3) Approval of the 2015 annual financial statements and consolidated financial statements of the Company. (4) Approval of the distribution cash dividend from Retained Earnings and Capital Surplus of the Year 2015. (5) Approval of the 2015 business operation report of the Company. (6) Approval of the dates and agenda of the Company's 2016 Annual Shareholders' Meeting. (7) Approval of the Company's 2016 business plan and consolidated financial forecast. (8) Approval of loan agreements to be executed with banks. (9) Approval of the declaration of internal control system of the Company. (10) Approval of the amendment of the "Internal Control System" of the Company. (11) Approval of the assessment result of independence of auditor
April 28, 2016	(1) Approval of the release of recent dual employments and competition restriction on managerial officers of the Company.

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, Financial Manager, Accounting Manager, Internal Auditor Manager and R&D Manager) Related to Financial Report:

2016/3/31

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

2015/12/31

Accounting Firm	Name of CPA		Audit Period	Note
Deloitte & Touche	Annie Lin	Denny Kuo	2015.01.01 ~ 2015.12.31	

4-2. Public Expenses of CPA

4-2-1.

Unit: NT\$'000

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

4-2-2.

2015/12/31; 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	Annie Lin	\$8,840	None	None	None	\$8,342	\$17,182	2015.01.01~2015.12.31	Non-audit Fees are mainly service fees for administrative remedies for taxation.
	Denny Kuo							2015.01.01~2015.12.31	

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:

2016/4/30

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		Appointer
	Circumstance		CPA
	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:

2016/4/30

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 Last Year

None.

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

7-1. Shareholding Variation:

(The tenure of the Supervisors expired on June 18, 2015. Supervisors ceased to function upon the establishment of Audit Committee.)

2016/4/18

Title	Name	2015		2016/4/18	
		Shares Increased (Decreased)	Pledged Shares Increased (Decreased)	Shares Increased (Decreased)	Pledged Shares Increased (Decreased)
Chairman	Douglas Hsu, Representative of Yuan Ding Investment Co., Ltd. (Note 1)	0 *0	0 *0	0 *0	0 *0
Managing Director	Peter Hsu, Representative of Yuan Ding Investment Co., Ltd. (Note 1)	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
Independent Director	Lawrence Juen-Yee LAU	0	0	0	0
Independent Director	Kurt Roland Hellström	0	0	0	0
Independent Director	Chung Laung Liu	0	0	0	0
Director	Champion Lee, Representative of Yuan Ding Co., Ltd.	0 *0	0 *0	0 *0	0 *0
Director	Jeff Hsu, Representative of Yuan Ding Co., Ltd.	0 *0	0 *0	0 *0	0 *0
Director	Keisuke Yoshizawa, Representative of U-Ming Marine Transport Corp.	0 *0	0 *0	0 *0	0 *0
Director	Bonnie Peng, Representative of Representative of Asia investment Corp.	0 *0	0 *0	440,000 *0	0 *0
Director	Toon Lim, Representative of Ding Yuan International Investment Co., Ltd.	0 *0	0 *0	0 *0	0 *0
Supervisor	Chen-En Ko	N/A	N/A	N/A	N/A
Supervisor	Eli Hong, Representative of Far Eastern International Leasing Corp.	N/A	N/A	N/A	N/A
Supervisor	C.K. Ong, Representative of Asia investment Corp.	N/A	N/A	N/A	N/A
President	Yvonne Li	0	0	0	0
Chief Advisor	Sherman Lee	0	0	0	0
Executive VP	Eton Shu	0	0	0	0

Title	Name	2015		2016/4/18	
		Shares Increased (Decreased)	Pledged Shares Increased (Decreased)	Shares Increased (Decreased)	Pledged Shares Increased (Decreased)
Executive VP and Chief Sales & Marketing Officer	Maxwell Cheng	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	Magdalena Lin	0	0	0	0
VP	Jennifer Liu	0	0	0	0
VP	Dick Lin	0	0	0	0
VP	Taylor Yang (Note2)	0	0	0	0
VP	Joann Chang	0	0	0	0
VP	Jessica Chen	0	0	0	0
VP	Maggie Mei	0	0	0	0
VP	Jessica Sung	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	Roger Lin	0	0	0	0
VP	Charlene Lin	0	0	0	0
VP	Andy Tu(Note 3)	0	0	0	0
VP	Mark Lee	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	Jessie Teng	0	0	0	0
Senior Director	Yaling Lang	0	0	0	0
Senior Director	Andy Kuo	0	0	0	0
Senior Director of Sales	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	Andrea Shen (Note 4)	0	0	0	0
Senior Director	Jason. Chen(Note 5)	0	0	0	0
Senior Director	Tony Wang	0	0	0	0
Senior Director	Vivian Chiang	0	0	0	0
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	Maurenda Chang (Note 6)	0	0	0	0
Chief Advisor	Iris Su	0	0	0	0

Note 1: Who are the major shareholders that hold over 10% share.

Note 2 : On board on Sep. 07, 2015

Note 3 : On board on Jul. 13, 2015

Note 4 : Promoted on Apr. 01, 2016

Note 5 : Promoted on Oct. 01, 2015

Note 6 : On board on Nov. 09, 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)

2016/4/18

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		Note
	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.	Same ultimate parent company	None
							Yuan Tung Investment Co., Ltd.	Same ultimate parent company	
Douglas Hsu, Representative of Yuan Ding Investment Co., Ltd.	0	0.00	0	0.00	0	0.00	None	None	None
Peter Hsu, Representative of Yuan Ding Investment Co., Ltd.	0	0.00	0	0.00	0	0.00	None	None	None
Jan Nilsson, Representative of Yuan Ding Investment Co., Ltd.	0	0.00	0	0.00	0	0.00	None	None	None
NTT DOCOMO Inc.	153,543,573	4.71	N/A	N/A	0	0.00	None	None	None
Chairman: Kaoru Kato	0	0.00	0	0.00	0	0.00	None	None	None
Cathay Life Insurance Co., Ltd.	126,291,000	3.88	N/A	N/A	0	0.00	None	None	None
Chairman: Hong-Tu Tsai	0	0.00	0	0.00	0	0.00	None	None	None
Fubon Life Insurance Co., Ltd.	102,612,696	3.15	N/A	N/A	0	0.00	None	None	None
Chairman: Cheng Ben-Yuan	0	0.00	0	0.00	0	0.00	None	None	None
Yuan Tong Investment Co., Ltd.	100,237,031	3.08	N/A	N/A	0	0.00	Yuan Ding Investment Co., Ltd.	Same ultimate parent company	None
							An Ho Garment Co., Ltd.	Same ultimate parent company	
Chairman: David Wang	0	0.00	0	0.00	0	0.00	None	None	None
Taiwan Post Co., Ltd.	100,188,696	3.07	N/A	N/A	0	0.00	None	None	None
Chairman: Philip Wen-chyi Ong	0	0.00	0	0.00	0	0.00	None	None	None
Nan Shan Life Insurance Co., Ltd.	79,550,354	2.44	N/A	N/A	0	0.00	None	None	None
Chairman: Boon-Teik Koay	0	0.00	0	0.00	0	0.00	None	None	None
Shin Kong Life Insurance Co., Ltd.	78,032,000	2.39	N/A	N/A	0	0.00	None	None	None
Chairman: Tung-Chin Wu	0	0.00	0	0.00	0	0.00	None	None	None
China Life Insurance Company, Ltd.	47,880,518	1.47	N/A	N/A	0	0.00	None	None	None
Chairman: Alan Wang	0	0.00	0	0.00	0	0.00	None	None	None
An Ho Garment Co., Ltd.	40,817,592	1.25	N/A	N/A	0	0.00	Yuan Ding Investment Co., Ltd.	Same ultimate parent company	None
							Yuan Tong Investment Co., Ltd.	Same ultimate parent company	
Chairman: David Wang	0	0.00	0	0.00	0	0.00	None	None	None

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

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

2016/3/31; 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.	88,894,286	99.99	0	0	88,894,286	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 Inc.	19,349,995	99.99	2	0.00	19,349,997	99.99
Ding Ding Integrated Marketing Service Co., Ltd.	10,408,200	15.00	45,102,200	65.00	55,510,400	80.00
Far Eastern Electronic Commerce Co.,Ltd.	6,691,000	14.85	26,305,000	58.39	32,996,000	73.24
Alliance Digital Technology Co., Ltd.	3,000,000	19.23	0	0	3,000,000	19.23
Omusic Co., Ltd.	2,500,000	50.00	0	0	2,500,000	50.00
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
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*
New Diligent Hong Kong Company Ltd. (Note 2)	0	0	0	0*	0	0*
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.

Note 2:Establishment completed on December 4, 2014, but the investment amount had not been remitted to the investee as of March 31, 2016.

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

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IV Fund Utilization Status

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

1. Capital and Shares

1-1 History of Capitalization

2016/4/18

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

2016/4/18; 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

2016/4/18

Shareholder Structure	Government Institutions	Financial Institutions	Other Institutional Shareholders	Individual Shareholders	Foreign Institutions and Individual Shareholders	Total
Quantity						
Numbers	9	33	180	22,383	835	23,440
Shares	21,507,029	565,618,691	1,515,151,816	100,974,071	1,055,249,203	3,258,500,810
Shareholding ratio (%)	0.63	17.36	46.52	3.10	32.39	100.00

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

2016/4/18

2010/7/10

Level			Number of shareholders	Shares	%
1	-	999	5,176	1,428,854	0.04
1,000	-	5,000	13,755	27,902,040	0.86
5,001	-	10,000	1,920	15,320,301	0.47
10,001	-	15,000	622	7,996,889	0.25
15,001	-	20,000	374	6,863,975	0.21
20,001	-	30,000	343	8,632,939	0.26
30,001	-	50,000	284	11,308,853	0.35
50,001	-	100,000	281	19,843,195	0.61
100,001	-	200,000	185	26,152,953	0.80
200,001	-	400,000	132	39,029,631	1.20
400,001	-	600,000	85	41,385,373	1.27
600,001	-	800,000	49	33,933,087	1.04
800,001	-	1,000,000	25	22,576,550	0.69
1,000,001	and above		209	2,996,126,170	91.95
Total			23,440	3,258,500,810	100.00

Note: The Company has not yet issued any preferred shares until April 18, 2016.

1-5 Top 10 Major Shareholders

2016/4/18

Shares	Shares	%
Major Shareholders		
Yuan Ding Investment Co., Ltd.	1,066,657,614	32.73
NTT DOCOMO INC.	153,543,573	4.71
Cathay Life Insurance Co., Ltd.	126,291,000	3.88
Fubon Life Insurance Co., Ltd.	102,612,696	3.15
Yuang Tung Investement Co., Ltd.	100,237,031	3.08
Taiwan Post Co., Ltd.	100,188,696	3.07
Nan Shan Life Insurance Co., Ltd.	79,550,354	2.44
Shin Kong Life Insurance Co., Ltd.	78,032,000	2.39
China Life Insurance Company, Ltd.	47,880,518	1.47
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	2014	2015	2016 (as of March 31)
Share price (Note 1)	High	73.00	80.50	72.50
	Low	57.00	65.00	64.50
	Average	64.24	72.28	69.32
Net Value per share	Before distribution	22.33	22.07	22.97
	After distribution	18.58	(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	3.52	0.92
		After adjustment (Note 3)	3.63	0.92
Dividend per share	Cash dividend	3.75 (Note 7)	3.75 (Note 8)	Not Applicable
	Stock dividend	Distribution of surplus	0	Not Applicable
		Additional Paid-In Capital	0	Not Applicable
	Accumulated un-distributed dividend	0	0	Not Applicable
Return on Investment	Price/Earnings Ratio (Note 4)	18.25	20.53	Not Applicable
	Price/Dividend Ratio (Note 5)	17.13	19.27	Not Applicable
	Cash dividend yield (Note 6)	5.84%	5.19%	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 2014 distribution NT\$3.75 per share was based on 3,258,500,810 shares.

Note 8: The Cash dividend of year 2015 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 the after-tax profit of the fiscal year to withhold including withholding any sums for previous loss, if losses and any, legal reserve and/or special reserve as required by law; while. The cash dividend declared by the Company shall be no less than fifty percent (50%) of the total dividends distributed during that year; provided, however, depending. Depending on whether the Company has any financial structure improvement or major capital expenditure plans in for the forthcoming year, the earnings 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 Taking 2013-2015 as an example, the dividend payout ratios from 2013-2015 over the past three years were respectively 104%, 106% and 106%. All the above mentioned These dividend payout ratios are all in accordance with the Articles of Incorporation of FET that outline that the 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
2013	3.61	3.164	0.586	3.75	104%	100%
2014	3.52	3.167	0.583	3.75	106%	100%
2015	3.52	3.174	0.576	3.75	106%	100%

1-7-2. Dividend Allocation proposed to be approved at the Annual Shareholders' meeting

Director resolved that the proposed 2015 dividend distribution be approved at the 2016 Annual Shareholders' meeting as follows: To distribute profits of NT\$10,342,481,571 in the form of shareholder dividends, at a rate of NT\$3.174 per share. An additional cash surplus of NT\$1,876,896,467 will be distributed at a value at NT\$0.576 per share, giving a total cash dividend of NT\$3.75 per share held in 2015.

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

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

1-9 Remuneration to Employees , Directors and Supervisors

1-9-1 Description regarding compensation for employees Directors and Supervisors in the Articles of Incorporation:

The standard is set according to Company Act revised in May, 2015 and Articles of Incorporation of the Company approved by the Board of Directors on 17th of February 2016 and to be submitted to the Y2016 Shareholders' Meeting: "If there is profit for the current year, the Company shall set aside 1%~2% of it as compensation for employees and, shall set aside not more than 1% of it as compensation for Directors. If there is accumulated loss on the books of the Company, portion of the profit equaling the loss shall first be set aside to cover the latter."

1-9-2 The accounting treatment for the differences between actual and accrued amount of compensation for employees and Directors :

Prior to the release date of annual financial reports, material differences between the accruals and the amount resolved by the Board of Directors are adjusted in the current (financial reporting) year. After the release of annual financial reports, if the actual amounts differ from the amount resolved by the Board of Directors, the differences are recorded and adjusted in the following (financial reporting) year as changes in accounting estimate.

1-9-3 Status of compensation distribution to the Board of Directors:

- (1) The differences between employees' and Directors' compensation distributed from the 2015 earnings by cash resolved by the Board of Directors on 17th February, 2016, and the accrued amount in the year these remunerations were recognized as expenses are as follows:

Unit: NT\$'000			
Amount	Item	Bonuses for Employees	Remuneration to Directors and Supervisors
Accrued Amount (A)		\$283,550	\$102,078
Proposed Distribution (B)		\$283,550	\$102,078
Variance (B) - (A)		\$0	\$0
			Treatment of Discrepancy
			None

- (2) Proposed employee compensation by shares as percentage of net income and total employee compensation: It is resolved to be distributed by cash, hence it is not applicable

1-9-4 Bonuses for employees and remuneration to Directors and Supervisors of Year 2014:

The standard is set according to Articles of Incorporation of the Company (agreed upon and signed on 17th of February, 2016): "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.

The differences between bonuses for employees and remuneration to Directors and Supervisors distributed from the 2014 earnings resolved by the Board of Directors on 13th February, 2015, and by the Y2015 Shareholders' Meeting on 18th June, 2015, and the accrued amount in the year these remunerations were recognized as expenses are as follows:

Unit: NT\$'000

Amount \ Item	Bonuses for Employees	Remuneration to Directors	Treatment of Discrepancy
Recognized Accrued Amount (A)	\$205,340	\$102,670	None
Actual Distribution (B)	\$205,340	\$102,670	
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.

2016/4/30

Issuance	Domestic 4 th Unsecured Corporate Bond	Domestic 5 th Unsecured Corporate Bond	Domestic 6 th 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 5 th & 7 th 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- (2015/06/26)	Taiwan Ratings Corp. twAA- (2015/06/26)	Taiwan Ratings Corp. twAA- (2015/06/26)
Other rights of Bond holders	Amount of converted or exchanged into common shares, ADRs or other securities Rules governing issuance or conversion (Exchanged or subscription)	Not applicable	Not applicable
	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:

The Domestic 6th Unsecured Corporate Bond A Issue, according to its issuance rules, will be repaid the entire principal of NT\$1,600,000,000 on 2016/12/24.

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

2016/3/31

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	
Depository Bank			The Bank of New York (Luxembourg) S.A.	
Custodian Bank			Far Eastern International Bank	
Number of outstanding shares			5,381,110 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 Depository Agreement and Custodian Agreement			None	
Place of issuance			Luxembourg Stock Exchange	London Stock Exchange
Market Price per unit	2015	High	US\$37.417	US\$36.000
		Low	US\$30.060	US\$35.705
		Average	US\$34.087	US\$35.844
	2016 (as of March 31, 2015)	High	US\$33.585	US\$36.000
		Low	US\$29.470	US\$36.000
		Average	US\$31.369	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.

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Operational Highlights

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

1. Business Activities

1-1 Business Scope

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

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

(2) Operating Revenue Breakdowns

Unit: NT\$'000

Item	Year	2014		2015	
		Amount	%	Amount	%
Telecommunication Service Revenue		69,841,122	74	69,722,129	72
Others		24,334,478	26	27,571,089	28
Total		94,175,600	100	97,293,218	100

(Note) The figures are on consolidated base.

(3) Existing Products and Services

Products/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, 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, friDay Shopping、friDay Vedio、friDay Redaing、friDay PLAY and Omusic, FET Mobile TV and so forth. In addition, telecommunication lease circuit revenue mainly relates to domestic circuit lease line services. In 2014, the company cooperated with China Unicom and China Mobile to formally launch Taiwan Strait Express-1 (TSE-1), which brings new opportunities and options for cross-strait enterprises. In 2014, it broke new ground in demonstrating cloud applications: firstly, it proposed experiential activities related to Private Cloud and Hybrid Cloud. It then unveiled the BYOD (Bring Your Own Device) experiential exhibition center that enables interested enterprise customers to experience interactive and information security management applications. Finally, based on the insight that there is a need for information security communication, EMMA communication software was successfully launched. That is, while maintaining company security and privacy, enterprises are also able to tap-into more diverse and active internal exchanges through the integration of bulletin board and directory, along with other messenger and sticker applications. In 2015, the Company broke new ground in introducing BYOD (Bring Your Own Device) to a large manufacturing industry and retail industry company, and as EMMA communication software was further developed to become an EMMA enterprise mobility platform - APIs that helps to connect internal enterprise systems and allow prompt transmission and announcement of news and information to employees.

- 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. Circuit Rental Services Revenue: Including local circuit rental, domestic circuit rental and international circuit rental.

D. 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.

E. 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.

F. Maintenance Service Revenue: Revenues coming from the revenue of the clients across all ARCOA stores, business customers, maintenance stations, and Far EasTone stores that provide product maintenance

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

(4) New Products /or Services under Development

According to research report “The Transformation of Digital Contents in the Era of Mobile Internet” published by the Institute for Information Industry (III-MIC) in 2015, consumers are going through somewhat of a paradigm shift in internet era. Consumers’ previous behavior and preference for PC is shifting to mobile devices. Services such as online streaming music/ video, eCommerce, or electronic payment, which have matured within a PC internet environment, are now the focus point for development and re-birth in mobile version form. This clearly demonstrates that FET’s strategy in hedging on provision of mobile services coincides with trends in the internet industry. FET will continue to work to develop services, based on consumer insights, to meet mobile consumers’ needs. The general concept, products, and evolved services currently provided by FET, NCIC and ARCOA are shown below:

■ Digital Content

- **Video On Demand (VOD):** FET launched its “Video On Demand” service (renamed friDay Video in 2015) in 2011, as it ventured into the development of online video services with movie rental offerings. The service supports multiple devices (Laptop, Mobile and Tablet) across a cloud service. friDay Video currently has more than 100 million consumers, and owns more than 3,500 film titles. Internally, the service creates various content to appeal to its consumers’ diverse tastes. Externally, the service cooperates with well-known film festivals, such as The Golden Horse Awards & Taipei Film Festival. All these activities raise brand awareness and improve user experience. FET will continue to invest in user interface optimization, big data analytics, and enhanced media sharing tools such as “Chromecast & Airplay”, providing consumers with diverse content that is of superior quality.
- **Digital Music:** 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. Omusic continues to increase digital music sales with diversified product portfolios that integrate current and popular topics. From 2013, non-FET SIM users are also able to log-in to Omusic via Facebook. Monthly paid users can even use exclusive OPASS benefits to attend concerts for free, and to enjoy high quality music services anytime, anywhere. Fans can easily follow their favorite idols, or discover music they will love by using genres and mood playlists. Monthly paid users can also accumulate bonus points to exchange exclusive gifts. Omusic is continuing investment in product optimization and big data analytics as a way of deepening user engagement and loyalty. The focus of 2016 is to launch the Music Recognition feature, which brings a whole new digital music experience and enhances customer loyalty.
- **Mobile Application:** According to “App Annie” report in 2015, Taiwan is one of the world’s leading countries when it comes to app revenue contribution in Google Play. It is also Top 6 in the app store. This demonstrates the heavy app usage and spending in Taiwan. Along with 4G and market trends, FET is committed to investing further R&D resources in the app marketplace, and continues to integrate technologies to develop innovative applications/services in areas of telecommunications, digital contents, eCommerce, SoLoMo (Social, Location and Mobility), mobile payment, mobile media and Big Data. In response to the strong global app market for Google Play and Apple App Store, FET launched a local app market store- friDay PLAY. This service is focused on games, entertainment and video app services, and it aims to become the leading app entertainment center in Taiwan. The service provides a safe and convenient payment system, including phone bill, credit card, MyCard etc., and is 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 with ease. The service also allows users to choose between multiple routes, and additional traffic information comes included. Drivers can calculate eTag highway toll fees and check the locations of nearby parking lots, while cyclists can check YouBikes available for rental. The service provides a complete overarching solution for both drivers and riders.
- **friDay Reading:** FET has continued to promote reading culture in Taiwan for the past five years. In 2015, friDay Reading was focused on content customizations; for family, friDay Reading provides “paternity packages”; for businessmen, friDay Reading offers “popular magazines and books packages”, for female readers, friDay Reading offers a “love package”, novel package” and “life package”. friDay reading is truly capable of meeting everyone’s reading demands.
- **Alley:** Alley is a famous food app launched in 2012 in Taiwan. It aims at providing a limited number of 50% discount food vouchers in limited quantities every day. Alley has maintained monthly revenue growth from the outset, and has become a popular service with more than 800 food merchants and over 50,000 monthly active users. The main focus of Alley over the coming year will be to attract more merchants in Taipei, so that consumers can enjoy great dining experiences at discounted prices

■ Mobile Payment

- New Payment and Mobile Wallet: In 2015, ADTC (Alliance Digital Tech Co.), the TSM(Trusted Service Management) Joint-Venture by Far EasTone, 4 other mobile operators, and EASYCARD, launched services to enable EASYCARD, iPASS, credit card services on mobile phones. Users can experience the benefits of mobile contactless methods in their daily lives.
- FET was not only the first Taiwanese carrier to launch a phone bill payment service for Google Play, back in 2014, but it also collaborated with the global online music streaming giant Spotify to launch carrier billing services. In addition, FET has also co-operated with Taichung City government in establishing parking fee payment services. FET carrier billing will continue to expand cooperation with multiple partners, providing FET users with simple, secure and smart mobile payment services(3S services), the ultimate 3S mobile payment choice.-

■ Mobile Commerce

- friDay Shopping: launched in October 2014, this service provides tailored e-shopping user experiences based on consumer insight. friDay Shopping is a market leader when it comes to the introduction of lifestyle and curation-based commerce services. Through strong social content and intuitive user interface design, friDay Shopping has achieved positive business performance and created clear differentiation from rivals. The service has over 1,100 suppliers and 200,000 listed merchandisers. With a focus on mobile user experience enhancement, friDay Shopping seems set to become the leader in mobile commerce within Taiwan.

- HD mobile video platform application service: Cloud computing technology and services have matured in recent years. Mobile transmission and cloud technologies are combined with video conferencing techniques to achieve improved communication quality for both enterprises and individuals alike. The mobile cloud video conferencing service also consists of fully-equipped data storage and computing centers, along with high-quality HD video transmission and video signal processing mechanisms. Participants within Taiwan and from across the globe are freed from the limitations of time and space, since video conferencing equipment gives access to a virtual meeting room through the FarEasTone teleconferencing cloud platform. 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. The multilateral video platform application service may be used for corporate policy announcements, training, project follow-up and crisis management.

- In December 2015, ARCOA officially started the new smart logistics and warehousing system. At the same time, ARCOA took part in the smart 4G broadband service project: “4G Mobile Video Shopping”, which was initiated by the Ministry of Economic Affairs. Through the implementation of intelligent logistics warehousing systems and the development of the Cloud Logistics Service System (CLSS), an interactive B2C (business to consumer) logistics service,, it is expected that ARCOA will be able to provide video and pictures of the process of packaging and shipping for order inquiries by phone in 2017.

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 reached 29.37 million subscribers at the end of 2015, and the Mobile Phone Account Penetration Rate was over 125%. 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,with the slow recovery of developed countries, along with the impact felt by slower growth in emerging and developing countries, global economic growth has not gone as planned, therefore enterprises have been forced to have more prudent investments due 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.

As well as facilitating communication between people, the IoT (Internet of Everything) has also entered a rapid development period where IoE has become a network that brings together people, procedures, information, and equipment. In the future, any new technological products must consider issues associated with connectivity, and ensure that their product meets these connectivity needs. In addition, more and more applications make use of Big Data to develop a form of intelligence. Even the most recent wave of intelligent robots brings with them business opportunities with regards to mobile connection needs, and this is true across all industries. The development of emerging technologies is expected to give the telecommunications industries a growing number of opportunities.

In the next few years, Far EasTone will actively focus on the integrated development of 4G mobile and Cloud technologies; along with Big Data and IoT. According to the particular characteristics of the industries we serve, we look to provide corporate clients with more application integration services, which help to satisfy the clients' needs of being ubiquitous, mobile, and real time, and helps to improve organizational competitiveness.

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

- A. As 4G networking has been adopted by more and more users within Taiwan, consumers have begun to rely on their cellphones throughout daily life; with use cases including for work, shopping and entertainment. FET works constantly to innovate in the sphere of digital content, mobile application, mobile payment and mobile commerce services.

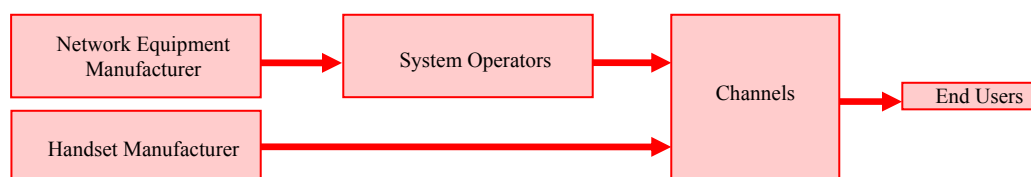
On one hand, a balance must constantly be struck between providing more digital content, which increases the value of the service, and simplifying the user experience so that it is easy to use and intuitive. The design of mobile payment and mobile commerce services aims to provide benefits for consumers, which are enriched by our enhanced understanding of consumer demands. It is hoped that through a process of continuous improvement, FET will become the consumer's most trusted partner in daily life.

- B. 4G – at the core of the market, Wireless – the potential for growth

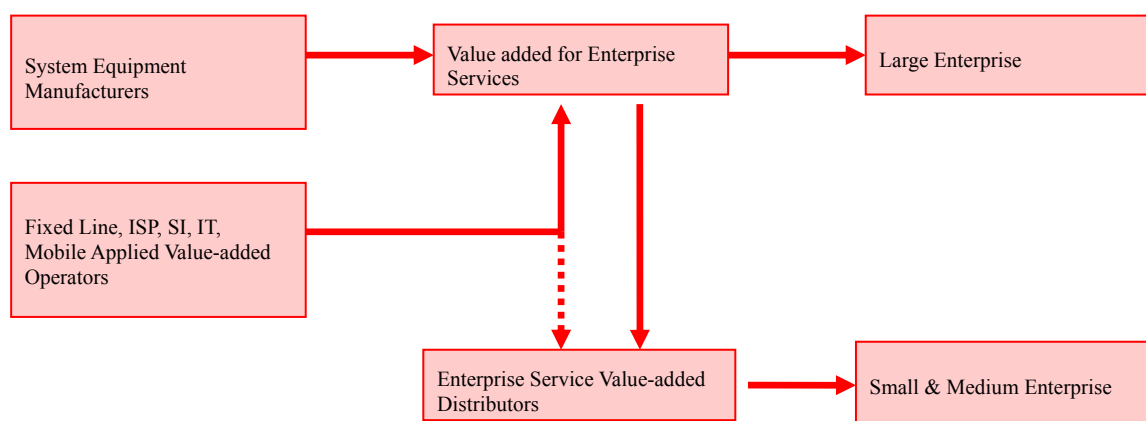
As operators began to launch 4G services in mid-2014, total 3G subscribers reached 23.45 million, and total 4G subscribers reached 3.45 million, by the end of 2014. By the end of 2015, total 3G subscribers numbered 16.78 million, and total 4G subscribers reached 11.57 million. (Source: 2015 number of mobile service subscribers is based on NCC's survey disclosed in Jan. 2016) aAfter 4G service launch, operators continued to provide comprehensive wireless services to consumers, and increased bandwidth for data services as a way of driving new sources of mobile revenue.

(2) Industry Value Chain:

For personal mobile service communications aspects



For corporate mobile service communication (Including agents, distributors, retail stores of operators)



(3) Development Trends of Products and Services

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

The launch of 4G has led to a significant rise in mobile Internet speeds; and mobile video/audio and high-bandwidth use services will gradually become the main contributors of traffic volume. As a result of this, FET continues to aggressively deploy 4G; and has already reached out to 367 towns and achieved 99.45% population coverage. There are currently several million subscribers utilizing smartphones, and they continue to drive the rise in data services. FET will continue to strengthen the development of relevant value-added services so that users can continue to enjoy a greater range of easy-to-use services.

In addition to acquire the spectrum of LTE 700MHz and 1800MHz, FET has this year also acquired 2600MHz license. FET will continue to optimize and improve LTE 700MHz and 1800MHz network coverage and will enhance the capacity and speed of bandwidth in high utilization areas by new hotspots setup with LTE 2600MHz.

B. Beginning to implement NFV (Network Function Virtualization) technology

In recent years, an increasingly diverse range of communication services are coming to market, due in part to the rapid development of ICT industry. Some services require greater transmission throughput, and some generate multiple connections simultaneously. Faced with a rapidly changing market, FET is capable of providing diverse services via the characteristics of NFV technology:

- [Network slicing] FET networks would support various type of services (for example, streaming, healthcare, fleet management, etc.) simultaneously, and cross-interference would not occur.
- [Efficient use of hardware resources] Hardware resources would be no longer be committed to one specific network function, and instead they would become a shared resource pool for any functional use.
- [Providing new services quickly] In the future, network functions would be deployed on commodity servers, and FET would not purchase the special equipment itself. This would greatly reduce the cost and time to build-up new services.
- FET would begin to implement NFV in 2016. The first step is to perform a trial to virtualize the selected core network functions. The whole network function would be completed by phase deployment.

C. Mobile device/Wearable device

The IDC report reveals that the number of wearable devices shipped worldwide reached 19.2 million by the end of 2014. That figure is more than three times the number from the previous year, and it is expected that the quantity will increase a further 133.4% to 45.7 million in 2015. By the year 2018, it is expected to increase to 111.9 million, with an annual compound growth rate of 78.4%. The quantity of Internet of Things (IoT) devices will reach 250 hundred million by 2020.

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 and IoT (Internet of Things) vendors to test and verify the performance and stability of wearable devices on FET's network, so that we can provide our customers with great experiences in the future.

D. Increasingly Mature Mobile and Fixed Network Convergence

With the growing trend of digital 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. In response to this trend, beginning in 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 multiple aspects of the mobile service market and strategized with its subsidiary, Hiiir Technology, to debut the mobile life brand “friDay”. Taking advantage of respective expertise in mobile content, mobile commerce and social media, FET and Hiiir have cooperated to deliver multiple mobile applications and services. The brand ethos of “friDay” is to provide an intuitive, comfortable, and easy-to-use platform for users of mobile services. For example, mobile services like apps, mobile shopping, and mobile payment and commerce allows 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” truly can 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. In 2015, Far EasTone has worked on an EMMA mobile platform corporate solution project, which allows us, on the one hand to satisfy the financial, manufacturing, circulation, medical, and service industries with regards to the applications that need to be developed for business purposes, on the other hand to be able to provide safe and secured internal message solutions to corporates without information leakage concern. Furthermore, we continue to promote corporate cloud storage, business audio cloud, paperless meeting systems, corporate Apps, and mobile device management of “Enterprise Mobility Solutions” to create business opportunities and product differentiation. In addition, we also provide the solutions pertaining to MicroSoft private cloud and hybrid cloud to maintain a leading role in this field, and since 2012, the number of active clients (RPS) of our corporate mobile businesses MVPN have grown over 20%. In 2013, our MVPN number of active clients (RPS) also grew 20%. In 2014, we worked together with Google for the first time to promote the Google for Work application cloud service. Through a series of experiential activities, the number of clients secured in 2015 has continued to grow. In the same year we joined the Microsoft Cloud Service Provider Plan in order to satisfy the 67% of corporations seeking single suppliers to provide diverse cloud services. We also became the first telecommunications operator that provides MicroSoft CSP and Google for Work services, and this allows clients to work with more innovative methods as provided by Far EasTone and world leading technology giants.

1-3 Technology Development Overviews

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

2016/3/31; Unit: NT\$'000

Item	Year	2015	2016 Q1
R&D Expenditure		898,359	234,194(Note)
Total Operating Revenue		97,293,218	23,819,456
R&D Expenditure as percentage of Total Operating Revenue (%)		0.92	0.98

Note: 2016 Q1 R&D Expenditure is an estimated amount.

Products and Services Developed in the Recent Years and until the Annual Report being Published

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
2015	friDay Video (The company)	friDay Video creates varied online material to appeal to its users' varying tastes, and cooperates with famous film festivals such as "The Golden Horse Awards" & "Taipei Film Festival". All these activities could raise brand awareness and improve the user experience by providing highly diversified content of superior quality to users.
	friDay PLAY (The company)	friDay PLAY is the only local platform for app downloads which, and is focused on game, entertainment and video apps. Try to create higher sales for developers through full-cash-flow transaction services.
	FET Navigation App (The company)	Other than GPS functionality, we have also added parking functions and traffic jam and road conditions which help to satisfy the need of drivers. Through LBS applications, we have added parent and children protection functions, which ensure we can care for the safety of elders and children at home.
	Digital Book: friDay Reading (The company)	Multi-subject books satisfy the needs of businessmen, parents, and readers alike, ranging from those who want to read lifestyle books to those who are interested in romantic literature.
	Mobile Payment and Wallet (The company)	NFC comprehensive services turn the mobile phone into credit cards, shopping reward cards, gift cards, and access cards as mobile payment tools. Far EasTone continues to integrate the applications that are popular among consumers. From 2013 to 2015, consumer tests were conducted, and this year we hope to provide business application services.
	FET 4G Mobile Video Conference (The company)	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 locations such as instant video conference in multiple locations, report sharing and other application services. In addition, by providing mobile robot (IROBT) along with cloud video conferencing services in multiple locations to support all types of smart mobile devices, FET enables enterprises to carry out instant video conferences at any time and in any location, to integrate the service with traditional video conferencing facilities and to lower the installation cost effectively.
	Upgrade to the FET Cloud Email Service (Subsidiary – NCIC)	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.
	Far EasTone Securities 4-in-1 Real time Exchange Platform (Subsidiary: NCIC)	In response to demands for more instant market exchange information in the future, we will look to adjust the matching mechanisms. Currently, it matches in five seconds, yet by improving the current securities four-in-one platform to stock exchange facilities, exchange time will be sped up.
	IPLC Submarine Cable Investment and Installation (Subsidiary: NCIC)	FET actively participates in the installation and investment of submarine cables (FASTER, TSE-1 (DanFu Cable)) to increase international band width and competitiveness.
	Alley (Subsidiary – Hiiiir)	We make the user experience better, improve interfaces, add more personalized marketing system designs, and introduce brand new plans to introduce audio stories into the store.

Year	Name of Plan	Content of Plan
	friDay Shopping (Subsidiary –Hiiiir)	With its goal of become the mobile commerce leader, friDay Shopping launched the iOS and Android versions of mobile apps in December 2014, and received positive feedbacks from the market. For a better and more thorough user experience across mobile platforms, friDay Shopping launched mobile web to offer seamless shopping across different mobile devices. In Q2 of 2015, the tablet version of friDay Shopping app, named “friDay Select”, was launched to fulfill consumer demands for e-shopping on tablets. This further demonstrates friDay shopping is on track to become the mobile commerce leader in Taiwan.
	Omusic (Subsidiary – Omusic)	Omusic Online Music Platform and ACRcloud work together to drive the exclusive “music recognition” function. Just turn on the software, click on the music recognition function, record the music you hear or hum the song stuck in your head, and Omusic will automatically search for the music information about it. The database contains over 40 million songs, and as well as deeply improving the experience of its users, it also helps to establish brand loyalty.

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

1-4-1 Short-term plans

A. Marketing Strategy

- 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.
- 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.
- 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.
- In addition, expand 4G coverage and aggressively optimize network.
- 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.
- 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).
- 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.
- 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

- Continuously improve network quality to reduce congestion and drop call rate and offer high quality voice service and high speed data service.
- Creating brand value by promoting consumer mobile services across the three channels of digital content, mobile payment and mobile commerce to ensure that consumer mobile life is more convenient and enjoyable. Every effort has been made to support art activities and international competitions, such as the curation of Taipei Arts Festival, broadcast of the Incheon Asian Games, and the Golden Horse Awards live.
- Mobile services for consumers
 - Mobile Digital Content
 - friDay Video: we continue to update friDay video with the newest content and best user interfaces. Subscribers will be able to watch favorite films through personal recommendation through a variety of product packages to be launched to meet consumer needs.
 - Omusic: we continue to grow our market share through extensive Chinese pop-song content and streamlined user interfaces and experiences.
 - Mobile Application
 - friDay PLAY : we continue to co-operate with other game developers and companies to create new business models that can grow profit.
 - FET Navigation App : we continue to develop a positioning service that can ensure full-tracking of children and elders.
 - friDay Reading App : through diversity of content, simple order processes and clear UI, the FET e-book App creates fun and immersive reading experiences. In 2015, the service was revamped and renamed to become friDay Reading as it aims to create the best-in-class customer experience.
 - Alley: plans are abreast to streamline app user experience, to improve user interface design, to add more personalized marketing mechanisms, as well as to bring in video introductions for merchants.
 - Mobile Payment & Commerce
 - Mobile Payment & Wallet: User trials have previously been conducted, and the mobile wallet is about to go

through commercial launch.

- friDay Shopping: this service adopts market segmentation strategies based on different lifestyles to target different audiences, and to leverage social content and reward mechanisms that enhance customer relationship management.
 - d. FET will continue to develop innovative mobile multimedia services to provide media that is “real time, precise and local” to advertisers, and which differentiates itself from other traditional media forms. Development for information-oriented media would focus on “Real Time Location Based Push Messages” to establish FET’s presence in the domain of mobile multimedia. Whilst developing these channels, FET will also continue to develop formats of media advertising (i.e. Mobile Web, In-Apps, Outdoor digital signage and so forth) that consolidate its current 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 with more flexible voice and data integration solutions and further to enhance the integrated solution quality of enterprises’ fixed network, voice and data mobile network.
 - g. Keeping up with the trend of Cloud Service development, exploring the cloud and IoT applications in different industries. And develop application services for ICT integration in order to create differentiation 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. It is crucial to develop a deep understanding of what mobile consumers really want when it comes to digital content, mobile applications, mobile payments and commerce. By developing this understanding, FET can work to become a valuable partner in the mobile lives of consumers.
 - f. Since 2006, received SGS service certification for 10 consecutive 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. Other than garnered BSI-ISO27001 certification , FET internet data center also obtained the ISO 27011 certification at the end of 2011 and the CSA STAR - Gold Certification in 2014 to continuously provide a better service to customers.

1-4-2 Long-term plans

A. Marketing Strategy

- a. With various loyalty programs and activities targeting different market segments evaluation, the Company expects to create high-loyalty customers.
- b. The Company continuously launches new products and educates customers about new technology development to increase the economic value of its products and provide customers with a diversified sales channel, comprehensive services and extensive channel coverage.
- c. Continuously provide innovative and integrated home services, establish the Company’s leadership in Home market through proper market education and communication.
- d. Based on 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 adopts a dual-track strategy that continues to emphasize telecommunication network-based value-added services and internet-based multimedia services, whilst 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 carefully assesses and formulates strategies for social network services, consumer cloud and IP integrated telecommunication services so as to capitalize on the opportunities presented by disruptive innovation. This will be helpful to deliver services with the best quality, so as to improve long-term customer retention.
- d. FET grasps opportunities in e-commerce, and will work to develop better payment functionality. The development of NFC mobile phones for physical distribution channels, paired with the optimization of cash flow service platforms 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 so as to take full advantage of opportunities presented by digital merchandise 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 2015. Approx. 53 stores were upgraded in 2015 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.

In May 2015, a next-generation "Future Store" opened at Taipei Information Park, showcasing the five elements of "Cloud, Future, Digital, Innovation, Motion Sensing" which make up a 4G mobile communications technology experience. The next-generation FET model store made use of full-screen counters, motion sensing control games, floating ticket projector machines, and wearable devices. By the end of 2015, 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 7.39million of cumulative subscribers till the end of 2015, will scheme for a broader choice of mobile internet, content service and bundled offerings dedicated to cope with customers' need

(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 2015, the mobile service revenue market share of every operator is as follows: CHT : 35.8%、TWM : 28.9%、FET : 28.5%、APT+VIBO+Taiwan Star share 6.8% 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 2015 is CHT at 38.0%, FET at 27.0% and TWM at 26.0%, APT+VIBO+Taiwan Star at 9%. (Source: The subscribers and telecommunications service revenues are statistics from NCC and from the announcement of each company at the end of 2015.)

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

As the market comes to a matured 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 of service to our customers, and we believe 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 24hr call center service; we have integrated mobile communication service and broadband data services, which enable 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 centers composed of data service expert teams are on hand 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 continuously awarded the international certifications including ISO 27001(Information Security Management System), BS10012(Personal Information Management System), ISO20000(Service Management System) 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” “New Perfect Match”, and “Leasing” 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” “friDay shopping”, “friDay video”, “friDay reading”, “friDay PLAY”, and “Omusic” 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 delivering all application services, including voice and data to customers. A high network quality will bring customer satisfaction and in turn increase customer usage so as to grow revenue for the company.

There are three key factors that determine network quality: signal coverage, system capacity and data speed. Those factors are depending on radio base stations, transmission, core network and optimization. FET's network strategy for 2016 will focus on the enhancement of communication quality, which includes:

- a. Continuously optimizing 3G networks, strengthening their efficiency, and performing the upgrades necessary for 3G performance enhancement
 - Keep adjusting the best location of 3G base stations and tuning 3G network parameters for better coverage and user experience
 - Keep upgrading base stations' software to provide more stable network quality and better user experience
- b. Speed up to expand 4G network infrastructure and base stations to provide faster and more reliable data service and network quality.
 - Work continues to establish LTE 700MHz, 1800MHz stations and strengthen signal quality and coverage.
 - To establish high frequency LTE 2600MHz hot-spot stations, as well as expand the broadband capacity and speed.
 - Usage of small cell stations is being carried out to help strengthen indoor coverage, and satisfy hot-spot needs.
- c. Expanding the coverage and capacity of Ethernet networks (10Gbps and 100Gbps) to fulfill 4G traffic requirements (includes Original 4G & new L2.6G span), as well as reduce the unit cost of bandwidth.
- d. Continuously expanding 4G Core network capacity to provide more high-speed mobile network services, enriched content and innovative applications.
- e. Continuously expanding 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. Providing a smart network for 4G tiered pricing.
- g. Continuously deploying the fiber network to improve broadband coverage and capacity.
- h. To enhance the synchronization network to fulfill 4G (VoLTE) high-quality clock requirement.

By following through with the activities as listed above, FET will maintain a leading position in the 3G/3.5G/4G mobile broadband market in Taiwan.

D. Marketing Channel

Currently, the total number of FET stores – including retail, franchise, ARCOA and Data Express stores – is over 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 10 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 services have been developed around the concept of 'Convergence'. In early 1999, the Company-launched mobile service converged with internet access. In 2002, the Company went on to offer wireless internet service over GPRS network, MMS and Fleet Management System. In 2005, it took the lead in creating high-speed transmission data services, new products, and new add-value services over 3G. In 2007, FET integrated with 3rd generation communication system and fixed network services to launch integrated mobile services for the FMC enterprise fixed network. In 2010, the Company 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 launched; and in 2014, FET cooperated with international partners to launch various cloud applications. It also worked to develop various cloud and IoT services and successfully launch EMMA Enterprise Mobility Platform to grab Enterprise market share. In 2013, it was successful in applying for a 4G license and officially launched 4G services in June 2014. FET has become one of the world's leading operators of 4G services with high and low dual frequencies of 700MHz and 1800MHz bands. Looking to the future, FET is going to lead customers to a new era of 4.5G by offering 700MHz/1800MHz/2600MHz ultra high speed, ultra stable, and ultra coverage network service to enrich customers' mobile life.

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

A. Advantages of Future Developments

- Multi-band system offers superior communication quality

FET holds many licenses for products such as the LTE 700, LTE 1800 and LTE 2600 FDD TDD bands, which can be leveraged between propagation and penetration methods. In addition to allowing clients to use auto-switching frequency selection to improve service, the system can also use each frequency band 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 higher carrying capacity of 1800MHz, and the upcoming best quality in indoor communication and hotspot of 2600MHz. 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.

■ In 2015, ADTC(Alliance Digital Tech Co.), the TSM(Trusted Service Management) Joint-Venture by Far EasTone, another 4 mobile operators, and EASYCARD, launched the services to enable EASYCARD, iPASS, credit card service on mobile phones. Through the use of proximity sensors, that allows users experience their daily lives in mobile contactless ways.

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 already 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:

- 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.
- 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 clear market leader. As well as fulfilling the existing task of providing a professional telecommunications consultation service, we also continue to provide optical fiber networks in major urban areas in order. This allows us 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 close to saturation point. Sales depend on how well the service is as can compete against those provided by pure-play individual service providers and, as well as 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. 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.

As mentioned, whilst the VPN market in Taiwan is already tending towards saturation, while sales patterns are increasingly oriented towards each respective company's services and added perceived value-add. 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. This does not meet current customer demands, and this has seen NCIC become a weak player struggle compared to its competitors. The company has launched special efforts measures in an attempt to catch up - capture ground lost to its competitors, meeting and it is hoped the new service will meet 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 recently. More importantly 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 creates a direct line across the Taiwan Strait, meaning that path, so information no longer has to make takes a convoluted route via Japan or Korea to make it to the mainland, and. The route 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; , clearly proven by the many international players in the industry who 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 and those who have no business office and are constantly on the move their POSs by providing to access POS services like POS access or , such as credit card payment in no one fixed location payments, through VPN via FarEasTone's 4G networks, adding extra convenience and flexibility for their businesses. On the other hand, Although the Fixed & Mobile fixed and 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 This can help to provide greater transmission bandwidth while, helping companies to get rid of the problem of avoid network breakdown due to the interruption of the physical telecommunication network, thus thereby achieving uninterrupted business for companies.

Today, businesses goare global and frequent commercial activity between China and Taiwan has started a boom in communication needs. When it comes toRegarding integration of multimedia video conferencing and information platforms at the core, both of awhich are essential to business, HD multimedia video conferencing has gradually evolved from the marriage of dailya specialised function in company administration and management habits of substantial transactions to in-depth fusion witha routine production, dispatching and control of these transactions. Based on the building blocks oftransaction. Linking multimedia video conferencing platforms, to 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 ofstep in the development for the convergenceof convergent forms of HD multimedia video and substantial transactions.

(2) Market Share:

Up to the end of 2013, difficulties were persistent for the establishment ofuntil recently, there have been problems associated with establishing a fixed line network atcovering the last mile. All three fixed network providers (the NCIC, Taiwan Fixed Network and Asia Pacific Telecom) coverhave a market share of just 5.72% for landline network subscribers, as opposed towwhich contrasts with the proportion of 94.28% claimed by Chung Hua Telecom (Source: the number of subscribers came from the NCC's data up to the end of 2014 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 high-quality, with networks offering 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 2015, the market share of each in this market: CHT: 67% and NCIC: 3%. If excluded the Cable modem from the market, the market share of those two companies would be CHT 84% and NCIC:2.6%.(Source: NCC statistical data released at the end of 2015).

The development of mobile broadband is at itshas reached a peak aroundglobally, and 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 theIn addition to general consumers, HD multimedia video solutions have been widely introduced to,used 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 thefor corporate end andusage continues to grow along with income from system platform income is still continuously strongly growingplatforms.

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

The fixed-network telecom market is saturated, and has in fact already begun to decline. Every telecom company now pays great attention to the provision of added-value services, and works hard to actively develop relationships with high-usage customers. NCIC continues to drive for new customer solutions, providing a high-quality, flexible, and customer-oriented service. Where necessary, they will work with other companies in fighting the challenges of change together.

Demand for mobile and in-the-cloud Apps is growing, and it is predicted to continue to grow. NCIC will continue to respond to customer demands and market trends, developing products and services with real growth potential.

With regards to HD multimedia video equipment supplier solutions and third-party solutions, the convergence of HD multimedia video systems and business applications has reached new levels, and providing products alone no longer satisfies business users' needs. The ability of multimedia video solution providers to integrate is now the key to winning over competitors in the market. Heterogeneous systems provided by third-party solution providers' have drawn attention and rapidly grown market share. 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 over the past few years.

(4) Positive and negative factors with regards to competitiveness and future prospects, along with relevant counter-measures

In order to integrate resources and improve operationoperational efficiency, NCIC's board of directors has commissioned its parent company to integrate itsmanage the integration of 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, along with

corresponding countermeasures relate, please refer to FET's explanation in the preceding section.

"Integrated communications" have become an in-vogue trend amongst companies in recent years. Major, and major players in the communications market are competing against one another in the hope of becoming the top leader. 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 possible coordinated communication solutions available for business. The NCIC has joined forces with FarEasTone Far EasTone 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 a 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 from various domestic and international brands. This includes HTC, Samsung, Sony, LG, HUAWEI and ASUS; as well as 3C digital products and related accessories. Maintenance, distribution and delivery services are also provided. The market area for the Company's product sales and services is Taiwan.

(2) Market Share:

ARCOA currently has 39 branches, including direct retail outlets and franchise stores. In addition, products are channeled through FET direct or franchise stores via its purchasing services. In terms of business through foreign channels, the Company's sales have 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 phone member usage.

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

The American Consumer Electronics Show is often considered a launchpad for technology from around the world. The four current major trends are virtual reality, new generation smart appliances and wearable products, unmanned flying vehicles, and smart vehicles. Smart phone technology has matured to the extent that there is minimal breakthrough innovation seen in this field. ARCOA will continue to adjust its product base and strengthen its product lines to include wearable and IoT products. Phone contract sales channels and displays will be used to increase the popularity and sales of such merchandise.

(4) Competitive Advantages

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 we offer and build reverse logistics (returns) services through business offices located around the country. By integrating maintenance system platforms, we are able to provide repairs with complete maintenance history and information offered, which will help to enhance service to improve customer satisfaction.

B. Negative factors in long-term development:

- The three major system suppliers opening a large number of their own stores will squeeze ARCOA's market share across the board. ARCOA's regular chains do not have advantages of channel scale and the growth of profit is limited.

C. Corresponding countermeasures:

- Providing a sales channel service for the FET channel strategy, transferring ARCOA's retail venues to FET's franchise venues, and increasing the number of new store openings as a way of promoting brand value and driving profit.

2-2 Main Features and Production Process of Major Products

2-2-1 FET

(1) Main Features of Major Services

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, providing 7M bps/21M bps/42 Mbps high-speed wireless access
WiFi Service	WLAN (Wireless Local Area Network) access service at hotspots allows overseas roaming with operators
4G Service	LTE 700/1800/2600 high-speed wireless broadband service, providing 375M bps broadband data service
Smart Enterprise Network Services (MVPN)	The most powerful and flexible mobile service integration program within Taiwan.

(2) Production Process:

FET is a mobile telecommunications operator, not a manufacturer. Thus there is no manufacturing process engaged.

2-2-2 Subsidiary - NCIC

(1) Main Features of Major Services

Major Service	Main features
FET 4G 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 International Data Circuits.
Broadband Network	Provide the link to Internet or Virtual Network, such as ADSL, fiber and domestic/international virtual network service.
Internet Information service	Internet Data Center、Mail Management and information security service
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 EMMA Enterprise Mobility Platform, Enterprise Media Cloud, Enterprise Storage Cloud, Paperless Conference System and Health Management Platform Cloud and other related applications.

(2) **Production Process:** NCIC is a fixed-line telecommunications operator, not a manufacturer. Thus there is no production engaged.

2-2-3 Subsidiary-ARCOA

(1) Main Features of Major Services

Currently, the main operations of ARCOA, a subsidiary Company, are acting as agent for and selling mobile phones, tablet computers and 3C digital products of various domestic and international brands, along with related accessories. In addition to traditional telecom functions, Internet speed is anticipated to rise further as we enter the age of 4G, thereby 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 diverse, value-for-money services in order to move 3G customers over to 4G services.

(2) **Production Process:** ARCOA is running a wholesale & retail business. Thus there is no production engaged.

2-3 Supply of Raw Material

FET is a mobile operator, subsidiary NCIC is a fixed line operator, and subsidiary ARCOA is a retailer. In that respect, none are manufacturers. Thus there are no raw material requirements.

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

2016/3/31; Unit: NTS'000, %

Year Item	2014				2015				2016/03/31			
	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	9,416,323	16.77	None	Apple Inc.	15,040,647	25.59	None	Apple Inc	1,774,435	12.49	None
2	Samsung	6,677,089	11.89	None	Samsung	7,492,611	12.75	None	Samsung	2,156,495	15.18	None

(Note) The figures are on consolidated base.

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

2016/3/31; Unit: NTS'000, %

Year Item	2014				2015				2016/03/31			
	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

The above table shows that there was no significant change for suppliers in the recent two years; 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 Item	Year	2014				2015			
		Domestic		Overseas		Domestic		Overseas	
		Quantity	Revenue (NTS'000)	Quantity	Revenue	Quantity	Revenue (NTS'000)	Quantity	Revenue
Mobile telecom service revenue		7,388,732 Subscriber number as of the end of the year	60,499,756	0	0	7,393,905 Subscriber number as of the end of the year	60,686,172	0	0
Domestic fixed communication service revenue		931,384 Thousand minutes	1,660,110	0	0	853,621 Thousand minutes	1,558,853	0	0
International communication service revenue		879,376 Thousand minutes	3,739,262	0	0	680,437 Thousand minutes	3,520,335	0	0
Data telecommunication service revenue		321,589 Lines	3,674,267	0	0	334,346 Lines	3,789,365	0	0
Other telecom service revenue		Not Applicable	267,727	0	0	Not Applicable	167,404	0	0
Sales & other operating revenue		Not Applicable	24,334,478	0	0	Not Applicable	27,571,089	0	0
Total		Not Applicable	94,175,600	0	0	Not Applicable	97,293,218	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

		2016/3/31		
Year		2014	2015	2016/3/31
Number of Employees	Total	6,437	6,549	6,386
Average Age		35.08	35.65	36.06
Average Years of Service		6.78	7.17	7.44
Breakdown of Educational Level (%)	Ph.D.	0.01	0.02	0.02
	Master	11.03	12.08	12.61
	College	76.28	75.29	74.98
	High School	12.68	12.61	12.39
	Below High School	0	0	0

► Subsidiary- ARCOA

		2016/3/31		
Year		2014	2015	2016/3/31
Number of Employees	Total	717	477	461
Average Age		33.9	33.9	35.8
Average Years of Service		5.2	5.2	5.5
Breakdown of Educational Level (%)	Ph. D	0	0	0
	Master	2.0	2.3	2.6
	College	59.3	66.8	67.3
	High School	37.9	30.3	29.7
	Below High School	0.8	0.6	0.4

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 related to 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 its employees, such as physical check-ups, group insurance, clinic service, employee consolation services, health and safety forums, a cafeteria, employee handset subsidy, and monthly airtime subsidy. Moreover, an employee welfare committee was founded to promote employee social activities, subsidize employee outings and event funding.

B. Advanced Studies and Training

To keep up with the continuously changing nature of technology in the telecommunications industry, talent is a key driver of growth within organizations. In 2015, we reviewed existing talent within the Company. By adopting various training programs to keep and cultivate talent systematically, key talents are able to adapt within this competitive and changing telecom-industry, and are able to activate organizational competitiveness.

According to respective occupational abilities and career levels, as well as to the training blueprints of structural development, we have pinpointed areas of weakness with regards to ability, and continue to reinforce training efficiency. We are planning professional and technical trend courses, cultural seminars, manager discussion workshops, and department internal professional training guidance development courses, in order to deepen diverse learning skills and training development plans.

At the same time, by focusing on training, as well as helping to combine both Company targets and performance evaluation, it is also possible to understand changing trends and training needs. Appropriate amendments to the direction of training systems, as well as improvement to training methods and execution, increases the efficiency of, and confidence in, the training program.

The Company has also worked to gradually build up five training systems for staff learning. This includes: talent and career development, core functional training, individual professional training (including telecommunications technology and divisional training), self-development training (including humanity lectures, subsidies for on-job-trainings), and orientation programs for new-joining employees and management. A total of 1,833 training courses were conducted for 153,390 employees, with a total of 391,237 employee-training hours built up. This was conducted at a total expense of NTD 33,141,000 in 2015.

C. Two-way Communication

The Company recognizes the importance of listening to employees, and drives the concept of two-way communication channels through the following ways, as a way of showing resolve to continuously improve.

- a. In order to understand and reflect employees' opinions on areas for improvement, an outsourced employee engagement survey is conducted when necessary.
- b. Yearly employee update meetings are held to provide opportunities for employees to communicate with the executive team directly.
- c. The "United Employee Welfare Committee" holds meetings quarterly, or whenever necessary, to plan and conduct employee activities that increase and enhance employees' welfare.
- d. At the two-way quarterly meeting with officers, the operational policies and implementation effectiveness are communicated. Officers propose operation-related issues for discussion, and higher-level officers respond to these issues at the meeting, as a way of developing interactive communication.
- e. Monthly e-Newsletters and weekly e-Express mail-shots are issued electronically, in order 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 Appeal Letter Boxes 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 Far EasTone 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 employees. As a result, there have not been any major disputes in recent years. The Company has established the Lantern-Legend Meeting and Employee Suggestion Box and Appealing Box on the Intranet to keep efficient communication channels open, and to better protect the rights of employees.

(4) Company Work Environment and Employee Personal Safety Provisions

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

- Established Occupational Health and safety 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 measures related to 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 activities, and conduct regular maintenance and inspection (6) Formulate occupational health and safety regulations, and provide related training, in order to avoid accidents from improper work practices and clarify legal liability issues (7) Devise plans to automatically inspect equipment and environments (8) Formulate occupational injury solutions and provide prevention plans to avoid re-occurrence of incident.
- Established Occupational Health and Safety Committee: (1) Formulate occupational health and safety plans and automatic inspection plans (2) Hold regular meetings to review occupational health and safety plans improvement issues (3) Establish regional health and safety 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) Matters related to 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) Analysis of physical and health check record, evaluation, management and maintenance (3) Workplace injury and illness prevention, health consultation and first aid and emergency treatment (4) Health management, disease prevention, health education, health promotion, and other activities to ensure the health and protection of employees
- Provide visually impaired masseuses to reduce employee stress and improve health.
- The Company provides consultation services through contracted professional consultation firms to solve various issues employees may encounter such as family, marriage, coping with pressure and interpersonal relationships in order 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 undertook relevant publicity in its major offices throughout Taiwan and established procedures for processing sexual harassment cases pursuant to the relevant requirements to keep a healthy workplace free from harassment and discrimination.

5-2. Losses of the Company and its subsidiaries caused by labor disputes, and disclosure of frequency and specifics of action plans of recent and future possible labor disputes in the year of the Annual Report being Published: None.

5-1-2 Subsidiary –ARCOA

(1) Employee Welfare

A. Compensation and Benefit

ARCOA 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 2015, ARCOA focused on the annual training module, associated and analyzed the differences of the annual management strategy, made an inventory of the competency gap for annual management strategy and also established a training program based on TTQS to foster and cultivate

talents effectively. 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 67 training courses were conducted for 1,102 employees with total 371 Employee Training Hours and expense NTD 282 thousand in 2015.

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. A yearly employee update meetings are held to provide opportunities for employees to communicate with the executive team directly.
- b. The employee welfare committee held meetings either every quarter or whenever necessary to promote welfare improvement and organizational harmony.
- c. 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.
- d. 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 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 related labor laws and maintained good relations with its employees. As a result, there have not been any major disputes in recent years. ARCOA has also convened labor-management meetings and dedicated channels for employees to file complaints as a measure to safeguard their rights.

(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

2016/4/30

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 International Agreement	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
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
	Vodafone Sales & Services Limited	2010.07.01 ~ Present	Amended and Restated Conexus Mobile Alliance Agreement	Confidential Clause
Commercial Cooperation (The Company)	China Mobile Limited	2013.04.18 ~ Present	Master Service Agreement	Confidential Clause
	Subsidiaries directly/indirectly established in the ROC by North Haven Private Equity Asia IV L.P. (「 NHPEA 」) which is managed by Morgan Stanley Private Equity Asia IV, LLC (「 MSPE Asia 」)	2015.07.30 ~ 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
	Subsidiaries directly/indirectly established in the ROC by North Haven Private Equity Asia IV L.P. (「 NHPEA 」) which is managed by Morgan Stanley Private Equity Asia IV, LLC (「 MSPE Asia 」) and Evergreen Jade Sdn. Bhd. and Goodwill Tower Sdn. Bhd. which are original shareholder of CNS Group	2015.07.30 ~ Present	(i) In order to take further steps towards digital convergence and accelerate the expansion into the smart home market, the Company plans to form a strategic alliance with MSPE Asia to partner with China Network Systems ("CNS") through a bond subscription. Thus, the Company plans to sign the "Cooperation Agreement" with subsidiaries established by NHPEA, which is managed by MSPE Asia, to regulate the rights and obligations of both sides regarding this partnership, including subscription by the Company of the corporate bonds at an amount of no more than NT\$17,120 million issued by the subsidiaries directly/indirectly established in the R.O.C. by NHPEA. (ii) The Company will provide CNS Group with technology and advisory services as well as explore other potential opportunities for collaboration to the extent permissible under laws and regulation.	Confidential Clause
Inter Company Loan (Subsidiary-NCIC)	Far EasTone Telecommunications Co., Ltd.	2014.10.01 ~ 2015.06.17	NCIC loans FET	Confidential Clause
	Far EasTone Telecommunications Co., Ltd.	2015.07.03 ~ Present	NCIC loans FET	Confidential Clause

Far EasTone Telecommunications.Co., Ltd.
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**Review and Analysis of
the Financial Condition,
Operating Performance
and Risk Issues**

- 1. Financial Condition**
- 2. Financial Performance**
- 3. Cash Flow**
- 4. Key Performance Indicator, KPI**
- 5. Analysis of Major Capital Expenditure and Sources of Funding**
- 6. Investment Policies, Reasons for Profit/Loss, Plans for Improvement, and Future Investment Plan in the Recent Year**
- 7. Risk Issues**
- 8. Impact of the Financial Distress Occurred to the Company and Affiliates in the Recent Years until the Annual Report being Published**
- 9. Others**

1. Financial Condition

Review and Analysis of Financial Condition

2015/12/31; Unit: NTD'000

Item	Year	December 31, 2015	December 31, 2014	Variance	
				Amount	%
Current Assets		\$34,299,373	\$20,806,012	\$13,493,361	65
Properties, Plants and Equipment		52,045,655	50,938,477	1,107,178	2
Intangible Assets		45,677,996	47,703,750	(2,025,754)	(4)
Other Assets		4,858,147	4,259,948	598,199	14
Total Assets		136,881,171	123,708,187	13,172,984	11
Current Liabilities		21,683,305	22,675,815	(992,510)	(4)
Non-current Liabilities		42,538,970	27,479,371	15,059,599	55
Total Liabilities		64,222,275	50,155,186	14,067,089	28
Capital Stocks		32,585,008	32,585,008	0	0
Capital Surplus		12,058,158	14,009,061	(1,950,903)	(14)
Retained Earnings		27,388,411	26,292,678	1,095,733	4
Other Shareholders' Equity Item		(125,212)	(139,097)	13,885	(10)
Non-controlling Interest		752,531	805,351	(52,820)	(7)
Total Shareholders' Equity		72,658,896	73,553,001	(894,105)	(1)

1-1 Analysis of variation of plus-minus (+/-) 20%

Current assets and non-current liabilities increased mainly due to that Far Eastone obtained 2600MHz spectrum in December 2015. Long-term bank loans were utilized in support of bid payment, so that balance of cash/cash equivalent and long term loans increased substantially.

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

2015/12/31; Unit: NTD '000; %

Item	Year	2015 Amount	2014 Amount	Variance	
				Amount	(%)
Operating Revenues		\$97,293,218	\$94,175,600	\$3,117,618	3
Operating Costs and Expenses		81,900,181	79,123,011	2,777,170	4
Operating Income		15,393,037	15,052,589	340,448	2
Non-Operating Incomes and (Expenditures):					
Financial Costs		(442,567)	(345,337)	(97,230)	28
Losses on Disposal of Property, Plant, Equipment and Intangible Assets		(962,734)	(859,935)	(102,799)	12
Share of the Loss of Associates		(277,267)	(167,598)	(109,669)	65
Other Profits or Losses		227,397	303,940	(76,543)	(25)
Income Before Income Tax		13,937,866	13,983,659	(45,793)	0
Income Tax Expense		2,403,615	2,418,028	(14,413)	(1)
Net Income		11,534,251	11,565,631	(31,380)	0
Other Comprehensive Income (Loss)		(45,367)	12,734	(58,101)	(456)
Total Comprehensive Income		11,488,884	11,578,365	(89,481)	(1)
Net Income Attributable to:					
Owners of Far EasTone		11,485,695	11,482,985	2,710	
Non-controlling interests		48,556	82,646	(34,090)	
Comprehensive Income Attributable to:					
Owners of Far EasTone		11,440,332	11,495,619	(55,287)	
Non-controlling interests		48,552	82,746	(34,194)	

2-1 Analysis of variation

1. Increase in Financial Costs: mainly due to increasing expense from Re-assessment of FET enterprise income tax and FET long-term bank loan.
2. Increase in Share of the Loss of Associates: mainly due to the increasing investment loss of "Far Eastern Electronic Toll Collection Co., Ltd. and Yuan Hsin digital Payment Co., Ltd..
3. Decrease in Other Profits: mainly due to the substantial reduction of government subsidy.
4. Decrease in Other Comprehensive Income: mainly due to the disposal of FET available-for-sale assets. The unrealized gain of the aforementioned disposal was originally recognized under "Other Comprehensive Income", thus was re-recognized as "Non-Operating Income". Additionally, FET had an increasing loss from "Remeasurement of defined benefit plans".

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. 2015 Cash Flow Analysis

Unit: NT\$ '000; %

Item	2015	2014	Variance	Variance%
Net cash generated from operating activities	21,051,754	25,584,888	(4,533,134)	(17.7)
Net cash used in investing activities	(12,862,573)	(14,678,287)	1,815,714	12.4
Net cash generated from (used in) financing activities	3,953,006	(9,878,090)	13,831,096	140.0
Effect of exchange rate changes	(458)	3,362	(3,820)	(113.6)
Net increase in cash	12,141,729	1,031,873	11,109,856	1,076.7

1. Operating activities: The decrease in cash inflow from operating activities was due to increase in inventories and income tax payment in 2015.
2. Investing activities: The decrease in cash outflow was due to lower capital expenditures in 2015.
3. Financing activities: The increase in cash inflow from financing activities was due to more bank borrowings in 2015.

3-2 Remedy plans for insufficient liquidity: Not Applicable

3-3 Estimated Cash Flow Analysis for 2016

Unit: NT\$ '000

Cash and Cash Equivalents in the Beginning (1)	Forecast Net Cash Inflow from Operating Activities (2)	Forecast Total Cash Outflow (3)	Forecast Balance of Cash and Cash Equivalents (1) + (2) - (3)	Expected Remedy Plans for Negative Balance of Cash and Cash Equivalents	
				Investment Plan	Financing Plan
15,994,767	24,606,771	30,982,381	9,619,157	-	-

1. Operating activities: Forecast net cash inflow from operating activities has no significant difference in 2016.
2. Investing activities: The cash used in investing activities in 2016 are Mobile Broadband Business (4G) 2600MHz concession fee and network expansion and enhancement.
3. Financing activities: Mainly for cash dividend distribution.

4. Key Performance Indicator, KPI

Unit: NT\$ '000,000

KPI	2015 Target	Achievement in 2015	KPI Achievement Ratio
Total Revenue	\$96,452	\$97,293	100.9%
EBITDA	\$26,641	\$26,813	100.6%
Net Income	\$11,082	\$11,486	103.6%

5. Analysis of Major Capital Expenditure and Sources of Funding

5-1 Major Capital Expenditure and Sources of Funding in 2015

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 network expansion and upgrade, and Value added system implementation and expansion	Working Capital	2015	11,822,441

5-2 Expected Benefit: In the year of 2015, total revenue increased 3% in comparison with the year of 2014; and will aid future Mobile Broadband Business (4G) development.

6. Investment Policies, Reasons for Profit/Loss, Plans for Improvement, and Future Investment Plan in the Recent Year

6-1 Investment Policies

The company's long-term investments are for strategic purpose or develop new business.

6-2 Reasons for Profit/Loss and Plans for Improvement

In 2015, on a consolidated basis, the company's losses from long-term investments under the equity method amounted to NT\$277,267 thousand, as some of these investments were still in the initial stage and some were not break-even.

Continuously developing the business and controlling cost and expenses, the Company expects return on investment to be improved.

6-3 Future Investment Plan

No concrete investment plans at this moment.

7. Risk Issues

7-1 Impact and Response to Interest Rates, Exchange Rates, and Inflation Levers on the Company in the Year Preceding Publication of Annual Report

7-1-1 Interest Rate Risk Analyses and Response strategy

The Company performs its financial operations in a conservative manner. In an attempt to manage interest rate fluctuation risk, the Company's current outstanding liabilities are partially back up by long-term fixed-rate corporate bonds issuance (as of the end of 2015, fixed-rate corporate bonds accounted for 49% of total borrowings). Additionally, the Company raised funding by entering into fixed-rate financial facilities to fulfill its future funding needs; therefore, current interest expenses of the Company and its subsidiaries shall not be significantly impacted by interest rate fluctuations. Nevertheless, the interest rate situation currently differs globally, with a modest rate rise expected in the US, and with low interest rates expected to be maintained in the Eurozone (in light of recent Euro QE policy launch) and Japan. In light of risk considerations, the cash management of the Company and its subsidiaries will be handles in a fiscally conservative manner.

7-1-2 Exchange Rate Analyses and Response strategy

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 2015 and Q1 2016 are as follows:

2016/3/31; Unit: NT\$'000

Item	Year	2015	2016 (as of March 31)
Foreign Exchange Gains (Losses) (A)		15,087	1,804
Operating Revenue (B)		97,293,218	23,819,456
% of Operating Revenue (A)/(B)		0.016%	0.008%
Operating Income (C)		15,393,037	3,844,036
% of Operating Income (A)/(C)		0.098%	0.047%

As shown in the above table, the foreign exchange gains/losses accounted for a small percentage of operating revenue (0.016% in 2015 and 0.008% in Q1 2016) and operating income (0.098% in 2015 and 0.047% in Q1 2016).

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

Through until March 31, 2016, FET has forecast payment of around 56 million euros for the next 12 months, and FET's subsidiary, New Century InfoComm Tech Co., Ltd. ("NCIC"), holds short-term investments made up of foreign financial assets which total US\$20 million. Investment gains or losses, as well as exchange rate gains or losses, when executing disinvestment or forecasted deals, are expected to directly affect the net income of FET and NCIC. As a consequence, both FET and NCIC have made currency hedges for the aforementioned foreign currency payments and partial foreign financial assets.

C. Measures to Respond to Exchange Rate Fluctuation

FET and its subsidiary NCIC make use of 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 Analysis and Response Strategy

The current pace of global economic recovery still lags behind expectations. Uncertain economic outlooks in the U.S. and European Union (EU), geo-political disputes, increased quantitative easing in the EU and Japan, and the weakening of economic fundamentals in China can all have an impact on the demand for real consumption and investment. It is expected that global inflationary pressure will remain mild during 2016. Moreover, according to the meeting minutes of the Board Meeting of the Central Bank of the Republic of China in December, 2015 and in March, 2016, a lessening of local inflationary pressures are expected as a result of drops in international oil and material 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 0.69% in 2016, turning positive from the rate of -0.31% in 2015. Meanwhile, except for the interest normalization (a modest rate rise) in the US, governments within the EU and Japan have also lowered interest rates or adopted negative policy rates as a way of maintaining growth, and whilst 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 where possible. It is expected that future inflationary pressures may be controlled such that there will be 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 NCIC are to reduce the effect of cash flow fluctuations on foreign exchange assets and expected future purchase transactions 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 2015 until March 31, 2016)

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"), foreign exchange swap ("FX swap") and Forward exchange contracts ("Forward") 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 and expected purchases. It is necessary to make the CCS, FX swap and Forward contracts new deals or rollover in accordance with the duration and hedged cost of hedged assets/expected purchase transactions. The foresaid CCS, FX swap and Forward are mainly dealt, rollover and settled every 1 week to 6 months. Because the period, currency and amount of the CCS/ FX SWAP/ Forward are identical to hedged foreign assets or expected purchase transactions at the beginning and end of hedging (with economic relationship between hedge instruments and hedged underlying), 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 relevant accounting principles. 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 Highly Leveraged Investments, Lending, Endorsements, Derivative Financial Instruments, and Related Gains or Losses, in the Year Preceding Publication of Annual Report:

1. High risk or highly leveraged investments: The Company did not engage in high-risk or high-leverage investments in the period running from 2015 through until the annual report was published.
2. Capital lending: Until the annual report was published, the balance of capital lent to the Company by subsidiary NCIC was NT\$7.9 billion, and capital lent to Q-ware was NT\$ 200 million. In view of the consolidated relationship between these parties, it is considered that there was no capital lending for the Company and its subsidiaries at the date of the annual report being published.
3. Endorsements and guarantees provided: As of year ending 2015 through until annual report being published, the balance of endorsements and guarantees made by the Company was NT\$45 million and NT\$0, respectively. Primarily in order to conform to NCC's regulation on telecommunication products/service performance guarantees, the Company has made joint performance guarantees of NT\$45 million for its subsidiaries, KGEx. Due to the termination of the telecom products/recharge card of the KGEx, the guarantee is terminated on April 14th, 2016.
4. Financial derivative instruments: The Company and its subsidiary, NCIC, dealt the amount of US\$25 million and 18.5 million Euros in 2015, and the amount of US\$20 million and 19 million Euros through until March 31, 2016 in derivative transactions for non-trading purposes. These cross-currency swaps, foreign exchange swaps, or currency forward contracts were signed in order to prevent the risk of foreign exchange rate fluctuations in foreign currency assets or forecasted transactions. These hedging strategies on the part of the Company and its subsidiary NCIC are carried out in order to avoid cash flow risks. Due to the hedging purposes of derivative transactions, for hedged foreign assets, it is recognized that the offsetting effect will cause no major changes in profit or loss due to hedging instruments and hedged items. Therefore, no substantial gains or losses are expected; whilst for hedged forecasted transactions, these are targeted to fix foreign exchange rates and costs.

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

2016/03/31

Project Name	Description	Progress	Mass Production Date	Key Success Factors
4G-network technology research and small cell trials	This is a joint project undertaken in partnership with telecom vendors to verify network performance and design, as well to plan the LTE small cell. Local vendors have also been invited to take part in small cell network design in order to obtain more knowledge and information.	The local vendor LTE small-cell trial has been completed within a lab environment, and the next step is an outdoor small cell trial with system vendor. This is expected to improve outdoor coverage and improve client connection speeds. Upon completion of the test, it is expected that small-cell trials to compensate for blind spots and expand hot spots will be built in 2016.	It is expected that small-cell trials to compensate for blind spots and expand hot spots will be built in 2016 Q4.	FET has plenty of experience in 2G/3G network operations, and continuously studies and plans the launch of new technologies through trials. Upon confirming the feasibility of new technologies in an experimental environment, it starts deploying equipment within the actual network to ensure that small cells can operate in the actual network, thereby reducing the chance of rework.
4G LTE Radio Access Network new feature research and LAB verification	This is to verify the LTE's radio performance within the lab, as well as to verify that local devices are compatible with FET's new features.	In order to provide better broadband services and voice quality to subscribers, new features for CA (Carrier Aggregation 700MHz+1800MHz+2600MHz) are undergoing testing and VoLTE (Voice over LTE) verification has been completed.	The testing and verification will be completed in 2016.	(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	Description	Progress	Mass Production Date	Key Success Factors
4G/4.5G wireless broadband internet access service and device	Since 2015, through the high bandwidth and internet efficiency of LTE, together with diversification of 4G/4.5G wireless network cards/routers, smartphones, as well as through the provision of corporate internet of things solutions, users have found themselves able to use the most advanced equipment, which links to cloud computing, so that anytime and anywhere fast wireless internet may be enjoyed and paved a way toward 5G.	We provide diverse Mobile Internet Device terminals, as well as smartphones with the latest Windows Mobile, Android, and iOS operating systems tethered to high speed 4G/4.5G networks and Far EasTone WIFI automatic network connection services, all of which help to ensure strong network service qualities, and which help to speed up broadband wireless network service development.	Plan to complete in December, 2016	We provide customers with a fair price for broadband terminals, cloud technologies, high quality broadband networks, and innovative solutions. We ensure users are able to receive not only basic voice and number services, but we also flexibly use mobile terminals to solve service needs and promote popularity of wireless broadband network services.
3G/3.5G/4G network expansion and upgrade	Expand 3G/3.5G /4G capacities in high traffic areas and enhance coverage in poor signal and new-build areas to keep 99.45% population coverage in Taiwan.	Increase 4G base stations to expand transmission network and plan to execute annual network upgrade.	Plan to complete in December, 2016	Stay aware of customer demands for continuous improvement of the network.
ROADM Backbone expansion	By introducing advanced transmission network equipment, the bandwidth of each channel can be increased to 100Gbps, with ROADM used to significantly enhance the bandwidth and efficiency of backbone.	On going	Plan to complete in October, 2016	Provide higher speed bandwidth and better transmission quality
East Coast structural backbone expansion	Building a next-generation transmission backbone (ROADM) on the east coast (Hsu Lan to I-Lan) to enhance bandwidth and efficiency.	On going	Plan to complete in October, 2016	Provide East Coast structural backbone higher speed bandwidth and better transmission quality
Enhance the synchronization network	To upgrade the synchronization network element for providing clock sync, to help fulfill 4G high quality clock requirement.	Completed	Completed	Synchronize the 4G frequency of VoLTE to fit high quality system clock.
LTE Core Network Implementation	To provide customers with faster mobile broadband access and fulfill the LTE commercial launch, we have 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, as well as provided 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. In addition, building 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 September, 2016. The related functions will be enhanced to complete VoLTE services.	With the advantage of operating on the L700+L1800+L2600 bands and dense 4G coverage, VoLTE will provide superior voice communication to 4G subscribers. Emergency call capability is provided by

Project Name	Description	Progress	Mass Production Date	Key Success Factors
				NCC. OTT voice Apps is not able to provide this.
LTE Core Network Expansion	To provide customers with faster mobile broadband access and fulfill 4G user growth by continuously expanding the LTE core network to enhance the network capacity and efficiency.	On going	Plan to complete in December, 2016	Provide high throughput capacity of LTE network. In addition, building the smart network to provide E2E network with different data access based on customer service needs.
NFV (Network Function Virtualization) Trial	Trial to introduce NFV (Network Function Virtualization) technology to build the flexible and efficient core network.	Plans being verified	Plan to complete in December, 2016	Leverage standard HW to implement core network function and build the flexible and efficient core network for providing enriched contents and innovative applications.

C. Digital Content, Mobile Applications & Payment and E-Commerce:

Project Name	Description	Progress	Mass Production Date	Key Success Factors
New Media: Entertainment Digital Content Service Platform Upgrade	Other than continuing to optimize and enrich the contents of our products, we also plan to promote the support of Google Chromecast and Apple Airplay to project audio onto the TV screen.	Project Launched, Continuous optimization	Completed in January.-February, 2016.	Upgrade the functions of all service platforms, thereby helping to boost customer satisfaction and increase revenues.
Mobile Wallet Service	In order to satisfy user needs for smart consumption behavior, we turn the mobile phones into credit cards, shopping reward cards, gift cards, and access cards as mobile payment tools. We continue to integrate the applications that are popular among consumers and enable the access to the general public.	Functional Planning	Plan to complete in June, 2016	Smartphones are good partners to smart consumption, and consumers can easily consume with their smartphones.
Alley 4G video & user generated content system (Hiiir)	In order for core values "Story for each store" to be transmitted, we use brand new audio story videos for introduction, and bring brand new travel and food experiences to consumers.	Functional Planning	Plan to complete in Sep, 2016	Through whole new designed audio story documentaries, consumers are able to upload their experiences or sharing of unique delicacies.
Alley Groument Info. Platforme & Merchant management system (Hiiir)	Through analysis of consumer features and use behavioral numerical analysis, we have conducted deep personalized marketing, and through system records, we continue to improve the results of prediction marketing in order to fulfill marketing goals.	Functional Planning	Plan to complete in Dec, 2016	We are able to completely record and analyze consumer behavioral statistics, and promote suitable products, using algorithms to improve our products.

► Subsidiary-NCIC

A. Strategic Projects

Project Name	Description	Progress	Mass Production Date	Key Success Factors
Research into Ipv6 network technology	The planning objective is to replace IPv4 with IPv6. IPv6 offers more space for IP addresses, as it uses 128-bit IP addresses, whereas IPv4 uses	The development of associated IPv6 systems and IPv4/IPv6 Dual Stack of IP transit products was completed	The IPv6 services for enterprise optical fiber products are scheduled to	NCIC has many years' experience in operating and maintaining Ethernet networks, and makes use of the newest

Project Name	Description	Progress	Mass Production Date	Key Success Factors
	32-bit addresses. Therefore, the problem of insufficient IP space is resolved.	in 2015.	complete roll out by the end of 2016.	technology on an ongoing basis to conduct research and experiments that help grow its networks.
Connect CMI with DanFu Cable	This project connects completed DanFu Cable with CMI 10G.	DanFu Cable was completed at the end of 2013. The backbone operation of CMI in China is currently under construction.	Anticipated to be completed by the second quarter of 2016.	Both NCIC and CMI participate in the investment of DanFu Cable.

B. System Projects:

Project Name	Description	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 little scope for expansion. We plan on rolling-out the new generation of fixed-network voice communication equipment, with the hope of offering a better-quality telephone service.	Trial operations have been launched in January 2016, and formal launch is scheduled for March 2016.	This is scheduled for completion in March, 2016.	Comprehensive and rigorous experience in operating and maintaining customer-oriented fixed-line networks.
Establishment of FET Securities 4-in-1 prompt transaction platform	To make market transaction services faster in future, FET will adjust the matchmaking transaction mechanism to five seconds and prompt matchmaking. Transaction time will be accelerated through making use of a four-in-one securities platform used by stock exchange corporations	Planning has been completed, and implementation is scheduled to begin roll-out in March 2016.	Anticipated to be completed in May, 2016.	Provision of a faster and more stable transaction platform which is the first choice when it comes to securities transactions.

C. E-Commerce and Multimedia Content Services Project:

Project Name	Description	Progress	Mass Production Date	Key Success Factors
Cloud Switch Service (IP PBX Cloud)	To reduce clients' investment in switchboard equipment, this project provides telecommunication switchboard equipment and hosting models to meet users' flexible needs and increase revenue from telecommunication services. The project started its trial operation for On-net E1 circuits in 2011, and corporations can apply to be a part of the project. In 2012, Hon Hai Precision Ind. Co., Ltd. joined the project successfully. In 2014, it began operating officially. To expand and widen its multiple services, planning and development of the SIP Trunk circuit began in early 2015. After development, the Off-net side can be used to ensure increased revenues from telecommunication services.	IP PBX Cloud-SIP Trunk solution was developed in December 2015, and it officially began operating in January 2016.	Completed in January, 2016.	Compliance with the corporate needs for flexible configuration

Project Name	Description	Progress	Mass Production Date	Key Success Factors
EMMA enterprise mobility platform	In response to corporate mobile needs and the trend towards use of IM communication, EMMA enterprise mobility platform has been developed based on an IM interface. Employees can use instant communication anytime, anywhere, in a secure environment using a private system.	Basic IM functions have been completed, and FET started using EMMA in March 2015. Development of platform applications and APIs is in progress.	Anticipated to be completed in September, 2016.	Meeting the corporate needs for a private IM communication platform. This is the first private cloud service ever offered to the market by a telecommunication service provider.
'Health Cloud' and 'HealthCare Cloud' services	These services have been developed by FarEast Corporation 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 join force with medical institutions to meet peoples' needs for health management and care.	Development of system and service has been completed.	Completed in December, 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 is envisaged to meet demands and trends in the marketplace.

(II) The projected R&D expense is estimated at around NT\$936,774 thousand in 2016.

7.5 Company Impact and Response to Material Changes of Policies and Regulations in Taiwan and Foreign Countries in Year Preceding Publication of Annual Report:

(1) Amendment of Convergence Act

In response to the maturity and development of the digital convergence environment, in the fourth quarter of 2015, the National Communications Commission officially announced "Regulatory Frameworks of Digital Convergence", with five draft acts including the "Electronic Communication Act", "Radio and Television Broadcasting and Channel Business Management Regulation", "Multi-channel Platform Cable Business Management Regulation", "Telecommunications Business Act", and "Telecommunications Infrastructure and Resource Management Act". Upon completion of public consultation, the National Communications Commission Executive submitted said five draft acts to the Executive Yuan for review and discussion on December 31, 2015 and February 19, 2016 respectively.

These 5 draft acts will turn the traditional vertical communication regulatory framework into a horizontal one. This will create a much more competitive regulatory environment and aid enhancement of business operational efficiency. We will pay close attention to these 5 draft acts since they have the potential to severely impact the communication industry.

(2) Releasing Mobile Broadband 2600 MHz Spectrum Business Licenses

The National Communications Commission officially announced the auction rules and procedures for 2600 MHz spectrum (totally 190MHz) licenses in July, 2015. Over a course of 15 days, and 142 rounds of bids (from November 17 to December 7), we spent NTD 9.13billion on D3 (2540~2560MHz ; 2660~2680MHz, total 40MHz) and D6 (2595~2620MHz, total 25MHz) bands. The license term of these two bands is from issue date through until December 31st, 2033. The 2600 MHz spectrum is a high-frequency capacity band which is suitable for metropolitan environments. We will continue to aggregate such new D3/D6 and existing 700MHz/1800MHz bands to provide higher speed and better quality mobile broadband services to our customers

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 recent development of WiFi and 4G technologies, wireless broadband networks deliver a variety of multimedia services that enrich our lives. To cater for changing service trends market needs, FET has made a significant investment to obtain 4G business operation licenses.

Along with the rapid growth and prevalence of smart phones in the market, revenue and data traffic has 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 expand 4G bandwidth. FET previously owned the A2, C3, C4 bands, and has recently added D3 and D6. 4G bandwidth

totals 2*50 MHz and TDD 25MHz (Total 125MHz bandwidth). Compared to other operators, FET's bands hold advantages which can effectively increase the revenue and market share.

Besides 4G coverage which provides convenient mobile Internet, WiFi deployment in hot zones is becoming more important 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 broadband traffic volume, as well as to 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 are not only distinct services in terms of what they deliver, but they also have a complementary effect. FET will take advantage of existing 2G/3G operation experiences, as well as our expertise in international network services and 4G/LTE wireless broadband access technology, to gradually integrate our 2G/3G/WiFi/4G platforms to cater to market needs. By reinforcing our advantages 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 that include GSM, WCDMA, LTE and fixed line. As an independent and integrated experimental network for validation of new systems, and value added services before launch, FET has also established IoT test environments at T Park to help support local device manufacturers, computer chip manufacturers, digital content providers, and academic institutions to perform relevant tests. At present, FET is working with different device and chipmakers in various IoT domains, and has 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 efforts to provide 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 frequently chosen as a venue to be visited by local and foreign guests, as well as a site for international telecommunication exhibitions. At the 2015 GTI Summit Conference at Hsinchu, the laboratory also successfully completed VoLTE, TDD/FDD-LTE 2CC CA and TDD-LTE 3CC CA demonstrations for advanced LTE technologies and services, thereby consolidating FET's presence as Taiwan's leading Company in LTE technology developments.

With the prevalence of 4G mobile services and smart phones, domestic mobile data usage has been growing rapidly, and telecom operators are facing the problem of insufficient bandwidth. This means they have to improve the coverage and quality of their service networks through integrating diversified services that develop application solutions; and build, expand, integrate, and maintain the heterogeneous networks efficiently (i.e. through quality, service and efficiency). Ultimately, profits will be made through aligning with customer demands.

In light of changes to service provision and market demands, FET has held strong with its strategy of satisfying customer, maintaining growth, and innovating continuously. FET will continue to increase 4G base stations and capacities, raise the backhaul bandwidth and self-owned backhaul ratio, expand bandwidth on structural backbones on the east and west of Taiwan, build VoLTE, start to implement NFV for providing more flexible and efficient core networks, and progressively expand the Company's operational model with diversified developments. This will ensure improvement of the Company's turnover and market share, and will also ensure that a leading position in the telecommunications industry in Taiwan is maintained. In addition, FET will continue to invest in new licenses in order to fulfill customer demands, so as to provide 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**

Industrial Economics and Trends Research Center has indicated that in 2016 the need for middle-to-low end smartphone models in emerging markets will continue to grow; yet as overall market development enters the plateau, the annual growth rate will begin to slow down. The smartphone sales amount is expected to be 1.58 billion in 2016, at an annual growth rate of 7.7% in 2016. In addition, the sales rate of middle-to-low end smartphone models is high, and therefore the average prices and gross margins are low, will have a high impact of profits in 2016. We have worked hard to cut down expenses, upgrade operational efficiency, and maintain a competitive edge.

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 25.59% of the total amount of supply in 2015. Though the purchase percentage was relatively high, there should be no concern regarding the concentration in supply as Apple Inc. is a leading company with high quality and stable supply. The company also maintained a good relationship with it. The major customer was Chunghwa Telecommunications Co., Ltd. which accounted for less than 10% of the total amount of sales in 2015. Therefore, there was no issue of concentration 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 Years 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 on the part of Company, Directors, Supervisors, President, Chairman, Shareholders with Greater than 10% Shareholding and Subsidiaries, in the Year Preceding Publication of the Annual Report: None.

7-14 Other Major Risks: For more information about market risk, credit risk and liquidity risk, please refer to VIII-Financial Information "2015 Independent Auditors' Report, Consolidated Financial Statements and Notes" enclosure in the annual report.

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.

Far EasTone Telecommunications.Co., Ltd.
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VII Special Notes

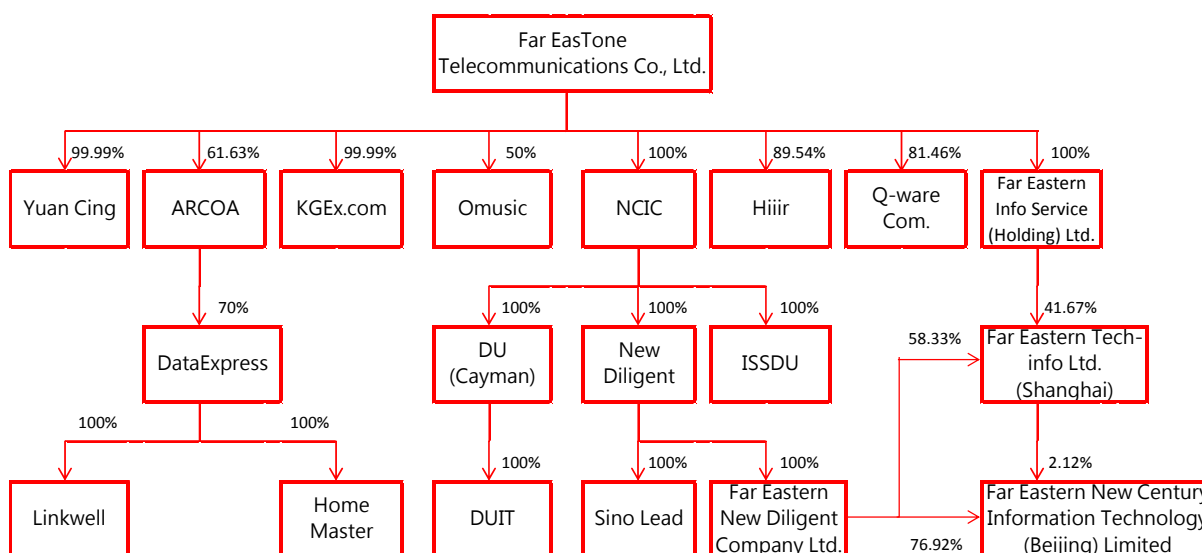
- 1. Affiliates Information**
- 2. Private Placement Securities in the Recent Year until the Annual Report being Published**
- 3. The Company's Shares Held or Disposed by Subsidiaries in the Recent Year until the Annual Report being Published**
- 4. Other Supplementary Information**
- 5. Material Event Impact, referred in Article 36, paragraph 2, item 2 of the Securities and Exchange Act, on Shareholders' Equity or Share Price in the Recent Year until the Annual Report being Published**

1. Affiliates Information

1-1 Consolidated Business Report of FET and Affiliates

(1) Organizational chart:

December 31, 2015



(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 equipment 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
KGEx.com Co., Ltd.	2000/8/9	4th Floor, No. 468, Ruei Guang Rd., Nei Hu, Taipei, Taiwan, R.O.C.	889,074	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
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

Company	Date of Incorporation	Address	Common Stock Issued	Major Business Activities
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
DataExpress 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.	45,804	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
Sino Lead Enterprise Limited	2006/4/11	Hong Kong Trade Centre, 7/F 161-167 Des Voeux Road Central, Hong Kong	125 (HK\$ 30,000)	Telecommunication services
Information Security Service Digital United Inc.	2004/12/22	2th floor, No. 218, Ruei Guang Rd., Nei Hu, Taipei, Taiwan, R.O.C.	102,490	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	RMB49,210,900 (US\$ 8,000,000)	Investment
Hiiir Co., Ltd.	2013/8/8	10th Floor, No. 220, Gangqian Rd., Nei Hu, 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	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:

- 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.
- 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 provides mobile virtual network operator services through Far EasTone's telecommunications facilities.
- d. Yuan Cing provides call center services to Far EasTone, ARCOA 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. Far 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 Far 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 Far EasTone and NCIC.
- j. Omusic and Hiiir provides electronic information services to Far EasTone.

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

			Unit: Number of Shares; %	
Company	Title	Name of Representative	Registered Shares Owned	
			Shares	% of Ownership
Far EasTone Telecommunications Co., Ltd.	Chairman	Yuan Ding Investment Co., Ltd. Douglas Hsu	1,066,657,614	32.73
	Managing Director	Yuan Ding Investment Co., Ltd. Peter Hsu	1,066,657,614	32.73
	Managing Director	Yuan Ding Investment Co., Ltd. Jan Nilsson	1,066,657,614	32.73
	Director	U-MING Marine Transport Corp. Keisuke Yoshizawa	331,000	0.01
	Independence Director	Lawrence Juen-Yee LAU	-	-
	Director	Yuan Ding Co., Ltd. Champion Lee	4,163,500	0.13
	Director	Yuan Ding Co., Ltd. Jeff Hsu	4,163,500	0.13
	Independence Director	Kurt Roland Hellström	-	-
	Independence Director	Chung Laung Liu	-	-
	Director	Asia Investment Corporation Bonnie Peng	986,303	0.03
	Director	Ding Yuan International Investment Co., Ltd. Toon Lim	919,653	0.03
	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. Jennifer Liu	1,200	100.00
	Director	Far EasTone Telecommunications Co., Ltd. Maggie Mei	1,200	100.00
	General manager	Yvonne Li	-	-

(Continued)

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	% of Ownership
KGEx.com Co., Ltd.	Chairman	Far EasTone Telecommunications Co., Ltd. Jeffrey Gee (Note 1)	88,894,286	99.99
	Director	Far EasTone Telecommunications Co., Ltd. Mike Lee	88,894,286	99.99
	Director	Far EasTone Telecommunications Co., Ltd. Jessica Chen	88,894,286	99.99
	Director	Far EasTone Telecommunications Co., Ltd. James Lee	88,894,286	99.99
	Director	Far EasTone Telecommunications Co., Ltd. Hae-Shung Ju	88,894,286	99.99
	Supervisor	T.Y. Yin	-	-
	General manager	Jeffrey Gee (Note 1)	-	-
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. Jennifer 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. Brian Chao	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	Jessie Teng	-	-

(Continued)

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	% of Ownership
Q-ware Communications Co., Ltd.	Chairman	Far EasTone Telecommunications Co., Ltd. Yvonne Li	33,982,812	81.46
	Director	Far EasTone Telecommunications Co., Ltd. Mike Lee	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. Samuel Yuan	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 General manager	Sharon Lin Dick Lin	- -	- -
O-music Co., Ltd.	Chairman	Universal Music Ltd. Sunny Chang	225,000	4.50
	Director	Far EasTone Telecommunications Co., Ltd. Yvonne Li	2,500,000	50.00
	Director	Far EasTone Telecommunications Co., Ltd. Jennifer Liu	2,500,000	50.00
	Director	Far EasTone Telecommunications Co., Ltd. Elliza Tu	2,500,000	50.00
	Director	Far EasTone Telecommunications Co., Ltd. Eton Shu	2,500,000	50.00
	Director	Forward Music Co., Ltd. Barry Lee	225,000	4.50
	Director	Sony Music Entertainment Taiwan Ltd. T.Y. Yin	225,000	4.50
	Supervisor	Otiga Technologies Limited	-	-
	Supervisor	Ipang Lin	550,000	11.00
	Supervisor	HIM International Music Inc. Lydia Ho	225,000	4.50
	General manager	Belung Chang	150,000	3.00
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.	Director	DataExpress Infotech Co., Ltd. Maxwell Cheng	-	100.00
Home Master Technology Ltd.	Director	DataExpress Infotech Co., Ltd. Maxwell Cheng	-	100.00
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. Mike Lee	2,100,000,000	100.00
	Supervisor	Far EasTone Telecommunications Co., Ltd. T. Y. Yin	2,100,000,000	100.00
	General manager	Jeffrey Gee (Note 2)	-	-

(Continued)

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	% of Ownership
New Diligent Co., Ltd.	Chairman	New Century InfoComm Tech Co., Ltd. Eric Li	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. James Lee	80,000,000	100.00
	Supervisor	New Century InfoComm Tech Co., Ltd. T. Y. Yin	80,000,000	100.00
Sino Lead Enterprise Limited	Director	New Diligent Co., Ltd. Mike Lee	-	100.00
Information Security Service Digital United	Chairman	New Century InfoComm Tech Co., Ltd. Mike Lee	10,249,047	100.00
	Director	New Century InfoComm Tech Co., Ltd. Mark Lee	10,249,047	100.00
	Director	New Century InfoComm Tech Co., Ltd. Eric Li	10,249,047	100.00
	Supervisor	New Century InfoComm Tech Co., Ltd. T. Y. Yin	10,249,047	100.00
Digital United (Cayman) Ltd.	Chairman	New Century InfoComm Tech Co., Ltd. Mike Lee	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. Mike Lee	-	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. Jennifer Liu	-	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 EastTone Telecommunications Co., Ltd. Jennifer Liu	53,726,000	89.54
	Director	Far EastTone Telecommunications Co., Ltd. Magdalena Lin	53,726,000	89.54
	Director	Far EastTone Telecommunications Co., Ltd. Joann Chang	53,726,000	89.54
	Director	Far EastTone Telecommunications Co., Ltd. Belinda Chen	53,726,000	89.54
	Director	Far EastTone Telecommunications Co., Ltd. John Yeh	53,726,000	89.54
	Supervisor	Far EastTone 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) Jennifer Liu	-	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) Sharon Lin	-	2.12
	General manager	Alex Chang	-	-

(Concluded)

Note 1: Mike Lee succeeded as chairman and general manager of KGEx.com since February 16, 2016.

Note 2: Yvonne Li succeeded as general manager of NCIC since February 16, 2016.

(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	\$ 138,611,025	\$ 66,704,660	\$ 71,906,365	\$ 80,765,722	\$ 12,098,334	\$ 11,485,695	\$ 3.52
Far Eastern Info Service (Holding) Ltd. (British Bermuda Islands)	RMB (US\$ 99,240 12,000)	RMB 9,089,723	RMB 14,717	RMB 9,075,006	-	RMB (67,928)	RMB(4,191,131)	(RMB 3,493)
E. World (Holdings) Ltd. (British Cayman Islands)	-	-	-	-	-	(414)	(215)	N/A
KGEx.com Co., Ltd.	889,074	1,042,464	96,778	945,686	598,789	52,110	56,612	0.51
Far Eastern Tech-info Ltd. (Shanghai)	RMB 42,231,150	RMB 22,770,195	RMB 1,183,564	RMB 21,586,631	-	RMB (77,986)	RMB(9,905,860)	N/A
Yuan Cing Co., Ltd.	193,500	148,508	10,557	137,951	50,031	12,247	11,334	0.59
ARCOA Communication Co., Ltd.	1,342,800	3,909,846	2,126,331	1,783,515	20,502,460	187,864	201,715	1.50
Far EasTron Holding Ltd. (British Cayman Islands)	-	-	-	-	-	267	267	N/A
Q-ware Communications Co. Ltd.	417,149	407,945	485,176	(77,231)	248,009	6,883	254	0.01
Omusic Co., Ltd.	50,000	87,465	79,614	7,851	205,222	7,040	7,912	1.58
DataExpress Infotech Co., Ltd.	183,805	1,043,349	791,158	252,191	3,623,513	67,168	51,792	2.82
Linkwell Technology Ltd.	45,804	267,171	223,758	43,413	1,433,278	(7,289)	(6,369)	N/A
Home Master Technology Ltd.	12,725	27,453	36,630	(9,177)	194,095	(5,900)	(6,240)	N/A
New Century InfoComm Tech. Co., Ltd.	21,000,000	27,737,192	3,077,649	24,659,543	13,683,439	3,021,574	3,032,150	1.44
New Diligent Co., Ltd	800,000	563,925	147	563,778	-	(279)	(68,414)	(0.86)
Simple Infocomm Co., Ltd	-	-	-	-	-	(181)	24	N/A
Sino Lead Enterprise Limited	(HK\$ 125 30,000)	25,248	25,148	100	114,336	(131)	(126)	N/A
Information Security Service Digital United Inc.	102,490	161,340	56,849	104,491	211,085	2,215	2,502	0.17
Digital United (Cayman) Ltd.	RMB (US\$ 33,039,600 4,320,000)	RMB 6,531,395	RMB 13,893	RMB 6,517,502	-	RMB (50,984)	RMB (1,355,034)	RMB (0.31)
Digital United Information Technologies (shanghai) Ltd.	RMB 23,552,583	RMB 3,333,325	RMB 1,167,828	RMB 2,165,497	RMB 6,631,298	RMB (1,504,247)	RMB (1,495,368)	N/A
Far Eastern New Diligent Company Ltd.	RMB (US\$ 49,210,900 8,000,000)	RMB 15,876,499	RMB 4,475,315	RMB 11,401,184	-	RMB (27,644)	RMB (15,475,112)	N/A
Hiiir Co., Ltd.	600,000	308,157	166,406	141,751	465,252	(323,797)	(323,516)	(5.39)
Far Eastern New Century Information Technology (Beijing) Limited	RMB 32,054,443	RMB 35,519,725	RMB 41,248,118	RMB (5,728,393)	RMB 2,309,206	RMB (12,020,183)	RMB (12,808,266)	N/A

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

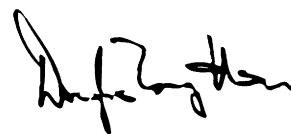
February 17, 2016

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, 2015 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, 2015 and 2014, as provided in International Accounting Standard 10 “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, 2015 and 2014. Hence, we did not prepare a separate set of consolidated financial statements of affiliates for the year ended December 31, 2015.

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 2015 dated February 17, 2016 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, 2015 ("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 2015 Affiliation Report and the Criteria and the Notes for the year ended December 31, 2015.

March 31, 2016

By

Deloitte and Touche Co.

CPA, Annie Lin



CPA, Denny Kuo



(2) Declaration for the Affiliation Report of the Company**DECLARATION FOR THE AFFILIATION REPORT OF
FAR EASTONE TELECOMMUNICATIONS CO., LTD.**

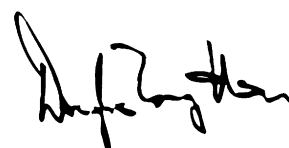
February 17, 2016

We hereby declare that the Affiliation Report of 2015 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, 2015.

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, 2015

(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	Chairman Managing director Managing director	Douglas Hsu Peter Hsu Jan Nilsson
Yuan Ding Co., Ltd.	Indirect control over the management of the personnel, financial or business operation of Far EasTone	4,163,500	0.13	-	Director Director	Champion Lee Jeff Hsu
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 Co. Ltd.	Indirect control over the management of the personnel, financial or business operation of Far EasTone	919,653	0.03	-	Director	Toon Lim
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	21,049,646	-	-
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.****PURCHASE (SALE) OF GOODS BETWEEN THE SUBORDINATE COMPANY AND THE PARENT COMPANY FOR THE YEAR ENDED DECEMBER 31, 2015**

(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	\$417	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, 2015**

(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	\$ 269	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	433	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	2,849	None
Leasing	BTS00007979	No. 2, Alley 266, Desing Rd., Hu-Kuo Township, Hsin-Chu County	2000.11.15-2020.11.14	Operating	Same as normal leasing	Bank remittance monthly	Same	402	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	445	None
Total								\$ 4,398	

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

None.

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

None.

4. Other Supplementary Information

None.

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

For details please refer 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”.

Far EasTone Telecommunications.Co., Ltd.
Annual Report 2015



Financial Information

- 1. Condensed Financial Statement for Recent 5 Years**
- 2. Financial Analysis for Recent 5 Years**
- 3. 2015 Audit committee's Review Report**
- 4. 2015 Independent Auditors' Report, Consolidated Financial Statements and Notes**
- 5. 2015 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

2016/3/31; Unit: NT\$' 000

Year		2016/1/1 ~ 2016/3/31	Financial Information for Recent 5 years				
Item			2015	2014	2013	2012	2011
Current Assets		Not Applicable	26,860,174	12,249,998	12,013,097	11,689,499	Not Applicable
Properties, Plants and Equipment			33,288,032	31,895,203	29,010,816	29,943,751	
Intangible assets			44,399,748	46,286,658	47,375,765	16,843,918	
Other Assets			34,063,071	32,749,617	30,937,732	35,132,575	
Total Assets			138,611,025	123,181,476	119,337,410	93,609,743	
Current	Before Distribution		24,926,487	23,745,078	23,299,694	17,883,205	
Liabilities	After Distribution		(Note 1)	35,964,456	35,519,072	29,287,958	
Non-current Liabilities			41,778,173	26,688,748	22,565,752	2,504,412	
Total	Before Distribution		66,704,660	50,433,826	45,865,446	20,387,617	
Liabilities	After Distribution		(Note 1)	62,653,204	58,084,824	31,792,370	
Capital Stocks			32,585,008	32,585,008	32,585,008	32,585,008	
Capital	Before Distribution		12,058,158	14,009,061	15,919,097	17,790,049	
Surplus	After Distribution		(Note 1)	12,109,355	14,009,616	15,926,187	
Retained	Before Distribution	27,388,411	26,292,678	25,074,891	22,749,750		
Earnings	After Distribution	(Note 1)	15,973,006	14,764,994	13,208,859		
Other Shareholders' Equity Item		(125,212)	(139,097)	(107,032)	97,319		
Total	Before Distribution	71,906,365	72,747,650	73,471,964	73,222,126		
Shareholders' Equity	After Distribution	(Note 1)	60,528,272	61,252,586	61,817,373		

Note 1: The appropriation of 2015 earning has not been approved by the shareholders' meeting.

Analysis of major variations:

Current assets and non-current liabilities increased mainly due to that Far Eastone obtained 2600MHz spectrum in December 2015.

Long -term bank loans were utilized in support of bid payment, so that balance of cash/cash equivalent and long term loans increased substantially.

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

2016/3/31; Unit: Except EPS is NT dollar; others are NT\$'000

Year		2016/1/1 ~	Financial Information for Recent 5 Years			
Item	2016/3/31	2015	2014	2013	2012	2011
Operating Revenues	Not Applicable	80,765,722	78,403,544	73,954,595	71,570,338	Not Applicable
Gross Profit		32,716,019	32,804,061	32,204,042	30,939,952	
Operating Income		12,098,334	12,127,124	13,411,215	11,830,643	
Non-Operating Income and Expenses		1,742,522	1,715,125	1,006,820	1,067,061	
Income before Tax		13,840,856	13,842,249	14,418,035	12,897,704	
Net Income from Operating Business		11,485,695	11,482,985	11,829,195	10,591,519	
Net Income (Loss)		11,485,695	11,482,985	11,829,195	10,591,519	
Other Comprehensive Income Loss (Net of income tax)		(45,363)	12,634	(189,595)	14,757	
Total Comprehensive Income		11,440,332	11,495,619	11,639,600	10,606,276	
Earnings Per Share		3.52	3.52	3.63	3.25	

Analysis of major variations:

Decrease in Other Comprehensive Income: mainly due to the disposal of available-for-sale assets. The unrealized gain of the aforementioned disposal was originally recognized under "Other Comprehensive Income", thus was re-recognized as "Non-Operating Income". Additionally, it had an increasing loss from "Remeasurement of defined benefit plans".

1-1-3 Condensed Balance Sheet-by Consolidated

2016/3/31; Unit: NT\$'000

Item	Year	2016/1/1 ~ 2016/3/31 (Note 1)	Financial Information In Recent 5 years				
			2015	2014	2013	2012	2011
Current Assets		32,445,611	34,299,373	20,806,012	19,345,807	28,238,250	Not Applicable
Properties, Plants and Equipment		51,432,604	52,045,655	50,938,477	48,034,681	48,884,549	
Intangible assets		54,247,536	45,677,996	47,703,750	48,869,963	18,385,061	
Other Assets		3,828,086	4,858,147	4,259,948	3,973,325	3,707,780	
Total Assets		141,953,837	136,881,171	123,708,187	120,223,776	99,215,640	
Current Liabilities	Before Distribution	25,170,079	21,683,305	22,675,815	22,632,007	21,854,190	
	After Distribution	(Note 2)	(Note 2)	34,980,300	34,949,072	33,355,341	
Non-current Liabilities		41,177,982	42,538,970	27,479,371	23,335,030	3,389,511	
Total Liabilities	Before Distribution	66,348,061	64,222,275	50,155,186	45,967,037	25,243,701	
	After Distribution	(Note 2)	(Note 2)	62,459,671	58,284,102	36,744,852	
Equity Attributable to Owners of Far EasTone	Before Distribution	74,843,050	71,906,365	72,747,650	73,471,964	73,222,126	
	After Distribution	(Note 2)	(Note 2)	60,528,272	61,252,586	61,817,373	
Capital Stocks		32,585,008	32,585,008	32,585,008	32,585,008	32,585,008	
Capital Surplus	Before Distribution	12,058,158	12,058,158	14,009,061	15,919,097	17,790,049	
	After Distribution	(Note 2)	(Note 2)	12,109,355	14,009,616	15,926,187	
Retained Earnings	Before Distribution	30,388,569	27,388,411	26,292,678	25,074,891	22,749,750	
	After Distribution	(Note 2)	(Note 2)	15,973,006	14,764,994	13,208,859	
Other Shareholders' Equity Item		(188,685)	(125,212)	(139,097)	(107,032)	97,319	
Non-controlling Interest	Before Distribution	762,726	752,531	805,351	784,775	749,813	
	After Distribution	(Note 2)	(Note 2)	720,244	687,088	653,415	
Total Shareholders' Equity	Before Distribution	75,605,776	72,658,896	73,553,001	74,256,739	73,971,939	
	After Distribution	(Note 2)	(Note 2)	61,248,516	61,939,674	62,470,788	

Note:1 The financial statements for the first quarter of 2016 have been reviewed by CPA.

Note:2 The distribution of the 2015 earnings has not been approved by the shareholders' Meeting.

Analysis of major variations:

Current assets and non-current liabilities increased mainly due to that Far Eastone obtained 2600MHz spectrum in December 2015.

Long-term bank loans were utilized in support of bid payment, so that balance of cash/cash equivalent and long term loans increased substantially.

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

2016/3/31; Unit: Except EPS is NT dollar; others are NT\$'000

Item	Year	2016/1/1 ~ 2016/3/31 (Note 1)	Financial Information in Recent 5 Years				
			2015	2014	2013	2012	2011
Operating Revenues		23,819,456	97,293,218	94,175,600	89,670,579	86,665,697	Not Applicable
Gross Profit		9,611,881	38,509,786	38,022,308	36,765,967	35,169,779	
Operating Income		3,844,036	15,393,037	15,052,589	15,478,698	13,747,957	
Non-Operating Income and Expenses		(206,264)	(1,455,171)	(1,068,930)	(924,308)	(738,830)	
Income before Tax		3,637,772	13,937,866	13,983,659	14,554,390	13,009,127	
Net Income from Operating Business		3,010,256	11,534,251	11,565,631	11,906,383	10,634,451	
Net Income (Loss)		3,010,256	11,534,251	11,565,631	11,906,383	10,634,451	
Other Comprehensive Income Loss (Net of income tax)		(63,376)	(45,367)	12,734	(189,171)	15,625	
Total Comprehensive Income		2,946,880	11,488,884	11,578,365	11,717,212	10,650,076	
Net Income Attributable to Owners of Far EasTone		3,000,158	11,485,695	11,482,985	11,829,195	10,591,519	
Net Income Attributable to Non-Controlling Interest		10,098	48,556	82,646	77,188	42,932	
Comprehensive Income Attributable to Owners of Far EasTone		2,936,685	11,440,332	11,495,619	11,639,600	10,606,276	
Comprehensive Income Attributable to Non-Controlling Interest		10,195	48,552	82,746	77,612	43,800	
Earning Per Share		0.92	3.52	3.52	3.63	3.25	

Note 1: The financial statements for the first quarter of 2016 have been reviewed by CPA.

Analysis of major variation

The decrease in non-operating income and expenses in 2015 is mainly came from the increase in financial costs from parent company, losses incurred from disposal of properties, plants and equipment, and decreases in governmental allowances.

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

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

2015/12/31; Unit: NT\$' 000

Year		Financial Information In Recent 5 Years				
Item		2015	2014	2013	2012	2011
Current Assets					12,004,004	10,657,324
Fund and Investments					33,030,138	30,192,560
Fixed Assets					32,120,399	32,865,294
Intangible assets					14,667,270	15,397,976
Other Assets					749,184	719,017
Total Assets					92,570,995	89,832,171
Current Liabilities	Before Distribution				17,817,030	15,754,390
	After Distribution				29,221,783	25,529,892
Long-term Liabilities					-	-
Other Liabilities					1,831,086	2,100,914
Total Liabilities	Before Distribution	Not Applicable	Not Applicable	Not Applicable	19,648,116	17,855,304
	After Distribution				31,052,869	27,630,806
Capital Stocks					32,585,008	32,585,008
Capital Surplus	Before Distribution				17,867,334	19,546,610
	After Distribution				16,003,472	17,816,346
Retained Earnings	Before Distribution				22,366,064	19,811,394
	After Distribution				12,825,173	11,766,156
Unrealized gains or loss on financial product					99,244	26,824
Cumulative Translation Adjustment					5,229	7,031
Unrecognized net loss on pension fund					-	-
Total Shareholders' Equity	Before Distribution				72,922,879	71,976,867
	After Distribution				61,518,126	62,201,365

Analysis of major variations: Not Applicable.

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

2015/12/31; Unit: Except EPS is NT dollar; others are NT\$'000

Year		Financial Information In Recent 5 Years				
Item		2015	2014	2013	2012	2011
Operating Revenues					71,645,648	62,408,959
Gross Profit					31,014,266	27,592,813
Operating Income					11,825,986	10,935,419
Non-Operating Income and Gain					2,172,155	640,831
Non-Operating Expense and Loss					1,092,048	789,592
Income before Income Tax from Operating Business					12,906,093	10,786,658
Net Income from Operating Business		Not Applicable	Not Applicable	Not Applicable	10,599,908	8,880,993
Net Income from Discontinued Business					-	-
Abnormal net income					-	-
Accumulated number from accounting principle changes					-	-
Net Income					10,599,908	8,880,993
Basic Earnings per Share (NT\$)					3.25	2.73

Analysis of major variations:

1. The increase in non-operating income and expenses in 2012 is due mainly to the fact that the 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 is due mainly to the fact that the Company disposed of fixed assets and recognized losses.

1-2-3 Condensed Balance Sheet- by Consolidated

2015/12/31; Unit: NT\$' 000

Year		Financial Information In Recent 5 Years				
Item		2015	2014	2013	2012	2011
Current Assets					28,562,145	25,167,527
Fund and Investments					1,183,073	570,162
Fixed Assets					51,043,955	51,657,149
Intangible assets					16,001,594	16,779,780
Other Assets					1,376,465	1,256,105
Total Assets					98,167,232	95,430,723
Current Liabilities	Before Distribution				21,776,655	20,085,202
	After Distribution				33,277,806	29,918,939
Long-term Liabilities					96,703	170,849
Other Liabilities					2,618,695	2,398,224
Total Liabilities	Before Distribution				24,492,053	22,654,275
	After Distribution				35,993,204	32,488,012
Capital Stocks					32,585,008	32,585,008
Capital Surplus	Before Distribution	Not Applicable	Not Applicable	Not Applicable	17,867,334	19,546,610
	After Distribution				16,003,472	17,816,346
Retained Earnings	Before Distribution				22,366,064	19,811,394
	After Distribution				12,825,173	11,766,156
Unrealized Gain or Loss on Financial Products					99,244	26,824
Cumulative Translation Adjustment					5,229	7,031
Unrecognized net loss on pension fund					-	-
Minority shareholders' interest	Before Distribution				752,300	799,581
	After Distribution				655,902	741,346
Total Shareholders' Equity	Before Distribution				73,675,179	72,776,448
	After Distribution				62,174,028	62,942,711

Analysis of major variations: Not Applicable.

1-2-4 Condensed Income Statement-By Consolidated

2015/12/31; Unit: Except EPS is NT dollar; others are NT\$'000

Year		Financial Information In Recent 5 Years				
Item		2015	2014	2013	2012	2011
Operating Revenues					86,745,290	75,748,831
Gross Profit					35,254,045	30,365,070
Operating Income					13,748,736	11,516,530
Non-Operating Income and gain					553,562	479,830
Non-Operating Expense and loss					1,297,639	1,121,799
Income before Income Tax from Operating Business					13,004,659	10,874,561
Net Income from Operating Business		Not Applicable	Not Applicable	Not Applicable	10,629,983	8,926,816
Consolidated Net Income					10,629,983	8,926,816
Consolidated Net Income Attributable to Owners of Far EasTone					10,599,908	8,880,993
Consolidated Income Attributable to Non-Controlling Interest					30,075	45,823
Basic Earning per Share (NT\$)					3.25	2.73

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
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
2015	Deloitte and Touche Co.	Annie Lin, Denny Kuo	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 by Denny Kuo in 2013. The auditor Tony Chang was replaced by Annie Lin in 2015.

2. Financial Analysis for Recent 5 Years

2-1 Financial Ratio Analysis -International Financial Reporting Standards

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

2016/3/31

Year		2016/1/1~ 2016/3/31	Financial Ratio Analysis for Recent 5 years				
Item			2015	2014	2013	2012	2011
Financial	Debt to Asset Ratio		48.12	40.94	38.43	21.78	
Structure	Long-term Funds to Properties, Plants and Equipment Ratio (%)		341.52	311.76	331.04	252.90	
Liquidity	Current Ratio (%)		107.76	51.59	51.56	65.37	
Analysis	Quick Ratio (%)		91.80	40.81	39.33	56.03	
(%)	Times Interest Earned (times)		30.34	38.47	163.67	1,690.07	
	Accounts Receivable Turnover (times)		11.47	11.22	10.61	10.47	
	Average Collection Days		31.82	32.53	34.40	34.86	
Operating	Inventory Turnover (times)		11.00	12.77	12.67	19.18	
Performance	Accounts Payable Turnover (times)		13.70	11.44	9.58	9.46	
	Inventory Turnover Days		33.18	28.58	28.80	19.03	
	Properties, Plant and Equipment Turnover (times)	Not Applicable	2.48	2.57	2.51	2.36	Not Applicable
	Total Assets Turnover (times)		0.62	0.65	0.69	0.78	
Profitability	Return on Assets (%)		9.07	9.72	11.18	11.53	
Analysis	Return on Equity (%)		15.88	15.71	16.13	14.61	
	Income before Tax to Capital ratio		42.48	42.48	44.25	39.58	
	Net Income Ratio (%)		14.22	14.65	16.00	14.80	
	Earnings per share (NT\$)		3.52	3.52	3.63	3.25	
	Cash Flow Ratio (%)		72.27	93.95	86.97	112.74	
Cash flow	Cash Flow Equivalent Ratio (%)		75.24	72.89	75.62	105.64	
	Cash Reinvestment Ratio (%)		2.82	4.88	4.25	5.66	
Leverage	Operating Leverage (times)		2.46	2.34	2.12	2.28	
Ratio	Financial Leverage (times)		1.04	1.03	1.01	1.00	

Analysis of variation plus - minus (+/-)20% in recent 2 years:

- (1) Current Ratio (%): The main reason for this variation is the increase of RP and short-term notes in cash and cash equivalents compared to last year.
- (2) Quick Ratio (%): The main reason for this variation is the increase of RP and short-term notes in cash and cash equivalents.
- (3) Times Interest Earned Ratio (%): Interest expenses increased significantly mainly due to long-term debts, and the re-evaluations of income tax have added significantly to interest incurred in 2014.
- (4) Cash Flow Ratio (%): The main reason for this change is the decrease in cash flows from operating activities compared to last year.
- (5) Cash Reinvestment Ratio: The main reason for this is the decrease of cash flows from operating activities compared to last year.

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

2016/3/31

Item	Year	2016/1/1~ 2016/3/31 (Note)	Financial Ratio Analysis for Recent 5 years				
			2015	2014	2013	2012	2011
Financial Structure (%)	Debt to Asset Ratio	46.74	46.92	40.54	38.23	25.44	Not Applicable
	Long-term Funds to Properties, Plants and Equipment Ratio	227.06	221.34	198.34	203.17	158.25	
Liquidity Analysis (%)	Current Ratio (%)	128.91	158.18	91.75	85.48	129.21	
	Quick Ratio (%)	111.15	131.59	73.40	62.87	114.50	
	Times Interest Earned (times)	32.33	32.49	41.49	124.32	280.70	
Operating Performance	Accounts Receivable Turnover (times)	11.82	11.67	11.23	10.85	10.98	
	Average Collection Days	30.87	31.27	32.50	33.64	33.24	
	Inventory Turnover (times)	7.27	7.97	7.59	7.18	9.39	
	Accounts Payable Turnover (times)	11.45	12.06	10.85	9.09	8.73	
	Inventory Turnover Days	50.20	45.79	48.08	50.83	38.87	
	Properties, Plant and Equipment Turnover (times)	1.84	1.89	1.90	1.85	1.76	
	Total Assets Turnover (times)	0.68	0.75	0.77	0.82	0.89	
Profitability Analysis	Return on Assets (%)	8.91	9.13	9.72	10.94	10.95	
	Return on Equity (%)	16.24	15.78	15.65	16.06	14.52	
	Income before Tax to Capital ratio (%)	44.66	42.77	42.91	44.67	39.92	
	Net Income Ratio (%)	12.64	11.86	12.28	13.28	12.27	
	Earnings per share (NT\$)	0.92	3.52	3.52	3.63	3.25	
Cash flow	Cash Flow Ratio (%)	34.92	97.09	112.83	96.77	107.84	
	Cash Flow Equivalent Ratio (%)	73.36	79.19	85.04	88.84	128.11	
	Cash Reinvestment Ratio (%)	3.75	3.78	5.74	4.50	6.69	
Leverage Ratio	Operating Leverage	2.17	2.13	2.11	2.04	2.19	
	Financial Leverage	1.03	1.03	1.02	1.01	1.00	

Note: The financial statements for the first quarter of 2016 have been reviewed by CPA.

Analysis of variation plus - minus (+/-) 20% in recent 2 years:

- (1) Current Ratio (%): The main reason for this variation is the increase of RP and short-term notes in cash and cash equivalents compared to last year.
- (2) Quick Ratio (%): The main reason for this variation is the increase of RP and short-term notes in cash and cash equivalents.
- (3) Times Interest Earned Ratio (%): Interest expenses increased significantly mainly due to long-term debts, and the re-evaluations of income tax have added significantly to interest incurred in 2014.
- (4) Cash Reinvestment Ratio (%): The main reason for this change is the decrease in cash flows from operating activities compared to last year.

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:

2015/12/31

Year		Financial Analysis for Recent 5 Years				
Item		2015	2014	2013	2012	2011
Financial Structure (%)	Debt to Asset Ratio				21.22	19.88
	Long-term Funds to Fixed Assets Ratio				227.03	219.01
Liquidity Analysis (%)	Current Ratio (%)				67.37	67.65
	Quick Ratio (%)				58.01	59.20
	Times Interest Earned (times)				1,691.16	531.24
Operating Performance	Accounts Receivable Turnover (times)				10.48	9.74
	Average Collection Days				34.82	37.47
	Inventory Turnover (times)				19.18	17.23
	Accounts Payable Turnover (times)				9.46	9.96
	Inventory Turnover Days				19.03	21.18
	Fixed Assets Turnover (times)				2.23	1.90
	Total Assets Turnover (times)				0.77	0.69
		Not Applicable	Not Applicable	Not Applicable		
Profitability Analysis	Return on Assets (%)				11.63	9.83
	Return on Equity (%)				14.63	12.40
	To Capital ratio (%)				36.29	33.56
	Operating Income Income Before Tax				39.61	33.10
	Net Income Ratio (%)				14.79	14.23
	Basic EPS (NT\$)				3.25	2.73
	Diluted EPS (NT\$)				3.25	2.72
	Retrospective Adjustment to EPS (NT\$)				3.25	2.73
Cash flow	Cash Flow Ratio (%)				113.16	130.00
	Cash Flow Equivalent Ratio (%)				105.08	106.90
	Cash Reinvestment Ratio (%)				5.83	7.24
Leverage Ratio	Operating Leverage				2.29	2.33
	Financial Leverage				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:

2015/12/31

Year		Financial Analysis for Recent 5 Years				
Item		2015	2014	2013	2012	2011
Financial Structure (%)	Debt to Asset Ratio				24.95	23.74
	Long-term Funds to Fixed Assets Ratio				144.53	141.21
Liquidity Analysis (%)	Current Ratio (%)				131.16	125.30
	Quick Ratio (%)				116.39	111.40
	Times Interest Earned (times)				280.60	179.11
Operating Performance	Accounts Receivable Turnover (times)				10.99	10.43
	Average Collection Days				33.23	35.00
	Inventory Turnover (times)				9.39	9.16
	Accounts Payable Turnover (times)				8.73	9.63
	Inventory Turnover Days				38.85	39.83
	Fixed Assets Turnover (times)				1.70	1.47
	Total Assets Turnover (times)				0.88	0.79
	Return on Assets (%)	Not Applicable	Not Applicable	Not Applicable	11.02	9.30
Profitability Analysis	Return on Equity (%)				14.52	12.20
	To Capital Operating Income ratio (%)				42.19	35.34
	Income Before Tax				39.91	33.37
	Net Income Ratio (%)				12.25	11.78
	Basic EPS (NT\$)				3.25	2.73
	Diluted EPS (NT\$)				3.25	2.72
Cash flow	Retrospective Adjustment to EPS (NT\$)				3.25	2.73
	Cash Flow Ratio (%)				108.36	112.75
	Cash Flow Equivalent Ratio (%)				128.23	131.87
Leverage Ratio	Cash Reinvestment Ratio (%)				6.87	7.57
	Operating Leverage				2.19	2.43
	Financial Leverage				1.00	1.01

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

The formulas for the above table:

- Financial Structure
 - Debts to Assets Ratio = Total Liabilities / Total Assets
 - Long-term Funds to Fixed Assets Ratio = (Total Shareholders' Equity + Long-term Liabilities) / Net Fixed Assets
- Liquidity Analysis
 - Current Ratio = Current Assets / Current Liabilities
 - Quick Ratio = (Current Assets - Inventory - Prepaid Expense) / Current Liabilities
 - Times Interest Earned Ratio = (Net Income before Income Tax and Interest Expenses) / Interest Expense
- Operating Performance
 - Account Receivable* Turnover = Net Sales / Average Accounts Receivable*
(* including Accounts Receivable and Notes Receivable originated from operating)
 - Average Collection Days = 365 / Accounts Receivable Turnover
 - Inventory Turnover = Costs of Good Sold / Average Inventory
 - Accounts Payable** Turnover = Costs of Good Sold / Average Accounts Payable**
(** including Accounts payable and Notes Payable originated from operating)
 - Average Inventory Turnover Days = 365 / Inventory Turnover
 - Fixed Assets Turnover Ratio = Net Sales / Average Net Fixed Assets
 - Total Assets Turnover Ratio = Net Sales / Average Total Assets
- Profitability Analysis
 - Return on Assets = [Net Income + Interest Expense × (1 - Tax Rate)] / Average Total Assets
 - Return on Shareholders' Equity = Net Income / Average Shareholders' Equity
 - Net Income Ratio = Net Income / Net Sales
 - Earnings per Share = (Net Income - Preferred Stock Dividend) / Weighted-average Number of Outstanding Shares.
- Cash Flow
 - Cash Flow Ratio = Cash Flows from Operating Activities / Current Liabilities
 - 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
 - Cash Reinvestment Ratio = (Net Cash Flow from Operating Activities - Cash Dividends) / (Gross Fixed Assets + Long-term Investment + Other Assets + Working Capital)
- Leverage Ratio
 - Operating Leverage = (Net Sales - Variable Operating Costs and Expenses) / Operating Income
 - Financial Leverage = Operating Income / (Operating Income - Interest Expenses)

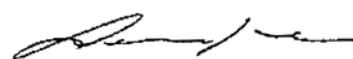
3. 2015 Audit Committee's Review Report

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2015 Business Report, the Financial Statements and the Proposal for Profit Distribution. The CPAs of Deloitte & Touche, Annie Lin and Denny Kuo have audited the Financial Statements (including the Stand-alone & the Consolidated Financial Reports) and issued the audit opinions. The Business Report, Financial Statements, and the Proposal for Profit Distribution have been reviewed and determined to be correct and accurate by the Audit Committee members of Far EasTone Telecommunications Co., Ltd. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Far EasTone Telecommunications Co., Ltd.

Chairman of the Audit Committee:



Lawrence Juen-Yee LAU

February 20, 2016

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, 2015, December 31, 2014 and January 1, 2014, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. 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, 2015, December 31, 2014 and January 1, 2014, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2015 and 2014, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting standards (IAS), IFRIC Interpretations (IFRIC) and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the parent company only financial statements of Far EasTone as of and for the years ended December 31, 2015 and 2014 on which we have issued unqualified report and modified unqualified report, respectively.

Deloitte & Touche

February 17, 2016

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial 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, 2015		December 31, 2014 (Audited after Restated)		January 1, 2014 (Audited after Restated)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents (Notes 4, 6 and 33)	\$ 15,994,767	12	\$ 3,853,038	3	\$ 2,821,165	2
Available-for-sale financial assets - current (Notes 4, 7 and 33)	665,295	1	756,971	1	706,310	1
Held-to-maturity financial assets - current (Note 4)	-	-	-	-	99,962	-
Derivative financial assets for hedging - current (Notes 4 and 8)	6,015	-	-	-	4,442	-
Debt investments with no active market - current (Notes 4, 10 and 33)	1,522,052	1	2,408,681	2	1,320,618	1
Notes receivable, net (Notes 4 and 11)	60,620	-	70,289	-	51,707	-
Accounts receivable, net (Notes 4 and 11)	6,795,633	5	7,139,202	6	6,894,733	6
Accounts receivable - related parties (Notes 4, 11 and 33)	224,184	-	245,098	-	311,507	-
Inventories (Notes 4 and 12)	4,505,195	3	2,846,890	2	4,018,112	3
Prepaid expenses	1,260,828	1	1,315,880	1	1,099,031	1
Other financial assets - current (Notes 4, 33 and 34)	2,777,469	2	1,928,626	2	1,742,124	2
Other current assets (Note 33)	487,315	-	241,337	-	276,096	-
Total current assets	34,299,373	25	20,806,012	17	19,345,807	16
NONCURRENT ASSETS						
Financial assets carried at cost (Notes 4 and 9)	218,308	-	218,308	-	76,407	-
Investments accounted for using the equity method (Notes 4, 14 and 33)	1,051,237	1	1,183,492	1	1,037,880	1
Property, plant and equipment, net (Notes 4, 15 and 33)	52,045,655	38	50,938,477	41	48,034,681	40
Investment properties (Notes 4 and 16)	1,107,586	1	1,159,421	1	1,174,896	1
Concessions, net (Notes 1, 4 and 17)	31,834,869	23	33,875,995	27	34,968,533	29
Goodwill (Notes 4 and 17)	10,808,901	8	10,826,174	9	10,826,174	9
Other intangible assets (Notes 4 and 17)	3,034,226	2	3,001,581	2	3,075,256	2
Deferred income tax assets (Notes 4 and 27)	768,344	1	975,402	1	992,940	1
Other noncurrent assets (Notes 1, 4, 18, 23, 33 and 34)	1,712,672	1	723,325	1	691,202	1
Total noncurrent assets	102,581,798	75	102,902,175	83	100,877,969	84
TOTAL	\$ 136,881,171	100	\$ 123,708,187	100	\$ 120,223,776	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Notes 4 and 19)	\$ 506,971	1	\$ 357,995	-	\$ 1,804,122	2
Short-term bills payable (Notes 4 and 19)	329,708	-	529,648	1	519,574	-
Derivative financial liabilities for hedging - current (Notes 4, 8 and 33)	11,016	-	14,950	-	-	-
Notes payable	13,494	-	21,149	-	17,118	-
Accounts payable (Note 33)	4,526,958	4	5,187,041	4	5,123,707	4
Other payables (Note 21)	9,660,725	7	9,686,894	8	8,712,839	7
Current tax liabilities (Note 4)	1,718,345	1	3,250,972	3	2,997,094	3
Provisions - current (Notes 4 and 22)	203,557	-	178,412	-	124,739	-
Unearned revenue (Note 4)	2,444,973	2	2,582,802	2	2,276,460	2
Current portion of long-term borrowings (Notes 4 and 20)	1,599,112	1	-	-	99,869	-
Guarantee deposits received - current	267,164	-	285,707	-	310,734	-
Other current liabilities (Notes 4 and 33)	401,282	-	580,245	1	645,751	1
Total current liabilities	21,683,305	16	22,675,815	19	22,632,007	19
NONCURRENT LIABILITIES						
Bonds payable (Notes 4 and 20)	18,381,236	13	19,973,096	16	19,965,600	17
Long-term borrowings (Notes 4 and 19)	20,490,001	15	4,100,000	3	-	-
Provisions - noncurrent (Notes 4 and 22)	811,094	1	763,223	1	705,863	-
Deferred income tax liabilities (Notes 4 and 27)	1,467,505	1	1,331,651	1	1,123,151	1
Deferred revenue - noncurrent (Notes 4 and 21)	214,367	-	239,342	-	350,414	-
Net defined benefit liabilities - noncurrent (Notes 3, 4 and 23)	732,152	1	669,379	1	731,661	1
Guarantee deposits received - noncurrent	318,443	-	340,206	-	361,568	-
Other noncurrent liabilities (Notes 4 and 14)	124,172	-	62,474	-	96,773	-
Total noncurrent liabilities	42,538,970	31	27,479,371	22	23,335,030	19
Total liabilities	64,222,275	47	50,155,186	41	45,967,037	38
EQUITY ATTRIBUTABLE TO OWNERS OF FAR EASTONE						
Capital stock						
Common stock	32,585,008	23	32,585,008	27	32,585,008	27
Capital surplus	12,058,158	9	14,009,061	11	15,919,097	13
Retained earnings						
Legal reserve	15,127,206	11	13,978,791	11	12,822,948	11
Special reserve	824,480	1	755,749	1	-	-
Unappropriated earnings	11,436,725	8	11,558,138	9	12,251,943	10
Total retained earnings	27,388,411	20	26,292,678	21	25,074,891	21
Other equity	(125,212)	-	(139,097)	-	(107,032)	-
Total equity attributable to owners of Far Eastone	71,906,365	52	72,747,650	59	73,471,964	61
NONCONTROLLING INTERESTS						
Total equity	72,658,896	53	73,553,001	59	74,256,739	62
TOTAL	\$ 136,881,171	100	\$ 123,708,187	100	\$ 120,223,776	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		
	2015	2014	
	Amount	(Audited after Restated)	%
OPERATING REVENUES (Notes 4, 25 and 33)	\$ 97,293,218	\$ 94,175,600	100
OPERATING COSTS (Notes 3, 4, 12, 26 and 33)	58,783,432	56,153,292	60
GROSS PROFIT	38,509,786	38,022,308	40
OPERATING EXPENSES (Notes 3, 4, 26 and 33)			
Marketing	17,034,243	17,029,435	18
General and administrative	6,082,506	5,940,284	6
Total operating expenses	23,116,749	22,969,719	24
OPERATING INCOME	15,393,037	15,052,589	16
NONOPERATING INCOME AND EXPENSES			
Other income (Notes 4, 26 and 33)	125,031	197,469	-
Other gains and losses (Notes 4, 8, 16 and 33)	102,366	106,471	-
Financial costs (Notes 4, 26 and 33)	(442,567)	(345,337)	-
Loss on disposal of property, plant, equipment and intangible assets (Note 4)	(962,734)	(859,935)	(1)
Share of the profit of associates (Note 4)	(277,267)	(167,598)	-
Total nonoperating income and expenses	(1,455,171)	(1,068,930)	(1)
INCOME BEFORE INCOME TAX	13,937,866	13,983,659	15
INCOME TAX (Notes 4 and 27)	2,403,615	2,418,028	3
NET INCOME	11,534,251	11,565,631	12
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit plans (Notes 4 and 23)	(59,416)	45,041	-
Share of other comprehensive income of associates accounted for using the equity method (Note 4)	206	(453)	-
	(59,210)	44,588	-

(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		
	2015	2014	
	Amount	(Audited after Restated)	%
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations (Notes 4 and 24)	\$ (1,370)	\$ 3,964	-
Unrealized gains (losses) on available-for-sale financial assets (Notes 4 and 24)	(84,459)	49,716	-
Cash flow hedges (Notes 4, 8 and 24)	21,697	(40,394)	-
Share of other comprehensive income of associates accounted for using the equity method (Note 4)	77,975	(45,140)	-
	13,843	(31,854)	-
Total other comprehensive income, net of income tax	(45,367)	12,734	-
TOTAL COMPREHENSIVE INCOME	\$ 11,488,884	\$ 11,578,365	12
NET INCOME ATTRIBUTABLE TO:			
Owners of Far Eastone	\$ 11,485,695	\$ 11,482,985	12
Noncontrolling interests	48,556	82,646	-
	\$ 11,534,251	\$ 11,565,631	12
COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of Far Eastone	\$ 11,440,332	\$ 11,495,619	12
Noncontrolling interests	48,552	82,746	-
	\$ 11,488,884	\$ 11,578,365	12
EARNINGS PER SHARE, NEW TAIWAN DOLLARS (Note 28)			
Basic	\$ 3.52	\$ 3.52	
Diluted	\$ 3.52	\$ 3.52	

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							Noncontrolling Interests (Notes 4 and 24)	Total Equity
	Share Capital (Note 24)	Capital Surplus (Notes 4 and 24)	Retained Earnings		Exchange Differences on Translating Foreign Operations (Notes 4 and 24)	Other Equity Unrealized Gains (Losses) on Available-for-sale Financial Assets (Notes 4 and 24)	Cash Flow Hedges (Notes 4, 8 and 24)		
			Legal Reserve (Note 24)	Special Reserve (Note 24)					
BALANCE AT JANUARY 1, 2014	\$ 32,585,008	\$ 15,919,097	\$ 12,822,948	\$ -	\$ (1,564)	\$ 49,319	\$ (154,787)	\$ 784,775	\$ 74,234,658
Effect of retrospective application and restatement	-	-	-	-	-	-	-	-	22,081
BALANCE AT JANUARY 1, 2014 AS RESTATED	32,585,008	15,919,097	12,822,948	-	(1,564)	49,319	(154,787)	784,775	74,256,739
Appropriation of the 2013 earnings	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	1,155,843	-	-	-	-	-	-
Special reserve	-	-	-	107,032	-	-	-	-	-
Cash dividends - NT\$3.164 per share	-	-	-	-	-	-	-	-	(10,309,897)
Special reserve under Rule No. 1030006415 issued by the FSC	-	-	-	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)	-	-	-	-	-	35,517	31,972
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	(97,687)	(97,687)
Net income for the year ended December 31, 2014	-	-	-	-	-	11,482,985	-	82,646	11,565,631
Other comprehensive income (losses) for the year ended December 31, 2014	-	-	-	-	3,720	49,765	(85,550)	100	12,734
BALANCE AT DECEMBER 31, 2014	32,585,008	14,009,061	13,978,791	755,749	2,156	99,084	(240,337)	805,351	73,553,001
Appropriation of the 2014 earnings	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	1,148,415	-	-	-	-	-	-
Special reserve	-	-	-	68,731	-	-	-	-	-
Cash dividends - NT\$3.167 per share	-	-	-	-	-	-	-	-	(10,319,672)
Cash dividends from capital surplus - NT\$0.583 per share	-	(1,899,706)	-	-	-	-	-	-	(1,899,706)
Adjustments to share of changes in equities of associates	-	(51,197)	-	-	-	-	-	-	(62,239)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	(85,107)	(85,107)
Net income for the year ended December 31, 2015	-	-	-	-	-	11,485,695	-	48,556	11,534,251
Other comprehensive income (losses) for the year ended December 31, 2015	-	-	-	-	(1,327)	(84,459)	99,671	(4)	(45,367)
Return of cash capital due to a subsidiary's liquidation	-	-	-	-	-	-	-	(16,265)	(16,265)
BALANCE AT DECEMBER 31, 2015	\$ 32,585,008	\$ 12,058,158	\$ 15,127,206	\$ 824,480	\$ 829	\$ 14,625	\$ (140,666)	\$ 752,531	\$ 72,658,896

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 (Audited after Restated)
	2015	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 13,937,866	\$ 13,983,659
Adjustments for:		
Depreciation	8,538,292	8,618,768
Amortization	840,547	835,803
Amortization of concessions	2,041,126	1,092,538
Allowance for doubtful accounts	268,034	263,366
Financial costs	442,567	345,337
Interest income	(68,457)	(74,150)
Dividend income	(2,581)	(1,662)
Share of the loss of associates	277,267	167,598
Loss on disposal of property, plant, equipment and intangible assets	962,734	859,935
Transfer of property, plant, equipment to expenses	1,309	-
Gain on disposal of financial assets	(98,258)	(26,511)
Impairment loss on financial assets	-	1,385
Reversal of write-down of inventories	(51,629)	(925)
Impairment loss on nonfinancial assets	59,886	(48,260)
Loss (gain) on change in fair value of investment properties	51,835	(18,745)
Deferred loss on derivative assets for hedging	(24,786)	
Net changes in operating assets and liabilities		
Notes receivable	9,669	(21,895)
Accounts receivable	75,535	(504,522)
Accounts receivable - related parties	20,914	66,409
Inventories	(1,606,676)	1,172,147
Prepaid expenses	55,052	(216,849)
Other current assets	(59,929)	(33,075)
Notes payable	(7,655)	4,031
Accounts payable	(660,083)	63,334
Other payables	283,417	1,067,294
Provisions	(4,340)	40,278
Unearned revenue	(137,829)	306,342
Other current liabilities	(185,215)	(63,866)
Net defined benefit liabilities	(9,022)	(7,963)
Cash generated from operations	24,949,590	27,869,801
Interest received	71,526	63,335
Dividend received	7,173	5,850
Interest paid	(399,034)	(323,123)
Income taxes paid	(3,577,501)	(2,030,975)
Net cash generated from operating activities	21,051,754	25,584,888
		(Continued)

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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 (Audited after Restated)
	2015	
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	\$ (653,400)	\$ (60,000)
Proceeds of the disposal of available-for-sale financial assets	597,301	166,200
Disposal (acquisition) of debt investments with no active market	886,629	(1,088,063)
Proceeds on redemption of held-to-maturity financial assets	-	100,000
Acquisition of financial assets carried at cost	-	(150,000)
Proceeds of capital reduction of financial assets measured at cost	6,004	8,348
Acquisition of investments accounted for using the equity method	(106,000)	(360,000)
Disposal of investments accounted for using the equity method	19,600	-
Acquisition of property, plant and equipment	(10,905,829)	(12,406,322)
Proceeds of the disposal of property, plant and equipment	47,612	96,417
Increase in refundable deposits	(304,694)	(295,658)
Decrease in refundable deposits	293,322	261,068
Acquisition of intangible assets	(916,612)	(766,192)
Increase in other financial assets	(826,506)	(184,085)
Increase in noncurrent assets	(1,000,000)	-
Net cash used in investing activities	(12,862,573)	(14,678,287)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	148,976	(1,446,127)
(Decrease) increase in short-term bills payable	(199,940)	10,074
Proceeds of long-term borrowings	19,740,001	9,290,000
Repayment of long-term borrowings	(3,350,000)	(5,289,483)
Increase in guarantee deposits received	130,302	188,177
Decrease in guarantee deposits received	(170,608)	(234,566)
Decrease in deferred revenue	(24,975)	(111,072)
Cash dividend paid	(12,304,485)	(12,317,065)
Net changes in noncontrolling interests	(16,265)	31,972
Net cash (used in) generated from financing activities	3,953,006	(9,878,090)
EFFECT OF EXCHANGE RATE CHANGES	(458)	3,362
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,141,729	1,031,873
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	3,853,038	2,821,165
CASH AND CASH EQUIVALENTS, END OF THE YEAR	\$ 15,994,767	\$ 3,853,038

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

(Concluded)

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FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(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, 2015 and 2014, 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 licenses when they were due. One of the two type I licenses - GSM1800 island-wide was returned to the National Communications Commission (NCC) in April 2015, and the other one - GSM900 for the northern region of Taiwan was renewed and 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 2018 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. 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, with an annual license fee of 2% of total 2G wireless communications service revenues. This license was returned to NCC in April 2015. 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. The licence was returned to NCC when it was due. 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, 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 February 11, 2015, NCC approved that Far Eastone could terminate the WiMAX service on March 10, 2015.

Mobile Broadband Business (4G) License

On October 30, 2013, Far Eastone bid for a 4G (four-generation wireless communications services) wireless communications license - GSM700 and GSM1800 with validity through December 31, 2030 and a bidding price of \$31,315,000 thousand, and became licensed to provide 4G services and has had commercial operations of the 4G telecommunications service since then. Far Eastone also bid for a 4G wireless communications license - GSM2600, with the getting price of \$9,130,000 thousand on December 7, 2015. The deposit for bidding in the amount of \$1,000,000 thousand was included in other noncurrent assets.

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 17, 2016.

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

- Initial application of 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

Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC stipulated that the Group applied 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.

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

- 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 in) 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, please refer to Notes 13 and 14 for related disclosures.

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, 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. Refer to Notes 16 and 32 for related disclosure.

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. Remeasurement of the defined benefit plans is presented separately as other 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, 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 impact in the prior year is set out below:

	Carrying Amount	Adjustments Arising from Initial Application	Adjusted Carrying Amount
Impact on assets, liabilities and equity			
December 31, 2014			
Net defined benefit liabilities - noncurrent	\$ 690,298	\$ (20,919)	\$ 669,379
Retained earnings	\$ 26,271,759	\$ 20,919	\$ 26,292,678
January 1, 2014			
Net defined benefit liabilities - noncurrent	\$ 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) Annual Improvements to IFRSs: 2009-2011 Cycle

Several standards including IAS 1 “Presentation of Financial Statements” 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 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 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 consolidated balance sheet as of January 1, 2014.

b. 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 3)
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"	To be determined by IASB
Amendment to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
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, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
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 "Leases"	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: 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:

- 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.
- For debt instruments, if they are held within a business model whose objective is achieved by both the collecting contractual cash flows and selling financial assets, the financial assets are measured at fair value through other comprehensive income (FVOCI) 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 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 FVOCI, 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) 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.

3) Annual Improvements to IFRSs: 2010-2012 Cycle

Several standards including IFRS 8 "Operating Segments" and IAS 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.

4) Annual Improvements to IFRSs: 2011-2013 Cycle

Several standards including IFRS 13 "Fair Value Measurement", 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.

5) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations from January 1, 2018.

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.

Under IFRS 15, the Group will allocate the transaction price to each performance obligation identified in bundle sale contract on a relative stand-alone selling price basis. Under the former standard, the Group enters into transactions that involve the bundling of the service of air time with goods such as data card and handset, resulting in the recognition of the revenue for service and goods based on the allocation of the total consideration received from customers using the relative fair values, and the sales of goods are limited to the amount that customers pay for.

Direct and incremental costs of obtaining a contract will be recognized as an asset to the extent the Group expects to recover those costs. Such asset will be amortized on a basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. This will lead to the later recognition of charges for certain customer-obtaining costs.

6) IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities; cash payments for interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Group may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

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 fair value.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 inputs are unobservable inputs for the asset or liability.

Classification of Current and Noncurrent Assets and Liabilities

Current assets include:

- Assets held primarily for the purpose of trading;
- Assets expected to be realized within 12 months after the reporting period; and
- 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:

- Liabilities held primarily for the purpose of trading;
- Liabilities due to be settled within 12 months after the reporting period; and
- 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

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 profit or loss and other 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.

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 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.

See Note 13, Schedule H and Schedule I for the detailed information of subsidiaries, including the percentage of ownership and main business.

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).

On the disposal of a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is reattributed to non-controlling interests of the subsidiary but 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.

Investment in Associates

An associate is an entity over which the Group has significant influence and that is not a subsidiary.

The Group uses the equity method to account for its investment in associates.

Under the equity method, an investment in an associate is initially recognized at cost and 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.

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 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.

When the Group subscribes for additional new shares of the associate, at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Group's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. 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. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's 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, plant and equipment 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 assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation on property, plant and equipment (including assets held under finance leases) is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term is shorter than the useful lives, assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset 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 for the period in which they arise.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

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 (referred to as 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 attributed 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 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. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

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, they are measured on the same basis as intangible assets that are acquired separately.

- c. Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset are included in profit or loss.

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.

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, with the resulting impairment loss recognized in profit or loss.

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 the following categories: 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 Group 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 (AFS 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 financial assets 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 subsequently 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 or 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 were assessed not to be 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 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 reorganisation, 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 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 accounts receivable 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.

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 forward exchange contracts, 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.

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 discounted cash flows 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 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 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 goods 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.

Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized.

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.

Employee Benefits

a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

b. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost), and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

c. Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plan except that remeasurement is recognized in profit or loss.

d. Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the Group recognizes any related restructuring costs.

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 provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities 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 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 such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they 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 asset 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. Where current tax or deferred tax arises from the initial accounting for the acquisition of a subsidiary, the tax effect is included in the accounting for the investments in subsidiaries.

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 evaluates and decides on certain asset'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. Where the actual future cash flows are less than expected, a material impairment loss may arise.

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, 2015 and 2014, 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 (liabilities) 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. Fair value measurements and valuation processes

Where Level 1 inputs are not available, the Group or engaged valuers would determine appropriate inputs by referring to the analyses of the financial position and the operation results of investees, recent transaction prices, prices of same equity instruments not quoted in active markets, quoted prices of similar instruments in active markets, valuation multiples of comparable entities/market prices or rates

and specific features of derivatives/the existing lease contracts and rentals of similar properties in the vicinity of the Group's investment properties. If the actual changes of inputs in the future differ from expectation, fair value might vary accordingly. The Group updates inputs every quarter to confirm the appropriateness of fair value measurement.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in Notes 16 and 32.

g. 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.

h. 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 the assumptions about the growth rate of sale and capacity of production facilities estimated by the associate's management, etc. 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	
	2015	2014
Cash on hand	\$ 13,901	\$ 17,119
Checking and demand deposits	4,062,117	2,802,960
Cash equivalents		
Commercial paper and bonds purchased under resell agreements	11,822,650	569,450
Certificates of deposits	96,099	463,509
	<u>\$ 15,994,767</u>	<u>\$ 3,853,038</u>

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2015	2014
Current		
Domestic investments		
Open-end mutual funds	\$ -	\$ 55,550
Overseas investments		
Mutual funds	<u>665,295</u>	<u>701,421</u>
	<u>\$ 665,295</u>	<u>\$ 756,971</u>

8. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	December 31	
	2015	2014
<u>Financial assets - current</u>		
Cash flow hedge		
Forward exchange contracts	\$ 3,790	\$ -
Foreign exchange swap contracts	<u>2,225</u>	<u>-</u>
	<u>\$ 6,015</u>	<u>\$ -</u>
<u>Financial liabilities - current</u>		
Cash flow hedge		
Forward exchange contracts	\$ 3,916	\$ -
Cross-currency swap contracts	<u>1,775</u>	<u>3,150</u>
Foreign exchange swap contracts	<u>5,325</u>	<u>11,800</u>
	<u>\$ 11,016</u>	<u>\$ 14,950</u>

Cash Flow Hedge

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

The contracts on cross-currency swap, foreign exchange swap and forward exchange contracts were in accordance with the contracts on the hedged items. The outstanding cross-currency swap, forward exchange swap contracts and forward exchange contracts of the Group at the end of the reporting period were as follows:

	Currency	Maturity Date/Period	Contract Amount (In Thousands)
December 31, 2015			
Forward exchange contracts	NT\$ to EUR	2016.01.25-2016.06.27	EUR 18,500
Cross-currency swap contracts	US\$ to NT\$	2016.01.15	US\$ 5,000
Foreign exchange swap contracts	US\$ to NT\$	2016.01.15-2016.02.26	US\$ 20,000
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

The Group invested in overseas mutual funds and used cross-currency swap contracts and foreign exchange swap contracts to hedge against adverse cash flow fluctuations, and the foreign exchange agreements were designated as cash flow hedge. Far EastOne also used forward exchange contracts to hedge against fluctuations of exchange rates for expected future purchases, and the forward exchange contracts were designated as cash flow hedge.

For the years ended December 31, 2015 and 2014, expected future trading exposures on above contracts, amounting to \$21,697 thousand and \$(40,394) thousand, were recognized in other comprehensive income (losses). The expected cash flows will occur when the hedge target is sold or expected future purchase transactions take place, 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	
	2015	2014
Other (losses) gains	<u>\$ (40,608)</u>	<u>\$ 3,825</u>

9. FINANCIAL ASSETS CARRIED AT COST

	December 31	
	2015	2014
<u>Noncurrent</u>		
Domestic unlisted common stock	<u>\$ 218,308</u>	<u>\$ 218,308</u>
<u>Distinguish from the type of measure</u>		
Available-for-sale	<u>\$ 218,308</u>	<u>\$ 218,308</u>

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	
	2015	2014
<u>Current</u>		
Certificates of deposits with original maturity of more than 3 months	<u>\$ 1,522,052</u>	<u>\$ 2,408,681</u>

11. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	December 31	
	2015	2014
<u>Notes receivable</u>		
Notes receivable	\$ 60,620	\$ 73,602
Less: Allowance for doubtful accounts	<u>-</u>	<u>(3,313)</u>
	<u>\$ 60,620</u>	<u>\$ 70,289</u>
<u>Accounts receivable</u>		
Accounts receivable	\$ 8,076,200	\$ 8,460,816
Less: Allowance for doubtful accounts	<u>(1,056,383)</u>	<u>(1,076,516)</u>
	<u>\$ 7,019,817</u>	<u>\$ 7,384,300</u>

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 counter-party and the analysis of its current financial position.

The aging of receivables was as follows:

	December 31	
	2015	2014
Not overdue	\$ 6,512,168	\$ 6,896,249
Overdue		
0-60 days	388,018	355,856
61 days or more	<u>119,631</u>	<u>132,195</u>
	<u>\$ 7,019,817</u>	<u>\$ 7,384,300</u>

The above aging schedule was based on the past due date.

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, 2015	\$ 3,313	\$ 1,076,516	\$ 1,079,829
Add: Accounts recovered during the period	-	286,936	286,936
Add: Impairment losses/bad debts	5,845	262,189	268,034
Less: Amounts written off during the period as uncollectible	<u>(3,313)</u>	<u>(575,103)</u>	<u>(578,416)</u>
Balance at December 31, 2015	<u>\$ 5,845</u>	<u>\$ 1,050,538</u>	<u>\$ 1,056,383</u>
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	<u>-</u>	<u>(446,692)</u>	<u>(446,692)</u>
Balance at December 31, 2014	<u>\$ 3,313</u>	<u>\$ 1,076,516</u>	<u>\$ 1,079,829</u>

Sale of Overdue Accounts Receivable

Under agreements on sales of accounts receivable signed during the years ended December 31, 2015 and 2014, the Group sold to asset management companies the overdue accounts receivable that had been written off. Thus, as of December 31, 2015 and 2014, the Group was not under the risk of irrecoverable receivables.

Related information as of December 31, 2015 and 2014 is as follows:

Counterparties	Amounts of Accounts Receivable Sold	Proceeds of the Sale of Accounts Receivable
For the year ended December 31, 2015		
Long Sun Asset Management Co., Ltd.	\$ 1,405,347	\$ 74,077
For the year ended December 31, 2014		
E-Hao Management Consultant Co., Ltd.	\$ 675,168	\$ 35,238

12. INVENTORIES

	December 31	2014
	2015	
Cellular phone equipment and accessories	\$ 3,992,655	\$ 2,183,512
Others	512,540	663,378
	\$ 4,505,195	\$ 2,846,890

Costs of inventories sold were \$30,962,789 thousand and \$28,109,448 thousand for the years ended December 31, 2015 and 2014, respectively.

The inventory reversal of write-down amounting to \$51,629 thousand and \$925 thousand were included in the cost of sales for the years ended December 31, 2015 and 2014, respectively.

13. SUBSIDIARIES

Entities Included in the Consolidated Financial Statements

Intercompany relationships and percentages of ownership are shown as follows:

Investor Company	Investee Company	Main Businesses and Products	Percentage of Ownership		Note
			2015	2014	
Far EastTone	NCIC ARCOA	Type I, II telecommunications services	100.00	100.00	
		Type II telecommunications services, sales of communications products and office equipment	61.63	61.63	
KGEx.com	Huir Yuan Cing	Type II telecommunications services	99.99	99.99	
		Electronic information providing services	89.54	89.54	
		Call center services	99.99	99.99	

(Continued)

Investor Company	Investee Company	Main Businesses and Products	Percentage of Ownership		Note
			2015	2014	
E. World	Investment	Investment	-	85.92	Liquidated and dissolved on November 4, 2015
		Investment	100.00	100.00	Liquidated and dissolved on November 6, 2015
FEIS	Far EastIron Holding	Electronic information providing services	50.00	50.00	
		Type II telecommunications services	81.46	81.46	
FEIS	Q-ware com.	Computer software, data processing and network information providing services	41.67	41.67	
		Security and monitoring service via Internet	100.00	100.00	
NCIC	DU (Cayman)	Investment	100.00	100.00	
		Investment	100.00	100.00	
New Diligent	Simple InfoComm	Electronic information providing services	-	100.00	Dissolved on December 19, 2015
		Investment	100.00	100.00	
FEND	Sino Lead	Telecommunications services	-	100.00	Establishment completed on December 4, 2014, but the investment amount had not been remitted to the investee as of December 31, 2015
		Investment	-	-	
FEND	New Diligent Hong Kong Company Ltd.	Computer software, data processing and network information providing services	58.33	58.33	
		Electronic information providing services	76.92	76.92	
FETI	FENCIT	Electronic information providing services	2.12	2.12	
		Design and research of computer system	100.00	100.00	
ARCOA	DataExpress	Sale of communications products	70.00	70.00	
		Linkwell	100.00	100.00	
DataExpress	Home Master	Sale of communications products	100.00	99.99	
		Data processing	-	-	Dissolved on January 28, 2014
	Jing Yuan				(Concluded)

All of the subsidiaries' financial statements as of and for the years ended December 31, 2015 and 2014 had been audited, except for those of immaterial subsidiaries including E. World, Far EastIron Holding and Simple InfoComm for the year ended December 31, 2015 and for those of Jing Yuan for the year ended December 31, 2014. The Group believes that had the financial statements of those subsidiaries been audited, any adjustments would have had no material effect on the Group's consolidated financial statements.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	December 31	
	2015	2014
Material associate		
Far Eastern Electronic Toll Collection Co., Ltd.	\$ 631,848	\$ 696,803
Associates that are not individually material	374,548	486,689
	1,006,396	1,183,492
Credit balance on carrying values of investments accounted for using equity method reclassified to other liabilities - other	44,841	-
	\$ 1,051,237	\$ 1,183,492

a. Material associates

Company	Nature of Activities	Proportion of Ownership and the Voting Rights		
		Principle Place of Business	December 31, 2015	2014
Far Eastern Electronic Toll Collection Co., Ltd.	Electronic information services	Taiwan	39.42%	39.42%

Summarized financial information in respect of the Group's material associate is set out below. The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

Far Eastern Electronic Toll Collection Co., Ltd.

	December 31	
	2015	2014
Current assets	\$ 1,524,271	\$ 1,821,926
Noncurrent assets	6,366,374	7,238,247
Current liabilities	(992,517)	(1,404,647)
Noncurrent liabilities	(5,295,144)	(5,887,754)
Equity	\$ 1,602,984	\$ 1,767,772
Proportion of the Group's ownership	39.42%	39.42%
Carrying amount	\$ 631,848	\$ 696,803
For the Years Ended December 31		
2015		
Operating revenue	\$ 1,934,248	\$ 1,865,170
Net profit for the year	\$ (264,208)	\$ (241,867)
Other comprehensive income	198,437	(115,814)
Total comprehensive income for the year	\$ (65,771)	\$ (357,681)

The usage rate of electronic toll collection (ETC) services had not reached the requirement stated in the contract of the Electronic Toll Collection BOT Project ("ETC Project") as of June 30, 2011. Thus, Far Eastern Electronic Toll Collection Co., Ltd. (FETC) filed a lawsuit against Taiwan Area National Freeway Bureau (TANFB), and the Supreme Court remanded this case to the Taipei District Court Civil Division in September 2015. FETC had accrued the related penalties.

FETC failed to complete the taxpayer system infrastructure within a specified period under the ETC Project requirements. Therefore, FETC filed a lawsuit with TANFB and the lawsuit is in process at the Taipei District Court Civil Division. As of June 27, 2013, FETC had completed the taxpayer system infrastructure. FETC had accrued the related penalties.

b. Aggregate information of associates that are not individually material

	For the Years Ended December 31	
	2015	2014
The Group's share of:		
Net profit for the year	\$ (134,096)	\$ (65,072)
Other comprehensive income	(37)	57
Total comprehensive income for the year	\$ (134,133)	\$ (65,015)

For the year ended December 31, 2015, the Group has disposed an associate that is not individually material, and gained \$2,422 thousand on the disposal of investment.

The Group has one or more representation on the boards of directors of some associates that are not individually material according to original agreement or other agreements, therefore the Group has significant influence over these associates.

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.

15. 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, 2015	\$ 5,320,095	\$ 7,930,879	\$ 141,729,408	\$ 13,811,866	\$ 1,251,214	\$ 4,800,539	\$ 1,544,421	\$ 4,021,151	\$ 189,014,775
Additions	-	3,216	91,587	25,193	42,267	42,607	12,651	10,473,186	10,630,203
Disposals	-	(23,424)	(21,866,435)	(408,137)	(40,262)	(60,066)	(127,566)	(19,094)	(23,335,914)
Exchange difference	-	-	-	(201)	(25)	(15)	-	-	(240)
Accumulated depreciation and impairment	-	85,737	10,754,038	1,301,286	10,190	242,131	83,002	(12,408,542)	(2,323)
Balance at December 31, 2015	\$ 5,320,095	\$ 7,694,439	\$ 130,628,429	\$ 14,788,557	\$ 1,227,400	\$ 4,774,222	\$ 1,511,620	\$ 2,381,500	\$ 186,235,408
Accumulated depreciation and impairment									
Balance at January 1, 2015	\$ (96,557)	\$ (3,575,949)	\$ (109,219,851)	\$ (11,189,540)	\$ (1,169,349)	\$ (3,443,125)	\$ (1,281,596)	\$ -	\$ (129,976,268)
Depreciation expense	-	(23,417)	(6,034,255)	(1,115,691)	(52,238)	(40,078)	(10,413)	-	(8,538,292)
Effect of foreign currency exchange difference	-	279,231	21,079,699	466,561	30,947	39,120	127,735	-	23,320,294
Accumulated depreciation and impairment	-	-	-	111	14	9	-	-	134
Balance at December 31, 2015	\$ (96,557)	\$ (3,319,135)	\$ (94,173,506)	\$ (11,897,767)	\$ (1,188,643)	\$ (3,404,033)	\$ (1,253,861)	\$ -	\$ (118,189,863)
Carrying amount at December 31, 2015	\$ 5,223,538	\$ 4,375,304	\$ 136,801,935	\$ 14,877,767	\$ 1,038,757	\$ 1,270,189	\$ 1,257,759	\$ 2,381,500	\$ 67,045,545
Cost									
Balance at January 1, 2014	\$ 5,323,111	\$ 7,696,315	\$ 144,712,995	\$ 12,536,359	\$ 1,260,792	\$ 4,617,076	\$ 1,520,859	\$ 4,060,677	\$ 181,744,182
Additions	-	6,425	88,251	33,885	42,267	42,607	12,651	10,473,186	10,630,203
Disposals	(5,045)	(6,133)	(12,249,533)	(233,923)	(34,598)	(60,066)	(127,566)	(19,094)	(13,506,880)
Exchange difference	-	-	-	(201)	(25)	(15)	-	-	(240)
Accumulated depreciation and impairment	-	252,238	9,364,566	1,349	38	23	-	-	411
Balance at December 31, 2014	\$ 5,320,066	\$ 7,690,420	\$ 142,596,219	\$ 13,652,620	\$ 1,228,466	\$ 4,599,605	\$ 1,510,952	\$ 3,941,683	\$ 180,810,722
Accumulated depreciation and impairment									
Balance at January 1, 2014	\$ (96,557)	\$ (3,430,593)	\$ (108,207,451)	\$ (10,453,097)	\$ (1,121,053)	\$ (3,385,252)	\$ (1,201,791)	\$ -	\$ (117,790,991)
Depreciation expense	-	(23,417)	(6,034,255)	(1,115,691)	(52,238)	(40,078)	(10,413)	-	(8,538,292)
Disposals	-	29,666	11,960,452	212,779	33,772	73,639	(1,164,643)	-	12,378,157

(Continued)

The fair value of investment properties were as follows:

	December 31	
	2015	2014
Independent valuation	\$ 1,107,586	\$ 1,159,421

The fair value of the investment properties as of December 31, 2015 and 2014 was based on the valuations carried out at January 29, 2016 and February 2, 2015, respectively, by independent qualified professional valuers, Ms. Hu, Chun-Chun and Mr. Tsai, Chia-ho, from Debenham Tie Leung Real Estate Appraiser Office, members of certified ROC real estate appraisers.

The fair value of investment properties was estimated using unobservable inputs (level 3). The unrealized gains (losses) on the fair value changes of investment properties are recognized in other gains and losses.

The fair value of investment properties was measured using the income approach. The significant assumptions used were stated below. The increase in estimated future net cash inflows, or the decrease in discount rates would result in increase in the fair value.

	December 31	
	2015	2014
Expected future cash inflows	\$ 1,392,344	\$ 1,461,496
Expected future cash outflows	(36,476)	(38,180)
Expected future cash inflows, net	\$ 1,355,868	\$ 1,423,316
Discount rate	1.985%-2.39%	2.125%-2.35%

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 for the years ended December 31, 2015 and 2014 were \$29,223 thousand and \$27,448 thousand, respectively.

The expected future cash inflows generated by investment properties referred to rental income, interest income on rental deposits, and 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 1.21%, 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. The expenditure was extrapolated on the basis of the current level of expenditure, 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%.

	Freehold Land	Building	Operating Equipment	Computer Equipment at	Office Equipment	Leasehold Improvements	Miscellaneous Equipment	Construction-in-progress	Total
Effect of foreign currency exchange difference	\$ -	\$ -	\$ -	\$ (170)	\$ (20)	\$ (8)	\$ -	\$ -	\$ (198)
Amortization and depreciation	-	(12,405)	875	(3,852)	(129)	(511)	(1,960)	-	(17,283)
Balance at December 31, 2014	\$ 69,657	\$ (3,575,961)	\$ 4,000,210,844	\$ (1,149,340)	\$ (1,169,340)	\$ (3,643,125)	\$ (1,230,316)	\$ -	\$ 4,029,976,289
Carrying amount at December 31, 2014	\$ 5,221,538	\$ (4,317,921)	\$ 32,500,717	\$ 2,622,266	\$ 81,874	\$ 1,677,605	\$ 269,585	\$ (4,631,151)	\$ 50,938,427

The following useful lives of property, plant and equipment are used in the calculation of depreciation by the straight-line method:

Building	41-55 years
Main building	3-18 years
Other building equipment	2-25 years
Operating equipment	3-10 years
Computer equipment	3-10 years
Office equipment	2-11 years
Leasehold improvements	2-10 years
Miscellaneous equipment	

16. INVESTMENT PROPERTIES

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
Balance at January 1, 2015	\$ 1,159,421
Loss on change in fair value of investment properties	(51,835)
Balance at December 31, 2015	\$ 1,107,586

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 noncancellable operating lease commitments are as follows:

	December 31	
	2015	2014
No later than 1 year	\$ 20,530	\$ 22,867
Later than 1 year and not later than 5 years	29,645	23,827
Later than 5 years	247	1,733
	\$ 50,422	\$ 48,427

17. INTANGIBLE ASSETS

As of December 31, 2015 and 2014, the carrying values of the tangible and intangible assets used by the Group were \$97,723,651 thousand and \$98,642,227 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, 2015 and 2014: Mobile telecommunications service business - 6.82% and 10.28%, respectively; telecommunications equipment business - 5.78% and 7.77%, respectively; integrated network business - 7.14% and 10.02%, WiFly business - 4.05% and 7.77%, 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 believes that any reasonable changes in the principle assumptions would not result in the carrying values exceeding the recoverable amounts. Comparing the recoverable amounts in accordance with principle assumptions and the Group's tangible and intangible assets, for the year ended December 31, 2015, the Group recognized impairment losses of \$17,273 thousand and \$42,613 thousand in relation to goodwill and other intangible assets, respectively, which were included in other gains and losses. For the year ended December 31, 2014, there was no indication of impairment loss.

18. OTHER NONCURRENT ASSETS

	December 31	
	2015	2014
Refundable deposits	\$ 669,557	\$ 658,186
Other financial assets	25,140	47,477
Others	1,017,975	17,662
	<u>\$ 1,712,672</u>	<u>\$ 723,325</u>

	Concessions	Goodwill	Computer Software	Other Intangible Assets	Total
<u>Cost</u>					
Balance at January 1, 2015	\$ 41,484,000	\$ 10,883,789	\$ 16,134,259	\$ 1,390,845	\$ 69,892,893
Additions	-	-	890,663	25,949	916,612
Disposals	-	-	(44,816)	(152,987)	(197,803)
Effect of foreign currency exchange difference	-	-	(91)	3	(88)
Balance at December 31, 2015	<u>\$ 41,484,000</u>	<u>\$ 10,883,789</u>	<u>\$ 16,980,015</u>	<u>\$ 1,263,810</u>	<u>\$ 70,611,614</u>
<u>Accumulated amortization and impairment</u>					
Balance at January 1, 2015	\$ (7,608,005)	\$ (57,615)	\$ (13,738,583)	\$ (784,940)	\$ (22,189,143)
Amortization	(2,041,126)	-	(738,753)	(101,794)	(2,881,673)
Disposals	-	-	44,816	152,987	197,803
Impairment loss	-	(17,273)	-	(42,613)	(59,886)
Effect of foreign currency exchange difference	-	-	(69)	(650)	(719)
Balance at December 31, 2015	<u>\$ (9,649,131)</u>	<u>\$ (74,888)</u>	<u>\$ (14,432,589)</u>	<u>\$ (777,010)</u>	<u>\$ (24,933,618)</u>
Carrying amount at December 31, 2015	<u>\$ 31,834,869</u>	<u>\$ 10,808,901</u>	<u>\$ 2,547,426</u>	<u>\$ 486,800</u>	<u>\$ 45,677,996</u>
<u>Cost</u>					
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)
Effect of foreign currency exchange difference	-	-	436	-	436
Balance at December 31, 2014	<u>\$ 41,484,000</u>	<u>\$ 10,883,789</u>	<u>\$ 16,134,259</u>	<u>\$ 1,390,845</u>	<u>\$ 69,892,893</u>
<u>Accumulated amortization and impairment</u>					
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
Effect of foreign currency exchange difference	-	-	664	-	664
Balance at December 31, 2014	<u>\$ (7,608,005)</u>	<u>\$ (57,615)</u>	<u>\$ (13,738,583)</u>	<u>\$ (784,940)</u>	<u>\$ (22,189,143)</u>
Carrying amount at December 31, 2014	<u>\$ 33,875,995</u>	<u>\$ 10,826,174</u>	<u>\$ 2,395,676</u>	<u>\$ 605,905</u>	<u>\$ 47,703,750</u>

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 four 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.

The mortgages of bidding price that Far EastOne bid for a 4G wireless communication license - GSM2600 amounting to \$1,000,000 thousand was included in other noncurrent assets.

19. BORROWINGS

a. Short-term borrowings

	December 31	
	2015	2014
<u>Unsecured bank loans</u>		
Credit loans	<u>\$ 506,971</u>	<u>\$ 357,995</u>
Credit loans interest rate	1.20%-5.75%	1.20%-5.60%

b. Short-term bills payable

	December 31	
	2015	2014
Commercial paper payable	\$ 330,000	\$ 530,000
Less: Discount	<u>292</u>	<u>352</u>
Interest rate	<u>\$ 329,708</u>	<u>\$ 529,648</u>
	1.135%-1.27%	1.135%-1.27%

c. Long-term borrowings

	December 31	
	2015	2014
<u>Unsecured bank loans</u>		
Credit loans	\$ 13,500,000	\$ 4,100,000
Long-term commercial paper payables	7,000,000	-
Less: Unamortized discount on commercial paper	<u>9,999</u>	<u>-</u>
Long-term borrowings	<u>\$ 20,490,001</u>	<u>\$ 4,100,000</u>

1) The long-term borrowings are payable in New Taiwan Dollars. The repayment of the principal will be made once when it's due with 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 2017. The interest rates were 0.903%-1.10% and 1.00%-1.325% on as of December 31, 2015 and 2014, respectively.

2) The long-term commercial paper payables are treated revolving credit facilities under contracts. The interest rates are 1.0323%-1.0875% on December 31, 2015, and the last repayment date is in December 2018.

20. BONDS PAYABLE

	December 31	
	2015	2014
4th Unsecured domestic bonds	\$ 4,994,089	\$ 4,992,773
5th Unsecured domestic bonds	4,995,133	4,993,224
6th Unsecured domestic bonds	<u>9,991,126</u>	<u>9,987,099</u>
	19,980,348	19,973,096
Less: Current portion	<u>1,599,112</u>	<u>-</u>
	<u>\$ 18,381,236</u>	<u>\$ 19,973,096</u>

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 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, 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, \$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. The repayment of the three-year bonds will be made within one year from the balance date.

21. OTHER LIABILITIES

	December 31	
	2015	2014
<u>Current</u>		
Other payables		
Acquisition of properties	\$ 2,235,029	\$ 2,565,075
Commission	2,016,140	2,158,615
Salary and bonus	1,418,777	1,361,907
Professional service fee	594,147	518,847
Maintenance fee	540,745	495,852
Bonus to employees and remuneration to directors and supervisors	412,398	333,424
Advertisement	404,143	343,945
Accumulating compensated absences	140,113	109,478
Other	<u>1,899,233</u>	<u>1,799,751</u>
	<u>\$ 9,660,725</u>	<u>\$ 9,686,894</u>

(Continued)

	December 31	
	2015	2014
<u>Noncurrent</u>		
Deferred revenue		231,140
Cable and lease line service fee	\$ 214,367	5,770
Government grant	-	2,432
Other	-	-
	<u>\$ 214,367</u>	<u>\$ 239,342</u>
		(Concluded)
22. PROVISIONS		
	December 31	
	2015	2014
<u>Current</u>		
Dismantling obligation	\$ 115,031	\$ 107,292
Product warranty	<u>88,526</u>	<u>71,120</u>
	<u>\$ 203,557</u>	<u>\$ 178,412</u>
<u>Noncurrent</u>		
Dismantling obligation	<u>\$ 811,094</u>	<u>\$ 763,223</u>
	Dismantling Obligation	Product Warranty
Balance at January 1, 2014	\$ 799,760	\$ 30,842
Additional provisions recognized	84,001	98,699
Reductions arising from payments	<u>(13,246)</u>	<u>(58,421)</u>
	<u>\$ 870,515</u>	<u>\$ 71,120</u>
Balance at December 31, 2014		
Balance at January 1, 2015	\$ 870,515	\$ 71,120
Additional provisions recognized	80,301	68,718
Reductions arising from payments	<u>(24,691)</u>	<u>(48,312)</u>
Reversing un-usage balances	-	<u>(3,000)</u>
	<u>\$ 926,125</u>	<u>\$ 88,526</u>
Balance at December 31, 2015		

23. 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 subsidiaries which registered in mainland China made contributions at certain percentage of wages and salaries under local government's regulations.

The pension costs recognized in total comprehensive income under the defined contribution plan amounted to \$325,072 thousand and \$301,291 thousand for the years ended December 31, 2015 and 2014, respectively.

b. Defined benefit plans

The defined benefit plan adopted by the Group in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Group contributes 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. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31, 2015	December 31, 2014	January 1, 2014
Present value of defined benefit obligation	\$ 1,709,046	\$ 1,614,652	\$ 1,623,255
Fair value of plan assets	<u>(994,867)</u>	<u>(962,935)</u>	<u>(909,306)</u>
Net defined benefit liability	<u>\$ 714,179</u>	<u>\$ 651,717</u>	<u>\$ 713,949</u>
Net defined benefit liability	\$ 732,152	\$ 669,379	\$ 731,661
Net defined benefit asset	<u>(17,973)</u>	<u>(17,662)</u>	<u>(17,712)</u>
Net defined benefit liability	<u>\$ 714,179</u>	<u>\$ 651,717</u>	<u>\$ 713,949</u>

Movements in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2014	\$ 1,623,255	\$ (909,306)	\$ 713,949
Service cost			
Current service cost	14,967	-	14,967
Net interest expense (income)	32,294	(18,392)	13,902
Recognized in profit or loss	<u>47,261</u>	<u>(18,392)</u>	<u>28,869</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,061)	(3,061)
Actuarial (gain) loss - changes in demographic assumptions	216	-	216

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Actuarial (gain) loss - changes in financial assumptions	\$ 3,185	\$ -	\$ 3,185
Actuarial (gain) loss - experience adjustments	(54,607)	-	(54,607)
Recognized in other comprehensive income	(51,206)	(3,061)	(54,267)
Contributions from the employer	-	(36,834)	(36,834)
Benefits paid	(4,658)	4,658	-
Balance at December 31, 2014	<u>\$ 1,614,652</u>	<u>\$ (962,935)</u>	<u>\$ 651,717</u>
Balance at January 1, 2015	<u>\$ 1,614,652</u>	<u>\$ (962,935)</u>	<u>\$ 651,717</u>
Service cost			
Current service cost	13,013	-	13,013
Net interest expense (income)	36,123	(21,822)	14,301
Recognized in profit or loss	49,136	(21,822)	27,314
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,739)	(3,739)
Actuarial (gain) loss - changes in demographic assumptions	5,001	-	5,001
Actuarial (gain) loss - changes in financial assumptions	62,826	-	62,826
Actuarial (gain) loss - experience adjustments	7,395	-	7,395
Recognized in other comprehensive income	75,222	(3,739)	71,483
Contributions from the employer	-	(36,335)	(36,335)
Benefits paid	(29,964)	29,964	-
Balance at December 31, 2015	<u>\$ 1,709,046</u>	<u>\$ (994,867)</u>	<u>\$ 714,179</u>
			(Concluded)

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31, 2015	December 31, 2014	January 1, 2014
Discount rates	1.75%-2.00%	2.00%-2.25%	1.875%-2.00%
Expected rates of salary increase	2.25%-2.75%	2.25%-2.75%	1.75%-2.75%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31, 2015	December 31, 2014
Discount rates		
0.25% increase		<u>\$ (61,646)</u>
0.25% decrease		<u>\$ 64,505</u>
Expected rates of salary increase		
0.25% increase		<u>\$ 64,167</u>
0.25% decrease		<u>\$ (61,629)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31, 2015	December 31, 2014	January 1, 2014
The expected contributions to the plan for the next year	<u>\$ 36,181</u>	<u>\$ 36,186</u>	<u>\$ 36,856</u>
The average duration of the defined benefit obligation	14.9-17.4 years	15.6-17.3 years	16.3-17.3 years

24. EQUITY

a. Share capital

1) Common shares

	December 31, 2015	December 31, 2014
Shares authorized (in thousands)	<u>4,200,000</u>	<u>4,200,000</u>
Capital authorized	<u>\$ 42,000,000</u>	<u>\$ 42,000,000</u>
Issued and fully paid shares (in thousands)	<u>3,258,501</u>	<u>3,258,501</u>
Issued capital	<u>\$ 32,585,008</u>	<u>\$ 32,585,008</u>

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, 2015 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) 24,356	365,337
GDRs transferred to common stock	(33,800)	(507,000)
Outstanding GDRs issued	<u>359</u>	<u>5,384</u>

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, 2015, 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, 2015, Far EasTone had reissued 24,356 thousand units of GDRs representing 365,337 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:

- Exercise voting rights;
- Convert the GDRs into common stocks; and
- Receive dividends and exercise preemptive rights or other rights and interests.

b. Capital surplus

	December 31	
	2015	2014
May be used to offset a deficit, distributed as cash dividends or transferred to share capital (1)		
Share issuance in excess of par value	\$ 3,561,389	\$ 5,461,095
From business combination	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	14,388
May not be used for any purpose		
Changes in equity-method associates capital surplus	-	51,197
	<u>\$ 12,058,158</u>	<u>\$ 14,009,061</u>

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. Retained 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.

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders, and do not include employees. The consequential amendments to the Company's Articles of Incorporation had been proposed by Far EasTone's board of directors on February 17, 2016 and are subject to the resolution of the shareholders in their meeting to be held on June 16, 2016. For information about the accrual basis of the employee remuneration, remuneration to directors and supervisors and the actual appropriations, please refer to Note 26-d on employee benefits expense.

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.

Under Rule No. 1010012865 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", Far EasTone should appropriate or reverse to a special reserve.

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 of 2014 and 2013 had been approved in the stockholders' meetings on June 18, 2015 and June 11, 2014, respectively.

	Appropriation and Distribution		Dividend Per Share	
	For the Years Ended December 31		For the Years Ended December 31	
	2014	2013	2014	2013
Legal reserve	\$ 1,148,415	\$ 1,155,843		
Special reserve	68,731	107,032		
Cash dividends	10,319,672	10,309,897	\$3.167	\$3.164

In addition to distributing cash dividends at NT\$3.167 and NT\$3.164 per share from the unappropriated earnings, Far EasTone's stockholders also approved in 2015 and 2014 the distribution of cash of \$1,899,706 thousand and \$1,909,481 thousand, respectively, from the above-mentioned additional paid-in capital - share issuance in excess of par value at NT\$0.583 and NT\$0.586 per share, respectively, with Far EasTone's stockholders to receive NT\$3.75 per share in 2015 and 2014, respectively.

The appropriation of earnings for 2015 was proposed by Far EasTone's board of directors on February 17, 2016. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 1,143,672	
Special reserve	(54,573)	
Cash dividends	10,342,482	\$3.174

In addition to distributing cash dividends at NT\$3.174 per share from the unappropriated earnings, Far EasTone's board of directors approved the cash distribution of \$1,876,896 thousand from the additional paid-in capital - share issuance in excess of par value at NT\$0.576 per share. Thus, Far EasTone's stockholders will receive NT\$3.75 per share in 2016.

The appropriation of earnings for 2015 are subject to the resolution of the stockholders' meeting to be held on June 16, 2016.

d. Special reserve

	For the Years Ended December 31	
	2015	2014
Beginning balance	\$ 755,749	\$ -
Appropriation in respect of		
Application of the fair value method to investment properties	36,666	648,717
Debit to other equity items	32,065	107,032
Ending balance	\$ 824,480	\$ 755,749

e. Other equity items

Other equity items for the years ended December 31, 2015 and 2014 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, 2015				
Beginning balance	\$ 2,156	\$ 99,084	\$ (240,337)	\$ (139,097)
Recorded as adjustments to stockholders' equity	(1,329)	40,362	(17,955)	21,078
Recorded as profit or loss	(4)	(124,821)	39,653	(85,172)
Share of other comprehensive income of associates	6	-	77,973	77,979
Ending balance	\$ 829	\$ 14,625	\$ (140,666)	\$ (125,212)

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	
	2015	2014
Beginning balance	\$ 805,351	\$ 774,838
Impact on the first-time application of the fair value model to investment properties	-	9,937
Adjusted beginning balance	805,351	784,775
Attributable to noncontrolling interests		
Share of profit	48,556	82,646
Exchange differences on translating foreign operations	(42)	258
Unrealized losses on available-for-sale financial assets	-	(48)
Actuarial gains (losses)	38	(110)
Subsidiary's cash dividends	(85,107)	(97,687)
Remittance of cash due to the liquidation of subsidiary	(16,265)	-
Equity transaction	-	35,517
Ending balance	\$ 752,531	\$ 805,351

25. REVENUE

	For the Years Ended December 31	
	2015	2014
Sales of inventories	\$ 23,777,863	\$ 21,411,167
Telecommunications service revenues	69,722,129	69,841,122
Other	<u>3,793,226</u>	<u>2,923,311</u>
	<u>\$ 97,293,218</u>	<u>\$ 94,175,600</u>

26. CONSOLIDATED NET INCOME

Consolidated net income included some items as follows:

a. Other income

c. Finance costs

	For the Years Ended December 31	
	2015	2014
Interest expense on bank loans and commercial paper	\$ 74,530	\$ 35,642
Interest on financial liabilities measured of amortized cost	286,872	287,117
Unwinding of discounts on provisions	17,043	15,466
Levied interest on income tax reexamination	60,002	-
Other finance costs	<u>4,120</u>	<u>7,112</u>
	<u>\$ 442,567</u>	<u>\$ 345,337</u>

d. Employee benefit expense

	For the Years Ended December 31	
	2015	2014
Retirement benefit		
Defined contribution plans	\$ 325,072	\$ 301,291
Defined benefit plans (Note 23)	<u>27,314</u>	<u>28,869</u>
	<u>352,386</u>	<u>330,160</u>
Other employee benefits		
Salary	5,819,298	5,693,980
Insurance	524,691	513,177
Other	<u>334,281</u>	<u>298,405</u>
	<u>6,678,270</u>	<u>6,505,562</u>
	<u>\$ 7,030,656</u>	<u>\$ 6,835,722</u>
Categorized by function		
Operating costs	\$ 1,176,683	\$ 1,108,514
Operating expenses	<u>5,853,973</u>	<u>5,727,208</u>
	<u>\$ 7,030,656</u>	<u>\$ 6,835,722</u>

The existing Articles of Incorporation of Far EastTone stipulate to distribute bonus to employees and remuneration to directors and supervisors at the rates 1% to 2% and 1%, respectively, of net income (net of the bonus and remuneration). For the year ended December 31, 2014, the bonus to employees and the remuneration to directors and supervisors were \$205,340 thousand and \$102,670 thousand, respectively, representing 2% and 1%, respectively, of the base net income.

To be in compliance with the Company Act as amended in May 2015, the proposed amended Articles of Incorporation of Far EastTone stipulate to distribute employees' compensation and remuneration to directors at the rates of 1% to 2% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and net of any accumulated deficit. For the year ended December 31, 2015, the employees' compensation and the remuneration to directors were \$283,550 thousand and \$102,078 thousand, respectively, representing 2% and 0.72%, respectively, of the base net profit. The bonus to employees and remuneration to directors for the year ended December 31, 2015 have been proposed by Far EastTone's board of directors on February 17, 2016 and the related amendments to Far EastTone's Articles of Incorporation are subject to the resolution of the shareholders in their meeting to be held on June 16, 2016. Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the date the annual consolidated financial statements are authorized for issue are adjusted in the year the bonus and

b. Depreciation and amortization

	For the Years Ended December 31	
	2015	2014
Property, plant and equipment	\$ 8,538,292	\$ 8,618,768
Intangible asset	<u>840,547</u>	<u>835,803</u>
	<u>\$ 9,378,839</u>	<u>\$ 9,454,571</u>
Depreciation expense categorized by function		
Operating costs	\$ 7,461,078	\$ 7,644,359
Operating expenses	<u>1,077,214</u>	<u>974,409</u>
	<u>\$ 8,538,292</u>	<u>\$ 8,618,768</u>
Amortization expense categorized by function		
Operating costs	\$ 316,462	\$ 321,645
Marketing expense	94,428	85,115
General and administrative expenses	<u>429,657</u>	<u>429,043</u>
	<u>\$ 840,547</u>	<u>\$ 835,803</u>

remuneration were recognized. If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

The bonuses to employees and remuneration to directors and supervisors for 2014 and 2013 which have been approved in the shareholders' meetings on June 18, 2015 and June 11, 2014, respectively, were as follows:

	For the Years Ended December 31			
	2014		2013	
	Cash Dividends	Share Dividends	Cash Dividends	Share Dividends
Bonuses to employees	\$ 205,340	\$ -	\$ 205,911	\$ -
Remuneration to directors and supervisors	102,670	-	102,956	-

There was no difference between the amounts of the bonus to employees and the remuneration to directors and supervisors approved in the shareholders' meetings on June 18, 2015 and June 11, 2014 and the amounts recognized in the financial statements for the years ended December 31, 2014 and 2013, respectively.

Information on employees' compensation and remuneration to directors proposed by Far EasTone's board of directors during 2016 and information on the bonus to employees and remuneration to directors and supervisors approved by Far EasTone's shareholders' meetings during 2015 and 2014 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

27. INCOME TAX

- a. Income tax recognized in profit or loss

Major components of income tax expense recognized in profit or loss

	For the Years Ended December 31	
	2015	2014
Current tax	\$ 2,046,097	\$ 2,202,396
Deferred tax	357,518	215,632
Income tax expense recognized in profit or loss	<u>\$ 2,403,615</u>	<u>\$ 2,418,028</u>

The reconciliation of accounting profit and income tax expense is as follows:

	For the Years Ended December 31	
	2015	2014
Profit before tax	<u>\$ 13,937,866</u>	<u>\$ 13,983,659</u>
Income tax expense computed at statutory tax rate	\$ 2,930,062	\$ 2,832,694
Add (deduct) tax effects	(487,256)	(427,938)
Gain on equity-method investment	(104,396)	68,852
Other		(Continued)

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	For the Years Ended December 31	
	2015	2014
Prior year's adjustment	\$ 61,493	\$ (55,580)
10% tax on unappropriated earnings	3,712	-
Income tax expense	<u>\$ 2,403,615</u>	<u>\$ 2,418,028</u>
		(Concluded)

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 2016 appropriations of earnings is uncertain, the potential income tax consequences of 2015 unappropriated earnings are not reliably determinable.

- b. Income tax expense recognized in other comprehensive income

	For the Years Ended December 31	
	2015	2014
Deferred tax		
Current year		
Unrealized gains and losses on available-for-sale financial assets	\$ 992	\$ (2,747)
Fair value changes of hedging instruments for cash flow hedges	1,547	1,568
Remeasurement on defined benefit plan	<u>12,067</u>	<u>(9,227)</u>
Income tax recognized in other comprehensive income	<u>\$ 14,606</u>	<u>\$ (10,406)</u>

- 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, 2015

	Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Allowance for doubtful accounts		\$ 369,652	\$ (72,971)	\$ -	\$ 296,681
Property, plant and equipment		259,526	(202,638)	-	56,888
Defined benefit obligation		112,457	(1,467)	12,087	123,077
Others		<u>233,767</u>	<u>55,392</u>	<u>2,539</u>	<u>291,698</u>
		<u>\$ 975,402</u>	<u>\$ (221,684)</u>	<u>\$ 14,626</u>	<u>\$ 768,344</u>

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	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred Tax Liabilities				
Amortization of goodwill	\$ 1,210,232	\$ 134,470	\$ -	\$ 1,344,702
Investment properties	119,054	1,103	-	120,157
Others	<u>2,365</u>	<u>261</u>	<u>20</u>	<u>2,646</u>
	<u>\$ 1,331,651</u>	<u>\$ 135,834</u>	<u>\$ 20</u>	<u>\$ 1,467,505</u>

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	\$ 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	<u>227,393</u>	<u>7,553</u>	<u>(1,179)</u>	<u>233,767</u>
	<u>\$ 992,940</u>	<u>\$ (7,073)</u>	<u>\$ (10,465)</u>	<u>\$ 975,402</u>

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

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

	2015	2014
Loss carryforwards		
Expire in 2016	\$ 204,777	\$ 452,450
Expire in 2017	441,769	1,137,699
Expire in 2018	425,001	1,216,308
Expire in 2019	430,709	1,683,712
Expire in 2020	407,861	569,065
Expire in 2021	295,090	304,623
Expire in 2022	171,391	173,316
Expire in 2023	<u>97,006</u>	<u>95,147</u>
		(Continued)

	2015	2014
Expire in 2024	\$ 155,474	\$ 154,628
Expire in 2025	<u>336,885</u>	<u>-</u>
	2,965,963	5,786,948
Unrealized gains or losses on property, plant and equipment	1,670,629	1,819,606
Investment gains or losses	943,163	1,004,110
Others	<u>599,445</u>	<u>923,812</u>
	<u>\$ 6,179,200</u>	<u>\$ 9,534,476</u>
		(Concluded)

e. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2015 comprised:

Unused Amount	Expiry Year
\$ 142,151	2015
204,777	2016
441,769	2017
425,001	2018
430,709	2019
523,987	2020
295,090	2021
171,391	2022
97,006	2023
155,474	2024
<u>346,686</u>	<u>2025</u>
<u>\$ 3,234,041</u>	

f. Integrated income tax

	2015	2014
Unappropriated earnings		
Generated in and after 1998	<u>\$ 11,436,725</u>	<u>\$ 11,558,138</u>
Balance of imputation credit account (ICA)		
Far East one	<u>\$ 2,197,359</u>	<u>\$ 1,023,404</u>

	2015 (Expected)	2014
Creditable ratio for distribution of earnings	20.48%	20.48%

g. Income tax assessments

Income tax returns through 2013 of Far EasTone had been assessed by the tax authorities.

Income tax returns through 2010 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 2013 of ARCOA, NCIC, DataExpress, KGEx.com, ISSDU, Omusic, Q-ware Com., Simple Infocomm, New Diligent, Home Master and Linkwell had been assessed and cleared by the tax authorities. Income tax return through 2014 of Yuan Cing, Hiiir and Jing Yuan 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.

28. EARNINGS PER SHARE

The earnings and weighted average number of common stock used in the calculation of earnings per share were as follows:

Net Income for the Year

	For the Years Ended December 31	
	2015	2014
Net income attributable to Far EasTone	\$ 11,485,695	\$ 11,482,985
Effect of dilutive potential common stock:		
Employees' compensation or bonus issued to employees	-	-
Earnings used in the calculation of diluted earnings per share	<u>\$ 11,485,695</u>	<u>\$ 11,482,985</u>

Weighted Average Number of Common Shares Used

	(In Thousand Share)	
	For the Years Ended December 31	
	2015	2014
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:		
Employees' compensation or bonus issued to employees	<u>5,652</u>	<u>4,224</u>
Weighted average number of common shares used in the calculation of diluted earnings per share	<u>3,264,153</u>	<u>3,262,725</u>

If Far EasTone offered to settle the compensation or bonuses paid to employees in cash or shares, Far EasTone assumed the entire amount of the compensation or 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 number of shares to be distributed to employees is resolved in the following year.

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29. EQUITY TRANSACTION WITH NONCONTROLLING INTERESTS

The Group acquired 0.56% of ARCOA in December 2014 which increased its continuing interest from 61.07% to 61.63%.

The Group subscribed for new common shares of Hiiir in August 2014 and increased its interest from 80% to 89.54%.

The above transactions were accounted for as equity transactions since the Group did not lose 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	<u>(454,479)</u>	<u>(10,003)</u>
Difference arising from equity transaction	<u>\$ 2,781</u>	<u>\$ 764</u>
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	<u>\$ (2,781)</u>	<u>\$ (764)</u>

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	
	2015	2014
Not later than 1 year	\$ 3,450,618	\$ 3,216,604
Later than 1 year and not later than 5 years	<u>6,341,281</u>	<u>5,730,577</u>
Later than 5 years	<u>133,347</u>	<u>118,268</u>
	<u>\$ 9,925,246</u>	<u>\$ 9,065,449</u>

The lease payments recognized as expenses were as follows:

	For the Years Ended December 31	
	2015	2014
Minimum lease payment	<u>\$ 4,007,399</u>	<u>\$ 3,977,390</u>

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b. The Group as lessor

Operating leases relate to the investment property owned by the Group with lease terms. Please refer to Note 16 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 of financial instruments that are not measured 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		
	2015	2014	
	Carrying Amount	Fair Value	Carrying Amount Fair Value
<u>Financial assets</u>			
Refundable deposits	\$ 669,557	\$ 667,659	\$ 658,186 \$ 653,251
<u>Financial liabilities</u>			
Bonds payable	19,980,348	20,057,401	19,973,096 19,988,897
<u>Fair value hierarchy as at December 31, 2015</u>			
	Level 1	Level 2	Level 3 Total
<u>Financial assets</u>			
Refundable deposits	\$ -	\$ -	\$ 667,659 \$ 667,659
<u>Financial liabilities</u>			
Bonds payable	\$ 20,057,401	\$ -	\$ - \$ 20,057,401

Fair value hierarchy as at December 31, 2014

	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Refundable deposits	\$ -	\$ -	\$ 653,251	\$ 653,251
<u>Financial liabilities</u>				
Bonds payable	\$ 19,988,897	\$ -	\$ -	\$ 19,988,897

The fair value of the financial assets included in the Level 3 category above have been determined in accordance with discounted cash flow approach based on average discount rate of commercial papers.

b. Fair value of financial instruments that are measured at fair value on a recurring basis.

1) Fair value hierarchy

	December 31, 2015			Total
	Level 1	Level 2	Level 3	
<u>Available-for-sale financial assets</u>				
Overseas funds	\$ -	\$ 665,295	\$ -	\$ 665,295
<u>Hedging derivative financial assets</u>				
Cross-currency swap contracts	\$ -	\$ -	\$ 3,790	\$ 3,790
Foreign exchange swap contracts	-	-	2,225	2,225
	\$ -	\$ -	\$ 6,015	\$ 6,015
<u>Hedging derivative financial liabilities</u>				
Forward exchange contracts	\$ -	\$ -	\$ 3,916	\$ 3,916
Cross-currency swap contracts	-	-	1,775	1,775
Foreign exchange swap contracts	-	-	5,325	5,325
	\$ -	\$ -	\$ 11,016	\$ 11,016
<u>Fair value hierarchy as at December 31, 2014</u>				
	Level 1	Level 2	Level 3	Total
<u>Available-for-sale financial assets</u>				
Overseas funds	\$ -	\$ 701,421	\$ -	\$ 701,421
Open-end mutual funds	55,550	-	-	55,550
	\$ 55,550	\$ 701,421	\$ -	\$ 756,971

(Continued)

c. Financial instruments

	December 31	
	2015	2014
<u>Financial assets</u>		
Derivative financial assets for hedging	\$ 6,015	\$ -
Loans and receivables (Note 1)	28,371,916	16,427,186
Available-for-sale financial assets (Note 2)	883,603	975,279
<u>Financial liabilities</u>		
Derivative financial liabilities for hedging	11,016	14,950
Measured at amortized cost (Note 3)	56,339,800	40,685,932

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, financial lease payables, bonds payable (including current portion) and guarantee deposits received, which were measured at amortized cost.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, accounts receivable, accounts payable, 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 exposure limits were reviewed by the internal auditors on a continuous basis. The Group did 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.

	December 31, 2014			Total
	Level 1	Level 2	Level 3	
Hedging derivative financial liabilities				
Cross-currency swap contracts	\$ -	\$ -	\$ 3,150	\$ 3,150
Foreign exchange swap contracts	-	-	11,800	11,800
	\$ -	\$ -	\$ 14,950	\$ 14,950
				(Concluded)

There were no transfers between Levels 1 and 2 for the years ended December 31, 2015 and 2014.

2) Reconciliation of Level 3 fair value measurements of financial assets

	For the Years Ended	
	December 31	2014
	2015	

Hedging derivative financial instruments

Beginning balance	\$ (14,950)	\$ 4,442
Recognized in profit or loss (other gains and losses)	40,608	(3,825)
Recognized in other comprehensive income	(30,659)	(15,567)
Ending balance	\$ (5,001)	\$ (14,950)

3) Valuation techniques and inputs used for Level 2 fair value measurement

Financial Instrument	Valuation Techniques and Inputs	
Overseas funds	Valuation based on the fair values of a portfolio of funds, calculated through each subfund by fair value net of the management and operating expenses for the subfund.	

4) Valuation techniques and inputs used for Level 3 fair value measurement

Financial Instrument	Valuation Techniques and Inputs	
Cross-currency swap contracts and foreign exchange swap contracts	Discounted cash flow. Future cash flows are estimated based on observable spot exchange rates at the end of the reporting period and contract rates, discounted at a 0% rate; the counterparties' high credit ratings and short contract terms indicate a low credit risk on counterparties.	
Forward exchange contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates discounted at a rate that reflect the credit risk of various counterparties.	

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, foreign exchange swap contracts and forward exchange contracts.

a) Foreign currency risk

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

Foreign-currency sensitivity analysis

The Group was mainly exposed to U.S. dollars and Euro.

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 and EUR. 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 and EUR. For a 5% weakening of the NTD against U.S. dollar and EUR, shown by the negative amount below, there was a decrease in profit or equity.

	Impact	
	For the Years Ended December 31	2014
Profit or loss	2015	
USD	\$ (21,916)	\$ (9,935)
EUR	\$ 8,403	\$ (62)

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	
	2015	2014
Fair value risk		
Financial assets	\$ 15,375,288	\$ 3,333,374
Financial liabilities	34,023,498	24,284,408
Cash flow risk		
Financial assets	5,556,646	5,507,367
Financial liabilities	7,990,001	1,400,000

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, 2015 and 2014 would have (decreased) increased by \$(6,083) thousand and \$10,268 thousand respectively, mainly affected by bank deposits and borrowings with floating interest rates.

c) Other price risks

The Group is exposed to equity price risks involving 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, 2015 and 2014 would have increased/decreased by \$33,265 thousand and \$37,849 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that 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:

- The carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets; and
- 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. The Group's unutilized overdraft and bank loan facilities amounted to \$36,260,900 thousand and \$41,435,743 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
<u>December 31, 2015</u>					
Short-term borrowings	\$ 506,971	\$ 511,499	\$ 511,499	\$ -	\$ -
Short-term bills payable	329,708	330,000	330,000	-	-
Long-term borrowings	20,490,001	20,803,785	27,875	20,775,910	-
Bonds payable	<u>19,980,348</u>	<u>20,837,840</u>	<u>1,879,620</u>	<u>18,958,220</u>	-
	<u>\$ 41,307,028</u>	<u>\$ 42,483,124</u>	<u>\$ 2,748,994</u>	<u>\$ 39,734,130</u>	<u>\$ -</u>
<u>December 31, 2014</u>					
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	<u>19,973,096</u>	<u>21,117,460</u>	<u>279,620</u>	<u>18,304,590</u>	<u>2,533,250</u>
	<u>\$ 24,960,739</u>	<u>\$ 26,203,587</u>	<u>\$ 1,218,122</u>	<u>\$ 22,452,215</u>	<u>\$ 2,533,250</u>

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	
	2015	2014
Far Eastern New Century	\$ 37,347	\$ 31,300
Subsidiaries of Far Eastern New Century	228,053	209,097
Other related parties	<u>221,217</u>	<u>162,261</u>
	<u>\$ 486,617</u>	<u>\$ 402,658</u>

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	
	2015	2014
Cost of telecommunications service		
Subsidiaries of Far Eastern New Century	\$ 3,889	\$ 2,670
Other related parties	<u>3,321</u>	<u>3,229</u>
	<u>\$ 7,210</u>	<u>\$ 5,899</u>
Rental (included in operating cost)		
Far Eastern New Century	\$ 1,549	\$ 2,123
Subsidiaries of Far Eastern New Century	7,370	5,272
Other related parties	<u>18,614</u>	<u>16,708</u>
	<u>\$ 27,533</u>	<u>\$ 24,103</u>
Rental (included in operating expense)		
Far Eastern New Century	\$ 2,849	\$ 2,848
Subsidiaries of Far Eastern New Century	60,826	60,502
Other related parties	<u>105,911</u>	<u>162,111</u>
	<u>\$ 169,586</u>	<u>\$ 225,461</u>
Marketing expense		
Far Eastern New Century	\$ -	\$ 11
Subsidiaries of Far Eastern New Century	54,362	46,492
Other related parties	<u>24,671</u>	<u>20,680</u>
	<u>\$ 79,033</u>	<u>\$ 67,183</u>
Service fee		
Far Eastern New Century	\$ 571	\$ 578
Subsidiaries of Far Eastern New Century	124,404	143,705
Other related parties	<u>32,335</u>	<u>22,425</u>
	<u>\$ 157,310</u>	<u>\$ 166,708</u>
Donation expense		
Other related parties	<u>\$ -</u>	<u>\$ 6,000</u>
Other expense		
Far Eastern New Century	\$ 103,426	\$ 41,905
Subsidiaries of Far Eastern New Century	1,417	1,636
Other related parties	<u>4,757</u>	<u>3,424</u>
	<u>\$ 109,600</u>	<u>\$ 46,965</u>

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	
	2015	2014
Acquisition of equity-method investments		
Subsidiaries of Far Eastern New Century	\$ 106,000	\$ 360,000
Acquisition of property, plant and equipment		
Subsidiaries of Far Eastern New Century	\$ 9,595	\$ 9,418
Other related parties	67	950
	<u>\$ 9,662</u>	<u>\$ 10,368</u>
Acquisition of available-for-sale financial assets		
Other related parties	\$ 653,400	\$ -
Disposal of available-for-sale financial assets		
Other related parties	<u>\$ 687,033</u>	<u>\$ -</u>

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 "A", "B", "C", "D", 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, 2015, the Group acquired funds with carrying amounts of \$653,400 thousand, and the Group disposed of funds with carrying amounts of \$603,900 thousand. The disposal proceed was \$687,033 thousand, and the gains on fund disposal was \$83,133 thousand.

The Group subscribed for Ding Ding Integrated Marketing Service Co., Ltd. and Yuan Hsin Digital Payment Co., Ltd.'s new common shares issued for cash amounting to \$106,000 thousand and \$360,000 thousand in May 2015 and June 2014, respectively; thus, the Group's ownership of the companies maintained 20% and decreased to 30%, respectively.

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

	December 31	
	2015	2014
Other related parties	<u>\$ 4,862,453</u>	<u>\$ 4,810,003</u>

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 and included in other financial assets - current.

e. Hedging derivative financial assets (liabilities) - current

	December 31	
	2015	2014
Other related parties	<u>\$ (3,100)</u>	<u>\$ (1,800)</u>

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\$20,000 thousand and US\$5,000 thousand as of December 31, 2015 and 2014, respectively. Related expenses were treated as finance cost.

f. Receivables and payables - related parties

	December 31	
	2015	2014
Accounts receivable - related parties		
Far Eastern New Century	\$ 4,638	\$ 4,106
Subsidiaries of Far Eastern New Century	39,208	36,018
Other related parties	<u>180,338</u>	<u>204,974</u>
	<u>\$ 224,184</u>	<u>\$ 245,098</u>
Other receivables - related parties (included in other current assets)		
Subsidiaries of Far Eastern New Century	\$ 4,279	\$ 10,701
Other related parties	<u>196,796</u>	<u>11,248</u>
	<u>\$ 201,075</u>	<u>\$ 21,949</u>
Accounts payable - related parties (included in accounts payable)		
Subsidiaries of Far Eastern New Century	<u>\$ 1,512</u>	<u>\$ 298</u>
Other payables - related parties (included in other current liabilities)		
Far Eastern New Century	\$ 33,149	\$ 8,759
Subsidiaries of Far Eastern New Century	<u>79,507</u>	<u>69,608</u>
Other related parties	<u>12,469</u>	<u>28,073</u>
	<u>\$ 125,125</u>	<u>\$ 106,440</u>

g. Refundable deposits

	December 31	
	2015	2014
Refundable deposits		
Subsidiaries of Far Eastern New Century	\$ 79,285	\$ 81,616
Other related parties	<u>1,632</u>	<u>1,631</u>
	<u>\$ 80,917</u>	<u>\$ 83,247</u>

h. Others

	For the Years Ended December 31	
	2015	2014
Interest revenue		
Subsidiaries of Far Eastern New Century	\$ 25	\$ 16
Other related parties	<u>49,811</u>	<u>44,248</u>
	<u>\$ 49,836</u>	<u>\$ 44,264</u>

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, 2015 and 2014 were as follows:

	December 31	
	2015	2014
a.		
Acquisition of property, plant and equipment under contracts	\$ 6,668,933	\$ 7,329,288
Less: Payments for acquisition of property, plant and equipment	<u>1,716,273</u>	<u>1,949,036</u>
	<u>\$ 4,952,660</u>	<u>\$ 5,380,252</u>
Acquisition of cellular phone equipment under contract	\$ 13,372,760	\$ 11,191,863
Less: Payments for acquisition of cellular phone equipment	<u>8,264,134</u>	<u>5,537,368</u>
	<u>\$ 5,108,626</u>	<u>\$ 5,654,495</u>

b. The Group provided a \$100,000 thousand bank guarantee for its purchases as of December 31, 2015 and 2014, respectively.

c. In May 2015, Far EasTone applied to the Taipei District Court for a temporary injunction order against Taiwan Mobile Co., Ltd. (TWM) for TWM's violation of the agreement between Far EasTone and TWM and prohibited TWM from using the C1 spectrum till TWM escheats the C4 spectrum to NCC. On July 1, 2015, the Taipei District Court approved the issuance of a preliminary injunction. Under the preliminary injunction process, in July 2015, Far EasTone lodged \$1,049,000 thousand in negotiable certificates however TWM posted a bond of \$927,000 thousand as part of its appeal of the preliminary injunction and request that the Court allow TWM to use the C1 spectrum. On September 11, 2015, the High Court rejected TWM's interlocutory appeal and upheld provisional injunction.

TWM no longer filed another appeal of the preliminary injunction. On July 28, 2015, Far EasTone filed a civil litigation against TWM, asking TWM to escheat the C4 spectrum immediately and declared that TWM should refrain from using the C1 spectrum even before escheating the C4 spectrum. At the same time, Far EasTone demanded a compensation of \$1,005,800 thousand from TWM.

d. To enter the cable television market and strengthen the domain of digital convergence, Far EasTone planned to enter into a strategic alliance with Morgan Stanley Private Equity Asia IV, LLC ("MSPE Asia") and seek opportunities to cooperate with China Network Systems Group ("CNS Group") by acquiring the corporate bonds in the future. For this alliance, on July 30, 2015, the board of directors of Far EasTone resolved to enter into a cooperation agreement with the subsidiaries to be individually established by North Haven Private Equity Asia IV Holdings Limited ("NHPEA") which is managed by MSPE Asia to regulate future rights and obligations between Far EasTone and MSPE Asia. Under the cooperation agreement, Far EasTone may subscribe for the corporate bonds to be issued by the subsidiaries to be directly/indirectly owned by NHPEA and to be established in the R.O.C. to provide certain technology and advisory services as well as to explore other potential opportunities for collaboration as allowed under R.O.C. laws and regulations. Far EasTone's total subscription of the subsidiaries' corporate bonds should not exceed \$17,120,000 thousand.

If Far EasTone cannot acquire the permission from the administration, the original shareholders of CNS Group or its related parties could become Far EasTone's strategic cooperative partners under certain conditions. For this cooperative partnership, the board of directors of Far EasTone resolved to sign a contract with the above subsidiaries, and Evergreen Jade Sdn. Bhd. and Goodwill Tower Sdn. Bhd., both of whom are shareholders of CNS Group, to regulate the rights and obligations of each party. The case is subject to the permission from the Investment Commission, MOEA.

	For the Years Ended December 31	
	2015	2014
Rental revenue		
Subsidiaries of Far Eastern New Century	\$ 5,656	\$ 7,885
Other related parties	<u>1,955</u>	<u>2,255</u>
	<u>\$ 7,611</u>	<u>\$ 10,140</u>
Finance costs		
Other related parties	<u>\$ 1,472</u>	<u>\$ 2,109</u>

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, 2015 and 2014 were as follows:

	For the Years Ended December 31	
	2015	2014
Short-term benefits	\$ 338,937	\$ 343,183
Post-employment benefits	<u>3,680</u>	<u>3,125</u>
	<u>\$ 342,617</u>	<u>\$ 346,308</u>

The remuneration of directors and key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

34. ASSETS PLEDGED OR MORTGAGED

Assets pledged or mortgaged, i.e., used as collaterals for the purchase of inventory, for transactions with financial institutions and undertaking government projects, were as follows:

	December 31	
	2015	2014
Other financial assets - current	\$ 261,966	\$ 215,278
Other financial assets - noncurrent	<u>25,140</u>	<u>47,477</u>
	<u>\$ 287,106</u>	<u>\$ 262,755</u>

- e. Far EasTone bid for a 4G wireless communication license for GSM2600 on December 7, 2015, with the getting price of \$9,130,000 thousand. The deposit for bidding in the amount of \$1,000,000 thousand was applied as partial payment of the bid price and the rest of the bid price was paid on January 4, 2016.

36. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

		(In Thousands, Except Exchange Rate)	
		December 31, 2015	
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 30,045	32.825	\$ 986,222
EUR	72	35.88	2,566
Nonmonetary items			
USD	20,268	32.825	665,295
<u>Financial liabilities</u>			
Monetary items			
USD	16,692	32.825	547,909
EUR	4,756	35.88	170,629
<u>Financial assets</u>			
Monetary items			
USD	\$ 22,175	31.65	\$ 701,825
EUR	59	38.47	2,271
Nonmonetary items			
USD	22,162	31.65	701,421
<u>Financial liabilities</u>			
Monetary items			
USD	15,896	31.65	503,124
EUR	27	38.47	1,040

The Group is mainly exposed to the U.S. dollar and Euro. The following information aggregated by the functional currencies of the group entities, and the exchange rates between respective functional currencies and the presentation currency. The significant realized and unrealized foreign exchange gains (losses) were as follows:

For the Years Ended December 31			
		2015	2014
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)	Net Foreign Exchange Gain (Loss)
NTD	1 (NTD:NTD)	\$ 13,704	1 (NTD:NTD)
RMB	5.033 (RMB:NTD)	1,383	4.92 (RMB:NTD)
		<u>\$ 15,087</u>	<u>\$ 3,058</u>

37. SEPARATELY DISCLOSED ITEMS

- a. Important transactions and b. information on the Group's investees

- 1) Financing provided to others: 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) Information on investees: Schedule H

c. Investment in Mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Schedule I
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: Schedule G
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) Other transactions that have material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

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; and
- 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 analyzed by the operating segments were as follows:

	For the Year Ended December 31, 2015			
	Mobile Service Business	Fixed-line Service Business	Sales Business	Adjustment and Elimination
Revenues generated from external customers	\$ 63,388,089	\$ 9,691,115	\$ 24,214,014	\$ -
Revenues generated from within the Group (Note)	936,704	3,949,868	9,719	(4,896,291)
Total revenues	<u>\$ 64,324,793</u>	<u>\$ 13,640,983</u>	<u>\$ 24,223,733</u>	<u>\$ (4,896,291)</u>
Segment operating income	<u>\$ 11,302,175</u>	<u>\$ 3,032,012</u>	<u>\$ 2,617,048</u>	<u>\$ (3,013,369)</u>
				<u>\$ 97,293,218</u>

	For the Year Ended December 31, 2014			
	Mobile Service Business	Fixed-line Service Business	Sales Business	Adjustment and Elimination
Revenues generated from external customers	\$ 62,194,140	\$ 10,286,432	\$ 21,695,028	\$ -
Revenues generated from within the Group (Note)	1,230,175	3,162,588	8,179	(4,400,942)
Total revenues	<u>\$ 63,424,315</u>	<u>\$ 13,449,020</u>	<u>\$ 21,703,207</u>	<u>\$ (4,400,942)</u>
Segment operating income	<u>\$ 11,727,637</u>	<u>\$ 2,404,599</u>	<u>\$ 2,273,753</u>	<u>\$ (2,422,330)</u>
				<u>\$ 94,175,600</u>

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 2015 and 2014.

SCHEDULE A

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2015
(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	\$ 250,000	\$ 241,000	1.48%-1.66%	Short-term financing	\$ -	For business operations	\$ -	-	\$ -	\$ 7,190,637	\$ 35,953,183
1	New Century InfoComm Co., Ltd.	Far Eastone Telecommunications Co., Ltd.	Other receivables - related parties	Yes	4,500,000	4,500,000	2,500,000	1%-1.14%	Short-term financing	-	For business operations	-	-	-	4,931,909	12,329,772
		Far Eastone Telecommunications Co., Ltd.	Other receivables - related parties	Yes	4,000,000	4,000,000	4,000,000	1%-1.14%	Transaction	4,541,171	-	-	-	-	4,541,171	12,329,772
		Q-ware Communications Co., Ltd.	Other receivables - related parties	Yes	250,000	-	-	1.64%	Short-term financing	-	For business operations	-	-	-	4,931,909	12,329,772

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 amount of financing provided to short-term financing should not exceed 10% of 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 loan contract signing or the prior year's actual transaction amount. B) For short-term financing needs, the individual loan amount should not exceed 20% of NCIC's net worth.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Amount Given on Behalf of Each Party (Note)	Maximum Amounts Endorsed/ Guaranteed During the Year	Outstanding Endorsement/ Guarantee at the End of the Year	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statement (%)	Aggregate Endorsement/ Guarantee Limit (Note)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	Far EastOne Telecommunications Co., Ltd.	KGEx.com Co., Ltd.	Subsidiary	\$ 35,953,183	\$ 45,000	\$ 45,000	\$ 5,994	\$ -	0.06	\$ 71,906,365	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.

SCHEDULE C**FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES**

MARKETABLE SECURITIES HELD
DECEMBER 31, 2015
(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, 2015			Note	Highest Shares/Units Held During the Year
				Shares	Carrying Amount	Percentage of Ownership (%)		
Far EasTone Telecommunications Co., Ltd.	Stock	-	Financial assets carried at cost - noncurrent	15,000,000	\$ 150,000	11.11	Note B	15,000,000
	App Works Fund II Co., Ltd.							
ARCOA Communication Co., Ltd.	Stock	-	Financial assets carried at cost - noncurrent	1,213,594	12,190	18.32	Note B	1,213,594
	THI consultants Web Point Co., Ltd.			160,627	1,618	0.63		
New Century InfoComm Tech Co., Ltd.	Stock	-	Financial assets carried at cost - noncurrent	8,858,191	50,000	3.18	Note B	8,858,191
	Kaohsiung Rapid Transit Corporation			450,000	4,500	3.33		
	Bank Pro E-service Technology Co., Ltd.	-	Financial assets carried at cost - noncurrent				Note B	450,000
	Overseas funds							
	Opas Fund Segregated Portfolio Tranche A	Other related party	Available-for-sale financial assets - current	14,561,612	492,375	-	Note A	14,561,612
	Opas Fund Segregated Portfolio Tranche C			4,133,591	172,920	-		

Note A: The market values of open-end mutual funds were calculated at their net asset values as of December 31, 2015.

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

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
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal		Gain (Loss) on Disposal	Ending Balance	
					Share/Units	Amount	Share/Units	Amount	Share/Units	Amount		Share/Units	Amount
New Century InfoComm Tech Co., Ltd.	Overseas funds												
	Opas Fund Segregated Portfolio Tranche B	Available-for-sale financial assets - current	-	Other related party	11,499,399	\$ 445,500	-	\$ -	11,499,399	\$ 505,614	\$ 60,114	-	\$ -
	Opas Fund Segregated Portfolio Tranche A	Available-for-sale financial assets - current	-	Other related party	14,561,612	-	14,561,612	487,050	-	-	-	14,561,612	487,050

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

SCHEDULE E

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars)

Purchaser (Seller) of Goods	Related Party	Nature of Relationship	Transaction Details			Abnormal Transaction		Notes/Accounts Receivable (Payable)			
			Purchase (Sale)	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Far EastTone Telecommunications Co., Ltd.	ARCOA Communication Co., Ltd.	Subsidiary	Cost of telecommunications services, marketing expenses and cost of sales	\$ 16,048,386	25	Based on agreement	\$	-	Accounts payable and other payables	\$ (1,181,896)	(7)
	New Century InfoComm Co., Ltd.	Subsidiary	Operating revenues	(242,740)	-	Based on agreement	-	-	Accounts receivable	97,761	2
			Cost of telecommunications services	(749,882)	(1)	Based on agreement	-	-	Accounts receivable	3,845	-
					3,791,289	8	Based on agreement	-	-	Accounts payable and other payables (Note A)	(779,035)
New Century InfoComm Co., Ltd.	KGEx.com. Co., Ltd.	Subsidiary	Operating revenues	(170,078)	-	Based on agreement	-	-	Accounts receivable	27,352	-
	Omusic Co., Ltd.	Subsidiary	Cost of telecommunications services	202,417	-	Based on agreement	-	-	Accounts payable	(41,089)	-
	Far Cheng Human Resource Consultant Corp.	Same ultimate parent company	Service fee	105,089	1	Based on agreement	-	-	Other payables	(9,015)	-
New Century InfoComm Co., Ltd.	Far EastTone Telecommunications Co., Ltd.	Parent company	Operating revenues	(3,791,289)	(28)	Based on agreement	-	-	Accounts receivable (Note B)	779,035	49
	KGEx.com. Co., Ltd.	Same parent company	Cost of telecommunications services	749,882	8	Based on agreement	-	-	Accounts payable	(3,845)	-
			Cost of telecommunications services	153,225	2	Based on agreement	-	-	Accounts payable	(27,189)	(4)
				Cost of telecommunications services	114,336	1	Based on agreement	-	-	Accounts payable and other payables	(19,723)
ARCOA Communication Co., Ltd.	Far EastTone Telecommunications Co., Ltd.	Parent company	Operating revenues	(16,048,386)	(78)	Based on agreement	-	-	Accounts receivable	1,181,896	82
			Cost of sales and cost of telecommunication services	242,740	1	Based on agreement	-	-	Accounts payable	(97,761)	(6)
	KGEx.com. Co., Ltd.	Parent company	Operating revenues	170,078	33	Based on agreement	-	-	Accounts payable	(27,352)	(47)
			Cost of telecommunications services	(153,225)	(26)	Based on agreement	-	-	Accounts receivable	27,189	31
Omusic Co., Ltd.	Far EastTone Telecommunications Co., Ltd.	Parent company	Operating revenues	(202,417)	(99)	Based on agreement	-	-	Accounts receivable	41,089	98
	New Century InfoComm Co., Ltd.	Parent company	Operating revenues	(114,336)	(100)	Based on agreement	-	-	Accounts receivable	19,723	94
			Cost of sales	114,875	4	Based on agreement	-	-	Accounts payable	(16,835)	(5)
				Operating revenues	(114,875)	(8)	Based on agreement	-	-	Accounts receivable	16,835

Note A: All interconnect revenues, costs and collection of international direct dial revenues between Far EastTone and NCIC were settled at net amounts and were included in accounts payable - related parties.

Note B: Including the receivables collected by Far EastTone for NCIC.

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, 2015

(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	\$ 117,227	12.57 (Note A)	-	-	\$ 86,616	\$ -
	New Century InfoComm Co., Ltd.	Subsidiary	178,132	(Note B)	-	-	96,495	-
	Q-ware Communications Co., Ltd.	Subsidiary	284,231	(Note C)	-	-	34,670	-
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	7,374,579	(Note C)	-	-	723,227	-
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	1,181,896	11.71	-	-	1,181,896	-

Note A: The turnover rate was unavailable as the receivables from related parties were mainly due to the advances made for NCIC's daily operating expenditures and the management service charges to NCIC.

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

Note C: The turnover rate was unavailable as the receivables from related parties were due to (A) the collection of telecommunications bills by Far EasTone for NCIC and (B) financing provided by NCIC to Far EasTone.

SCHEDULE G

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars)

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount (Note D)	Payment Terms	
0	Far EasTone Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd.	1	Accounts receivable - related parties	\$ 3,845	Note E	-
				Other receivables - related parties	174,287	Note E	-
				Refundable deposits	3,517	Note E	-
				Accounts payable - related parties	94,299	Note E	-
				Other payables - related parties	7,280,280	Note E	5
				Sales of inventories	54	Note E	-
				Telecommunications service revenues	749,828	Note E	1
				Cost of telecommunications services	3,791,289	Note E	4
				Rental	16,522	Note E	-
				Telephone fee	40,067	Note E	-
				Marketing expense	14,024	Note E	-
				Rent	37,028	Note E	-
				Interest expense	58,721	Note E	-
				Nonoperating income and gains	50,543	Note E	-
			1	Accounts receivable - related parties	97,761	Note E	-
				Other receivables - related parties	19,466	Note E	-
				Accounts payable - related parties	1,107,519	Note E	1
				Other payables - related parties	74,377	Note E	-
				Unearned revenues	204,046	Note E	-
				Sales of inventories	208,366	Note E	-
				Telecommunications service revenues	34,374	Note E	-
				Cost of sales	15,332,305	Note E	16
				Cost of telecommunications services	104,633	Note E	-
				Marketing expense	611,448	Note E	1
	KGEx.com Co., Ltd.		1	Rental	7,410	Note E	-
				Telephone fee	2,967	Note E	-
				Nonoperating income and gains	1,383	Note E	-
				Accounts receivable - related parties	27,352	Note E	-
				Other receivables - related parties	5,247	Note E	-
				Lease receivables	10,730	Note E	-
				Refundable deposits	898	Note E	-
				Other payables - related parties	10,257	Note E	-
				Telecommunications service revenues	170,078	Note E	-
				Cost of telecommunications services	22,416	Note E	-
				Marketing expense	1,014	Note E	-
				Telephone fee	8,581	Note E	-
				Repair expense	2,400	Note E	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount (Note D)	Payment Terms	
				Rental	\$ 33,376	Note E	-
				Nonoperating income and gains	1,374	Note E	-
			1	Other receivables - related parties	4,757	Note E	-
				Other payables - related parties	7,835	Note E	-
				Nonoperating income and gains	134	Note E	-
			1	Accounts receivable - related parties	36,813	Note E	-
				Other receivables - related parties	247,418	Note E	-
				Accounts payable - related parties	3,438	Note E	-
				Telecommunications service revenues	9,732	Note E	-
				Cost of telecommunications services	41,143	Note E	-
			1	Nonoperating income and gains	4,176	Note E	-
				Accounts receivable - related parties	225	Note E	-
				Other receivables - related parties	190	Note E	-
				Accounts payable	1,224	Note E	-
				Other payables - related parties	2,187	Note E	-
				Telecommunications service revenues	505	Note E	-
				Sales of inventories	49,577	Note E	-
				Cost of sales	1,149	Note E	-
				Marketing expense	2,281	Note E	-
				Nonoperating income and gains	104	Note E	-
			1	Accounts receivable - related parties	615	Note E	-
				Accounts payable - related parties	41,089	Note E	-
				Telecommunications service revenues	498	Note E	-
				Cost of telecommunications services	202,417	Note E	-
			1	Nonoperating income and gains	37	Note E	-
				Other payables - related parties	840	Note E	-
				Telecommunications service revenues	165	Note E	-
				Sales of inventories	25,072	Note E	-
				Marketing expense	1,103	Note E	-
			1	Other payables - related parties	549	Note E	-
				Telecommunications service revenues	69	Note E	-
				Marketing expense	1,494	Note E	-
			1	Accounts receivable - related parties	73	Note E	-
				Other receivables - related parties	63	Note E	-
				Accounts payable - related parties	831	Note E	-
				Other payables - related parties	3,708	Note E	-
				Telecommunications service revenues	872	Note E	-
				Cost of telecommunications services	4,223	Note E	-
				Service fee	3,365	Note E	-
				General and administrative expenses	2,294	Note E	-
				Nonoperating income and gains	17	Note E	-
			1	Other receivables - related parties	677	Note E	-
			1	Other receivables - related parties	32,311	Note E	-
			1	Accounts receivable - related parties	5,375	Note E	-
				Other receivables - related parties	107	Note E	-
				Other payables - related parties	8,829	Note E	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount (Note D)	Payment Terms	
				Sales of inventories	\$ 20,014	Note E	-
				Telecommunications service revenues	863	Note E	-
				Cost of sales	20,011	Note E	-
				Service fee	18,000	Note E	-
				Marketing expense	2,525	Note E	-
				Nonoperating income and gains	58	Note E	-
			1	Other receivables - related parties	562	Note E	-
1	New Century InfoComm Tech Co., Ltd.	Digital United Information Technologies (Shanghai) Co., Ltd.					
			3	Accounts payable - related parties	140	Note E	-
				Other payables - related parties	88	Note E	-
				Telecommunications service revenues	1,016	Note E	-
				Cost of telecommunications services	1,113	Note E	-
				Telephone fee	621	Note E	-
				Marketing expense	445	Note E	-
			3	Accounts receivable - related parties	1,698	Note E	-
				Other receivables - related parties	19	Note E	-
				Accounts payable - related parties	27,189	Note E	-
				Other payables - related parties	9,736	Note E	-
				Telecommunications service revenues	29,406	Note E	-
				Cost of telecommunications services	153,225	Note E	-
			3	Accounts receivable - related parties	15	Note E	-
			3	Guarantee deposits received	720	Note E	-
				Accounts payable - related parties	5,202	Note E	-
				Other payables - related parties	44	Note E	-
				Telecommunications service revenues	25,598	Note E	-
				Cost of telecommunications services	5,211	Note E	-
				Cost of sales	5,117	Note E	-
				Marketing expense	104	Note E	-
				Nonoperating income and gains	6,040	Note E	-
			3	Telecommunications service revenues	35	Note E	-
				Nonoperating income and gains	23	Note E	-
			3	Accounts payable - related parties	19,406	Note E	-
				Other payables - related parties	317	Note E	-
				Cost of telecommunications services	114,336	Note E	-
			3	Accounts receivable - related parties	1,477	Note E	-
				Guarantee deposits received	990	Note E	-
				Accounts payable - related parties	3,114	Note E	-
				Other payables - related parties	470	Note E	-
				Telecommunications service revenues	1,472	Note E	-
				Cost of sales	2,816	Note E	-
				Other operating costs	13,058	Note E	-
				Marketing expense	56	Note E	-
				Service fee	275	Note E	-
				Nonoperating income and gains	6,009	Note E	-
			3	Telecommunications service revenues	1,081	Note E	-
				Service fee	1,078	Note E	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount (Note D)	Payment Terms	
5	Linkwell Tech. Ltd.	Home Master Technology Ltd.	3	Accounts receivable - related parties Other receivables - related parties Accounts payable - related parties Other payables - related parties Sales of inventories Cost of sales	\$ 245 185 159 207 1,171 4,713	Note E Note E Note E Note E Note E Note E	- - - - - -

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, 2015; while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the year ended December 31, 2015.

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)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of December 31, 2015		Net Income (Loss) of the Investee	Share of Profit (Loss)	Note	Highest Shares/Units Held During the Year
				December 31, 2015	December 31, 2014	Shares/Units	Percentage of Ownership (%)				
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	\$ 3,033,150	\$ 3,262,181	Notes A and B	2,100,000,000
	ARCOA Communication Co., Ltd.	Taiwan	Type II telecommunications services, sales of communications products and office equipment	1,305,802	1,305,802	82,762,221	61.63	201,715	122,376	Notes A and B	82,762,221
	KGEX. com Co., Ltd.	Taiwan	Type II telecommunications services	2,540,442	2,540,442	88,894,286	99.99	56,612	56,604	Notes A and B	112,391,422
	Huir Inc.	Taiwan	Electronic information services	537,260	537,260	53,726,000	89.54	(323,516)	(288,913)	Notes A and B	53,726,000
	Yuan Cing Co., Ltd.	Taiwan	Electronic information providing services	101,371	101,371	19,349,995	99.99	11,334	11,334	Notes A and B	19,349,995
	E. World (Holdings) Ltd.	Cayman Islands	Call center services	-	82,883	-	-	(215)	(184)	Notes A and D	6,014,622
	Far EastTon Holding Ltd.	Cayman Islands	Investment	-	150,000	-	-	267	267	Notes A and D	4,486,988
	Far Eastern Info Service (Holding) Ltd.	Bermuda	Investment	92,616	92,616	1,200	100.00	(37,686)	(37,686)	Notes A and B	1,200
	Omusic Co., Ltd.	Taiwan	Electronic information providing services	25,000	25,000	2,500,000	50.00	7,912	3,956	Notes A and B	2,500,000
	Q-ware Communication Co., Ltd.	Taiwan	Type II telecommunications services	832,038	832,038	33,982,812	81.46	254	207	Notes A and B	33,982,812
	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	(264,208)	(143,172)	Notes B and C	254,239,581
	Yuan Hsin Digital Payment Co., Ltd.	Taiwan	Other financing and supporting services	450,000	450,000	45,000,000	30.00	(265,832)	(75,703)	Notes C and D	45,000,000
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	139,500	60,000	10,408,200	15.00	(11,429)	(1,837)	Notes B and C	10,408,200
	Alliance Digital Technology Co., Ltd.	Taiwan	Electronic information providing services	30,000	30,000	3,000,000	13.33	(53,481)	(5,909)	Notes C and D	3,000,000
	iScreen Corporation	Taiwan	Information service	-	100,000	-	-	1,626	650	Notes C and D	4,000,000
	Far Eastern Electronic Commerce Co., Ltd.	Taiwan	Electronic information providing services	80,893	80,893	6,691,000	14.85	(249,941)	(37,337)	Notes B and C	6,691,000
	DataExpress Infotech Co., Ltd.	Taiwan	Sale of communications products	141,750	141,750	12,866,353	70.00	51,792	-	Notes B and E	12,866,353
	New Diligent Co., Ltd.	Taiwan	Investments	800,000	800,000	80,000,000	100.00	(68,414)	-	Notes B and E	80,000,000
	Information Security Service Digital United Inc.	Taiwan	Security and monitoring service via internet	148,777	148,777	10,249,047	100.00	2,502	-	Notes B and E	14,877,747
	Digital United (Cayman) Ltd.	Cayman Islands	Investments	132,406	132,406	4,320,000	100.00	(6,821)	-	Notes B and E	4,320,000
	Simple InfoComm Co., Ltd.	Taiwan	Electronic information providing services	34,000	34,000	-	-	24	-	Notes D and E	3,400,000
New Diligent Co., Ltd.	Far Eastern Electronic Commerce Co., Ltd.	Taiwan	Electronic information providing services	28,922	28,922	2,392,000	5.31	(249,941)	-	Notes B and C	2,392,000
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	46,500	20,000	3,469,400	5.00	(11,429)	-	Notes B and C	3,469,400
DataExpress Infotech Co., Ltd.	Sino Lead Enterprise Limited	Hong Kong	Telecommunication services	125	125	-	100.00	(126)	-	Notes B and E	-
	Far Eastern New Diligent Company Ltd.	British Virgin Islands	Investments	133,048	133,048	-	100.00	(74,600)	-	Notes B and E	-
	New Diligent Hong Kong Co., Ltd.	Hong Kong	Investments	-	-	-	-	-	-	Notes E and G	-
	Linkwell Tech. Ltd.	Taiwan	Sale of communications products	10,000	10,000	-	100.00	(6,369)	-	Notes B and E	-
	Home Master Technology Ltd.	Taiwan	Sale of communications products	10,000	9,999	-	100.00	(6,240)	-	Notes B and E	-

Note A: Subsidiary.

Note B: The calculation was based on audited financial statements as of December 31, 2015.

Note C: Equity-method investee of Far Eastone.

Note D: The calculation was based on unaudited financial statements as of December 31, 2015.

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 I.

Note G: New Diligent Hong Kong Co., Ltd. was established on December 4, 2014. The investment amount had not been remitted to the investee as of December 31, 2015.

SCHEDULE I

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note A)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2015	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2015	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2015	Accumulated Repatriation of Investment Income as of December 31, 2015
					Outflow	Inflow						
Digital United Information Technologies (Shanghai) Ltd.	Research and design of computer system	\$ 101,758 (US\$ 3,100,000)	2	\$ 101,758 (US\$ 3,100,000)	\$ -	\$ -	\$ 101,758 (US\$ 3,100,000)	\$ (7,549)	100.00	\$ (7,549)	\$ 10,817 (RMB 2,165,000)	\$ -
Far Eastern New Century Information Technology (Beijing) Limited	Electronic information providing services	170,690 (US\$ 5,200,000)	2	131,300 (US\$ 4,000,000)	-	-	131,300 (US\$ 4,000,000)	(64,464)	79.04 (Note B)	(50,951) (Note B)	78,469 (RMB 15,710,000) (Note B)	-
Far Eastern Tech-info Ltd. (Shanghai)	Computer software, data processing and provision of network information	196,950 (US\$ 6,000,000)	2	207,504 (Note F)	-	-	207,504 (Note F)	(44,223)	100.00 (Note C)	(44,223) (Note C)	107,825 (RMB 21,587,000) (Note C)	-
New Diligence Corporation (Shanghai) (Note E)	Consulting services, supporting services, and wholesale of machinery and equipment	-	1	36,994 (US\$ 1,127,000)	-	-	36,994 (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	\$ 43,595,338
New Century InfoComm Tech Co., Ltd.	101,758 (US\$ 3,100,000)	101,758 (US\$ 3,100,000)	14,795,726
New Diligent Co., Ltd.	283,182 (US\$ 8,627,000)	283,182 (US\$ 8,627,000)	338,267

Note A: Investment type as follows:

1. Far EastOne made the investment directly.
2. Far EastOne 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 or the Group's net worth, which is higher, 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.

Note F: Including US\$3,500,000.

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, 2015, December 31, 2014 and January 1, 2014, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. 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, 2015, December 31, 2014, and January 1, 2014, and its financial performance and its cash flows for the years ended December 31, 2015 and 2014, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Deloitte & Touche

February 17, 2016

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	December 31, 2015		December 31, 2014 (Restated)		January 1, 2014 (Restated)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents (Notes 4, 6 and 28)	\$ 13,871,815	10	\$ 1,427,872	1	\$ 912,456	1
Available-for-sale financial assets - current (Notes 4 and 28)	-	-	181,853	-	225,742	-
Held-to-maturity financial assets - current (Note 4)	-	-	-	-	99,962	-
Derivative financial assets for hedging - current (Notes 4 and 7)	3,790	-	-	-	115	-
Debt investments with no active market - current (Notes 4 and 28)	9,741	-	3,955	-	2,266	-
Notes receivable (Note 4)	30,021	-	20,165	-	7,261	-
Accounts receivable, net (Notes 4 and 8)	5,660,525	4	5,874,423	5	5,552,815	5
Accounts receivable - related parties (Notes 4, 8 and 28)	201,983	-	320,872	-	323,629	-
Other receivables - related parties (Note 28)	680,383	-	245,315	-	601,517	-
Inventories (Notes 4 and 9)	2,877,153	2	1,384,848	1	1,923,124	2
Prepaid expenses	1,099,484	1	1,175,043	1	925,393	1
Other financial assets - current (Notes 4 and 28)	2,377,066	2	1,596,949	2	1,414,467	1
Other current assets (Note 28)	48,213	-	18,703	-	24,350	-
Total current assets	26,860,174	19	12,249,998	10	12,013,097	10
NONCURRENT ASSETS						
Financial assets carried at cost (Note 4)	150,000	-	150,000	-	-	-
Investments accounted for using the equity method (Notes 4, 10 and 28)	30,831,700	22	30,288,037	25	28,701,102	24
Property, plant and equipment, net (Notes 4, 11 and 28)	33,288,032	24	31,895,203	26	29,010,816	24
Investment properties (Notes 4 and 12)	952,580	1	962,915	1	917,291	1
Concessions, net (Notes 1, 4 and 13)	31,834,869	23	33,875,995	27	34,968,533	29
Computer software, net (Notes 4 and 13)	2,281,848	2	2,127,632	2	2,124,201	2
Goodwill (Notes 4 and 13)	10,283,031	7	10,283,031	8	10,283,031	9
Deferred income tax assets (Notes 4 and 22)	656,892	1	869,065	1	883,429	1
Refundable deposits (Note 28)	469,208	-	468,869	-	417,188	-
Other noncurrent assets (Notes 1, 4 and 28)	1,002,691	1	10,731	-	18,722	-
Total noncurrent assets	111,750,851	81	110,931,478	90	107,324,313	90
TOTAL	\$ 138,611,025	100	\$ 123,181,476	100	\$ 119,337,410	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 4)	\$ -	-	\$ -	-	\$ 820,000	1
Derivative financial liabilities for hedging - current (Notes 4 and 7)	5,691	-	3,150	-	-	-
Notes payable	10,543	-	9,774	-	8,619	-
Accounts payable	1,689,788	1	2,454,774	2	2,670,751	2
Accounts payable - related parties (Note 28)	1,248,552	1	1,602,317	1	1,223,030	1
Other payables (Note 16)	8,274,340	6	8,126,852	7	7,114,233	6
Other payables - related parties (Note 28)	7,509,968	6	5,365,174	4	5,788,197	5
Current tax liabilities (Notes 4 and 22)	1,683,974	1	3,202,304	3	2,956,438	2
Guarantee deposits received - current	237,716	-	262,129	-	290,741	-
Unearned revenue (Note 4)	2,418,595	2	2,510,206	2	2,162,540	2
Current portion of long-term bonds payable (Notes 4 and 15)	1,599,112	1	-	-	-	-
Other current liabilities (Notes 4 and 17)	248,208	-	208,398	-	265,145	-
Total current liabilities	24,926,487	18	23,745,078	19	23,299,694	19
NONCURRENT LIABILITIES						
Bonds payable (Notes 4 and 15)	18,381,236	13	19,973,096	16	19,965,600	17
Long-term borrowings (Notes 4 and 14)	20,490,001	15	4,100,000	4	-	-
Provisions - noncurrent (Notes 4 and 17)	299,022	-	265,430	-	257,893	-
Deferred income tax liabilities (Notes 4 and 22)	1,379,001	1	1,243,326	1	1,100,401	1
Net defined benefit liabilities - noncurrent (Notes 3, 4 and 18)	731,851	1	669,379	1	731,562	1
Guarantee deposits received - noncurrent	272,517	-	304,394	-	328,035	-
Other noncurrent liabilities (Notes 4, 10 and 16)	224,545	-	133,123	-	182,261	-
Total noncurrent liabilities	41,778,173	30	26,688,748	22	22,565,752	19
Total liabilities	66,704,660	48	50,433,826	41	45,865,446	38
EQUITY						
Capital stock						
Common stock	32,585,008	23	32,585,008	27	32,585,008	27
Capital surplus	12,058,158	9	14,009,061	11	15,919,097	14
Retained earnings						
Legal reserve	15,127,206	11	13,978,791	11	12,822,948	11
Special reserve	824,480	1	755,749	1	-	-
Unappropriated earnings	11,436,725	8	11,558,138	9	12,251,943	10
Total retained earnings	27,388,411	20	26,292,678	21	25,074,891	21
Other equity	(125,212)	-	(139,097)	-	(107,032)	-
Total equity	71,906,365	52	72,747,650	59	73,471,964	62
TOTAL	\$ 138,611,025	100	\$ 123,181,476	100	\$ 119,337,410	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		
	2015	2014 (Restated)	
	Amount	%	Amount
OPERATING REVENUES (Notes 4, 20 and 28)	\$ 80,765,722	100	\$ 78,403,544
OPERATING COSTS (Notes 3, 4, 9, 21 and 28)	48,049,703	59	45,599,483
GROSS PROFIT	32,716,019	41	32,804,061
OPERATING EXPENSES (Notes 3, 4, 21 and 28)			
Marketing	15,848,195	20	16,039,793
General and administrative	4,769,490	6	4,637,144
Total operating expenses	20,617,685	26	20,676,937
OPERATING INCOME	12,098,334	15	12,127,124
NONOPERATING INCOME AND EXPENSES			
Other income (Notes 4, 12, 21 and 28)	154,004	-	231,666
Other gains and losses (Notes 4, 10 and 13)	66,029	-	86,207
Financial costs (Notes 4, 21 and 28)	(471,705)	(1)	(369,468)
Share of the profit of subsidiaries and associates (Notes 3, 4 and 10)	2,866,834	4	2,542,635
Losses on disposal of property, plant, equipment and intangible assets (Note 4)	(872,640)	(1)	(775,915)
Total nonoperating income and expenses	1,742,522	2	1,715,125
INCOME BEFORE INCOME TAX	13,840,856	17	13,842,249
INCOME TAX (Notes 4 and 22)	2,355,161	3	2,359,264
NET INCOME	11,485,695	14	11,482,985
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit plans (Notes 4 and 18)	(59,014)	-	45,338
Share of other comprehensive income of subsidiaries and associates (Notes 4 and 19)	(234)	-	(639)
	(59,248)	-	44,699

(Continued)

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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		
	2015	2014 (Restated)	
	Amount	%	Amount
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations (Notes 4 and 19)	\$ (74)	-	\$ 611
Unrealized losses on available-for-sale financial assets (Notes 4 and 19)	(14,714)	-	(9,896)
Cash flow hedges (Notes 4, 7 and 19)	(4,980)	-	(7,657)
Share of other comprehensive income of subsidiaries and associates (Notes 4 and 19)	33,653	-	(15,123)
	13,885	-	(32,065)
Total other comprehensive income, net of income tax	(45,363)	-	12,634
TOTAL COMPREHENSIVE INCOME	\$ 11,440,332	14	\$ 11,495,619
EARNINGS PER SHARE, NEW TAIWAN DOLLARS (Note 23)			
Basic	\$3.52		\$3.52
Diluted	\$3.52		\$3.52

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

(Concluded)

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FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENTS OF CHANGES IN EQUITY

(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Share Capital (Note 19)		Capital Surplus (Notes 4 and 19)	Legal Reserve (Note 19)	Retained Earnings		Unappropriated Earnings (Notes 3, 4 and 19)	Exchange Differences on Translating Foreign Operations (Notes 4 and 19)	Other Equity		Total
	Number of Shares (Thousand share)	Amounts			Special Reserve (Note 19)	Cash Flow Hedges (Notes 4, 7 and 19)			Unrealized Gains (Losses) on Available-for-sale Financial Assets (Notes 4 and 19)	Cash Flow Hedges (Notes 4, 7 and 19)	
BALANCE AT JANUARY 1, 2014	3,258,501	\$ 32,585,008	\$ 15,919,097	\$ 12,822,948	\$ -	\$ -	\$ 12,229,862	\$ (1,564)	\$ 49,319	\$ (154,787)	\$ 73,449,883
Effect of retrospective application and restatement	-	-	-	-	-	-	22,081	-	-	-	22,081
BALANCE AT JANUARY 1, 2014 AS RESTATED	3,258,501	32,585,008	15,919,097	12,822,948	-	-	12,251,943	(1,564)	49,319	(154,787)	73,471,964
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 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	-	-	-	-	-	-	11,482,985	-	-	-	11,482,985
Other comprehensive income (losses) for the year ended December 31, 2014	-	-	-	-	-	-	44,699	3,720	49,765	(85,550)	12,634
BALANCE AT DECEMBER 31, 2014	3,258,501	32,585,008	14,009,061	13,978,791	755,749	-	11,558,138	2,156	99,084	(240,337)	72,747,650
Appropriation of the 2014 earnings	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	1,148,415	-	-	(1,148,415)	-	-	-	-
Special reserve	-	-	-	-	68,731	-	(68,731)	-	-	-	-
Cash dividends - NT\$3.167 per share	-	-	-	-	-	-	(10,319,672)	-	-	-	(10,319,672)
Cash dividends from capital surplus - NT\$0.583 per share	-	-	(1,899,706)	-	-	-	-	-	-	-	(1,899,706)
Adjustments to share of changes in equities of associates	-	-	(51,197)	-	-	-	(11,042)	-	-	-	(62,239)
Net income for the year ended December 31, 2015	-	-	-	-	-	-	11,485,695	-	-	-	11,485,695
Other comprehensive income (losses) for the year ended December 31, 2015	-	-	-	-	-	-	(59,248)	(1,327)	(84,459)	99,671	(45,363)
BALANCE AT DECEMBER 31, 2015	3,258,501	\$ 32,585,008	\$ 12,058,158	\$ 15,127,206	\$ 824,480	-	\$ 11,436,725	\$ 829	\$ 14,625	\$ (140,666)	\$ 71,906,365

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	
	2015	2014 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 13,840,856	\$ 13,842,249
Adjustments for:		
Depreciation	6,577,924	6,755,269
Amortization	669,623	681,129
Amortization of concessions	2,041,126	1,092,538
Allowance for doubtful accounts	270,389	260,744
Financial costs	471,705	369,468
Interest income	(29,149)	(37,544)
Share of the profit of subsidiaries and associates	(2,866,834)	(2,542,635)
Loss on disposal of property, plant, equipment and intangible assets	872,640	775,915
Gain on disposal of financial assets	(25,652)	(23,691)
Impairment loss on financial assets	17,273	-
Reversal of write-down of inventories	(12,493)	(50,151)
Loss (gain) on change in fair value of investment properties	10,335	(45,624)
Deferred loss on derivative assets for hedging	(7,250)	(5,960)
Net changes in operating assets and liabilities		
Notes receivable	(9,856)	(12,904)
Accounts receivable	(56,491)	(582,352)
Accounts receivable - related parties	118,889	2,757
Other receivables - related parties	(5,538)	115,899
Inventories	(1,479,812)	588,427
Prepaid expenses	75,559	(249,650)
Other current assets	(22,881)	4,734
Notes payable	769	1,155
Accounts payable	(764,986)	(215,977)
Accounts payable - related parties	(353,765)	379,287
Other payables	335,866	1,035,822
Other payables - related parties	43,203	375,151
Provisions	2,489	2,506
Unearned revenue	(91,611)	347,666
Other current liabilities	20,792	(59,194)
Net defined benefit liabilities	(8,629)	(7,559)
Cash generated from operations	19,634,491	22,797,475
Interest received	27,415	36,809
Dividend received	2,294,788	1,801,718
Interest paid	(433,528)	(361,578)
Income taxes paid	(3,508,101)	(1,966,575)
Net cash generated from operating activities	18,015,065	22,307,849

(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

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

	For the Years Ended December 31	
	2015	2014 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds of the disposal of available-for-sale financial assets	\$ -	\$ 60,929
Acquisition of debt investments with no active market	(5,786)	(1,689)
Proceeds on redemption of held-to-maturity financial assets	-	100,000
Acquisition of financial assets carried at cost	-	(150,000)
Acquisition of investments accounted for using the equity method	(79,500)	(360,000)
Proceeds from the disposal of investments accounted for using the equity method	19,600	-
Proceeds from capital return on liquidation of investments accounted for using the equity method	127,157	-
Acquisition of property, plant and equipment	(9,037,527)	(10,512,898)
Proceeds from the disposal of property, plant and equipment	43,391	93,831
Increase in refundable deposits	(123,858)	(130,624)
Decrease in refundable deposits	123,519	78,943
Increase in financing provided by other receivables - related parties	(241,000)	-
Decrease in financing provided by other receivables - related parties	(823,839)	241,000
Acquisition of intangible assets	(780,117)	(688,912)
Increase in other financial assets	(1,000,000)	(182,482)
Increase in other noncurrent assets	-	-
Net cash used in investing activities	(11,777,960)	(11,451,902)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	-	(820,000)
Proceeds of long-term borrowings	19,740,001	9,290,000
Repayment of long-term borrowings	(3,350,000)	(5,190,000)
Increase in guarantee deposits received	105,274	155,680
Decrease in guarantee deposits received	(161,564)	(207,933)
Increase in financing obtained from other payables - related parties	6,500,000	4,400,000
Decrease in financing obtained from other payables - related parties	(4,400,000)	(5,200,000)
Decrease in other noncurrent liabilities	(7,495)	(80,873)
Cash dividends paid	(12,219,378)	(12,219,378)
Acquisition of interests in subsidiaries	-	(468,027)
Net cash generated from (used in) financing activities	6,206,838	(10,340,531)
INCREASE IN CASH AND CASH EQUIVALENTS	12,443,943	515,416
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	1,427,872	912,456
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 13,871,815</u>	<u>\$ 1,427,872</u>

(Concluded)

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Far EastTone 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, 2015 and 2014, 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 licenses when they were due. One of the two type I licenses - GSM1800 island-wide was returned to the National Communications Commission (NCC) in April 2015, and the other one - GSM900 for the northern region of Taiwan was renewed and 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 2018 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. 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, with an annual license fee of 2% of total 2G wireless communications service revenues. This license was returned to NCC in April 2015. 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. The license was returned to NCC when it was due. To integrate the resources and enhance the operating efficiency of the Company and KG Telecom (formerly the Company’s 100% subsidiary), the boards of directors of both companies resolved to approve their merger on February 26, 2009, with the Company as the survivor entity. On August 28, 2009, 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 February 11, 2015, NCC approved that the Company’s could terminate the WiMAX service on March 10, 2015.

Mobile Broadband Business (4G) License

On October 30, 2013, the Company bid for a 4G (fourth generation wireless communications services) wireless communications license - GSM700 and GSM1800 with validity through December 31, 2030 and with a bidding price of \$31,315,000 thousand, and became licensed to provide 4G services and has had commercial operations of the 4G telecommunications service since then. The Company also bid for a 4G wireless communications license - GSM2600, with the getting price of \$9,130,000 thousand on December 7, 2015. The deposit for bidding in the amount of \$1,000,000 thousand was included in other noncurrent assets.

The financial statements are presented in the Company’s functional currency, the New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on February 17, 2016.

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

- Initial application of 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

Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC stipulated that the Company applied 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.

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 IFRSs version did not have any material impact on the Company’s accounting policies:

- 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, please refer to Note 10 for related disclosures.

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. Refer to Notes 12 and 27 for related disclosures.

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) may 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 retrospectively applied the above amendments starting in 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 have 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.

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

The impact in the prior year is set out below:

	Carrying Amount	Adjustments Arising from Initial Application	Adjusted Carrying Amount
Impact on assets, liabilities and equity			
December 31, 2014			
Net defined benefit liabilities - noncurrent	\$ 690,298	\$ (20,919)	\$ 669,379
Retained earnings	\$ 26,271,759	\$ 20,919	\$ 26,292,678
January 1, 2014			
Net defined benefit liabilities - noncurrent	\$ 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	\$ 206	\$ 45,599,483
Operating expenses	\$ 20,675,981	\$ 956	\$ 20,676,937
Nonoperating income and expenses	\$ 1,715,127	\$ (2)	\$ 1,715,125
Net income	\$ 11,484,149	\$ (1,164)	\$ 11,482,985
Other comprehensive income	\$ 12,632	\$ 2	\$ 12,634
Total comprehensive income	\$ 11,496,781	\$ (1,162)	\$ 11,495,619

5) Annual Improvements to IFRSs: 2009-2011 Cycle

Several standards including IAS 1 “Presentation of Financial Statements” 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 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 had material effect on the balance sheet as of January 1, 2014. The Company had already presented the balance sheet as of January 1, 2014 in accordance of the above amendments to IAS 1 and disclosed 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.

b. 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 3)
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"	To be determined by IASB
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, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
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 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 "Leases"	January 1, 2014

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: 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:

- 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;
- 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) IFRIC 21 "Leases"

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.

3) Annual Improvements to IFRSs: 2010-2012 Cycle

Several standards including IFRS 8 "Operating Segments" and IAS 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.

4) Annual Improvements to IFRSs: 2011-2013 Cycle

Several standards, including IFRS 13 "Fair Value Measurement", 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.

5) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations from January 1, 2018.

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.

Under IFRS 15, the Company will allocate the transaction price to each performance obligation identified in bundle sale contract on a relative stand-alone selling price basis. Under the former standard, the Company enters into transactions that involve the bundling of the service of air time with goods such as data card and handset, resulting in the recognition of the revenue for service and goods based on the allocation of the total consideration received from customers using the relative fair values, and the sales of goods are limited to the amount that customers pay for.

Direct and incremental costs of obtaining a contract will be recognized as an asset to the extent the Company expects to recover those costs. Such asset will be amortized on a basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. This will lead to the later recognition of charges for certain customer-obtaining costs.

6) IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Company is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the balance sheets except for low-value and short-term leases. The Company may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the statements of comprehensive income, the Company should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the statements of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities; cash payments for interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Company as lessor.

When IFRS 16 becomes effective, the Company may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

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.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 inputs are unobservable inputs for the asset or liability.

When preparing its parent company only financial statements, the Company used equity method to account for its investment in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owner of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatment between parent company only basis and consolidated basis were made to investments accounted for by equity method, share of profit or loss of subsidiaries and associates, share of other comprehensive income of subsidiaries and associates and related equity items, as appropriate, in the parent company only financial statements.

Classification of Current and Noncurrent Assets and Liabilities

Current assets include:

- Assets held primarily for the purpose of trading;
- Assets expected to be realized within 12 months after the reporting period; and
- 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:

- Liabilities held primarily for the purpose of trading;
- Liabilities due to be settled within 12 months after the reporting period; and
- 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 Company's financial statements, transactions in currencies other than the Company'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 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, or a disposal involving loss of control over a subsidiary that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation 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.

Investments in Subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

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 losing 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.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary 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 fair value of the net identifiable assets and liabilities over the cost of the acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the entire financial statements of the invested company. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, 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 or losses resulting from downstream transactions are eliminated in full in the parent company only financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized in the parent company only financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

Investments in Associates

An associate is an entity over which the Company has significant influence and that is not a subsidiary.

The Company uses the equity method to account for its investments in associates.

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.

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 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.

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 - changes in the Company's share of equity of associates. 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.

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 Company discontinues the use of the equity method from the date on which its investment ceases to be an associate. 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. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company continues to apply the equity method and does not remeasure the retained interest.

When the Company transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's 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.

Property, plant and equipment in the course of construction are carried at cost. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation on property, plant and equipment (including assets held under finance leases) is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term is shorter than the useful lives, assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, 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.

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its intangible 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 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.

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, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or a 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 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 (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

The Company's financial assets are classified into: 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 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.

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.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the assets is included in profit or loss.

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 loss.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units or groups of cash-generating units (referred to as 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 attributed 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 with 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.

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, they are measured on the same basis as intangible assets that are acquired separately.

c. Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss.

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

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, including forward exchange 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 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.

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.

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 discounted cash flows 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 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 goods 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 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 Company with no future related costs are recognized in profit or loss in the period in which they become receivable.

Employee Benefits

a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

b. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost), and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

c. Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plan except that remeasurement is recognized in profit or loss.

d. Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Company can no longer withdraw the offer of the termination benefit and when the Company recognizes any related restructuring costs.

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 to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year'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 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 evaluates and decides on certain asset's independent cash flows, useful lives of the assets and probable future profit or loss based on subjective judgement, asset usage model and telecommunications industry characteristics. Any change in national and local economic conditions or the 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. Where the actual cash flow becomes lower than estimated, there 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, 2015 and 2014, 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. Fair value measurements and valuation processes

Where Level 1 inputs are not available, the Company or engaged valuers would determine appropriate inputs by referring to the analyses of the financial position and the operation results of investees, recent transaction prices, prices of same equity instruments not quoted in active markets, quoted prices of similar instruments in active markets, valuation multiples of comparable entities/market prices or rates and specific features of derivatives/the existing lease contracts and rentals of similar properties in the vicinity of the Company's investment properties. If the actual changes of inputs in the future differ from expectation, fair value might vary accordingly. The Company updates inputs every quarter to confirm the appropriateness of fair value measurement.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in Notes 12 and 27.

g. Useful lives of property, plant and equipment

As described in Note 4, the Company reviews the estimated useful lives of property, plant and equipment at the end of each reporting period.

h. Impairment of investment in the subsidiary and the associate

The Company immediately recognizes impairment loss on its net investment in the subsidiary and the 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 the associate. 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	
	2015	2014
Cash on hand	\$ 10,426	\$ 10,195
Checking and demand deposits	2,867,895	1,417,677
Cash equivalents	10,993,494	-
Commercial paper purchased under resell agreements	\$ 13,871,815	\$ 1,427,872

7. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	December 31	
	2015	2014
Financial assets - current		
Cash flow hedges	\$ 3,790	\$ -
Forward exchange contracts		(Continued)

	December 31	
	2015	2014
Financial liabilities - current		
Cash flow hedges		
Forward exchange contracts	\$ 3,916	\$ -
Cross-currency swap contracts	1,775	3,150
	\$ 5,691	\$ 3,150
		(Concluded)

Cash Flow Hedge

The Company used cross-currency swap contracts and forward exchange contracts to hedge against adverse cash flow fluctuations on its foreign currency-denominated assets and expected future transactions.

The contracts on forward exchange contracts and cross-currency swap contracts were in accordance with the contracts on the hedged items. The outstanding forward exchange contracts and 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, 2015			
Cross-currency swap contracts	US\$ to NT\$	2016.01.15	US\$ 5,000
Forward exchange contracts	NT\$ to EUR	2016.01.25-2016.06.27	EUR 18,500
December 31, 2014			
Cross-currency swap contracts	US\$ to NT\$	2015.01.30	US\$ 5,000

The Company invested in overseas mutual funds, used cross-currency swap contracts to hedge against adverse cash flow fluctuations, and used forward exchange contracts to hedge against fluctuations of exchange rates for expected future purchases. Both contracts were designated as cash flow hedge.

Gains and losses of hedging instruments reclassified from equity to profit or loss were included in the following line item in the statements of comprehensive income:

	For the Years Ended December 31	
	2015	2014
Other gains (losses)	\$ (5,621)	\$ -

For the years ended December 31, 2015 and 2014, expected future trading exposures on foreign exchange swap contracts amounting to \$(4,980) thousand and \$(7,657) thousand were recognized in other comprehensive income. The expected cash flows will occur when the hedge target is sold or expected future purchase transactions take place, and will be reclassified from equity to profit or loss.

8. ACCOUNTS RECEIVABLE

	December 31	
	2015	2014
<u>Accounts receivables</u>		
Accounts receivable (including related parties)	\$ 6,855,761	\$ 7,179,358
Less: Allowance for doubtful accounts	(993,253)	(984,063)
	<u>\$ 5,862,508</u>	<u>\$ 6,195,295</u>

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 aging of receivables was as follows:

	December 31	
	2015	2014
Not overdue	\$ 5,610,279	\$ 5,887,450
Overdue		
0-60 days	194,982	238,644
61 days or more	<u>57,247</u>	<u>69,201</u>
	<u>\$ 5,862,508</u>	<u>\$ 6,195,295</u>

The above aging schedule was based on the past due date.

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	
	2015	2014
Beginning balance	\$ 984,063	\$ 887,966
Add: Accounts recovered during the period	284,524	272,449
Add: Impairment losses/bad debts	270,389	260,744
Less: Amounts written off during the period as uncollectible	<u>(545,723)</u>	<u>(437,096)</u>
Ending balance	<u>\$ 993,253</u>	<u>\$ 984,063</u>

Sale of Overdue Accounts Receivable

Under agreements on sales of accounts receivable signed in the years ended December 31, 2015 and 2014, the Company sold to asset management companies the overdue accounts receivable that had been written off. Thus, as of December 31, 2015 and 2014, the Company was not under the risk of irrecoverable receivables.

Related information as of December 31, 2015 and 2014 is as follows:

Counterparties	Amounts of Accounts Receivable Sold	Proceeds of the Sale of Accounts Receivable
2015		
Long Sun Asset Management Co., Ltd.	<u>\$ 1,325,848</u>	<u>\$ 69,829</u>
2014		
E-Hao Management Consultant Co., Ltd.	<u>\$ 675,168</u>	<u>\$ 35,238</u>

9. INVENTORIES

	December 31	
	2015	2014
Cellular phone equipment and accessories	\$ 2,792,465	\$ 1,241,375
Others	<u>84,688</u>	<u>143,473</u>
	<u>\$ 2,877,153</u>	<u>\$ 1,384,848</u>

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2015 and 2014 were \$24,449,926 thousand and \$22,702,792 thousand, respectively.

The inventory reversal of write-downs of \$12,493 thousand and \$50,151 thousand were included in the cost of sales for the years ended December 31, 2015 and 2014, respectively.

10. INVESTMENTS ACCOUNTED FOR USING EQUITY-METHOD

	December 31	
	2015	2014
Investments in subsidiaries	\$ 29,799,694	\$ 29,116,145
Investments in associates	<u>1,032,006</u>	<u>1,171,892</u>
	<u>\$ 30,831,700</u>	<u>\$ 30,288,037</u>

a. Investments in subsidiaries

	December 31	
	2015	2014
Unlisted companies		
New Century InfoComm Tech Co., Ltd.	\$ 27,274,470	\$ 26,239,882
ARCOA Communication Co., Ltd.	1,311,282	1,312,989
KGEx.com Co., Ltd.	948,235	891,631
Yuan Cing Co., Ltd.	137,951	126,617
Hiiir Co., Ltd.	123,831	412,743
Omusic Co., Ltd.	3,925	(30)
Far Eastern Info Service (Holding) Ltd.	(49,267)	5,768
Q-ware Communications Co., Ltd.	(62,915)	(63,123)
E. World (Holdings) Ltd.	-	99,467
Far EasTron Holding Ltd.	-	27,048
Credit balance on carrying values of investments accounted for using equity method reclassified to other liabilities - other	29,687,512	29,052,992
	112,182	63,153
	<u>\$ 29,799,694</u>	<u>\$ 29,116,145</u>

Proportion of Ownership and Voting Rights

	December 31	
	2015	2014
New Century InfoComm Tech Co., Ltd.	100.00%	100.00%
ARCOA Communication Co., Ltd.	61.63%	61.63%
KGEx.com Co., Ltd.	99.99%	99.99%
Yuan Cing Co., Ltd.	99.99%	99.99%
Hiiir Co., Ltd.	89.54%	89.54%
Omusic Co., Ltd.	50.00%	50.00%
Far Eastern Info Service (Holding) Ltd.	100.00%	100.00%
Q-ware Communications Co., Ltd.	81.46%	81.46%
E. World (Holdings) Ltd.	-	85.92%
Far EasTron Holding Ltd.	-	100.00%

Investment in Far Eastern Info Service (Holding) Ltd. is accounted for by the equity method. As the result of continuous operating loss, the carrying amount exceeded the recoverable amount. The Company recognized impairment loss on investment of \$17,273 thousand, which was included in other gains and losses.

Refer to Note 31 for the details of subsidiaries indirectly held by the Company.

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, 2015 and 2014 were based on the subsidiaries' financial statements audited by the auditors for the same years, except for the financial statements for the year ended December 31, 2015 of E. World (Holdings) Ltd. and Far EasTron Holding 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 E. World (Holdings) Ltd. and Far EasTron Holding Ltd. been audited.

b. Investments in associates

	December 31	
	2015	2014
Material associates		
Far Eastern Electronic Toll Collection Co., Ltd.	\$ 631,848	\$ 696,803
Associates that are not individually material	367,126	475,089
	998,974	1,171,892
Credit balance on carrying values of investments accounted for using equity method reclassified to other liabilities - other	33,032	-
	<u>\$ 1,032,006</u>	<u>\$ 1,171,892</u>
1) Material associates		

Name of Associate	Nature of Activities	Principal Place of Business	Proportion of Ownership and Voting Rights	
			December 31	2014
Far Eastern Electronic Toll Collection Co., Ltd.	Electronic information services	Taiwan	39.42%	39.42%

Summarized financial information in respect of each of the Company's material associates is set out below. The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs adjusted by the Company for equity accounting purposes.

Far Eastern Electronic Toll Collection Co., Ltd.

	December 31	
	2015	2014
Current assets	\$ 1,524,271	\$ 1,821,926
Noncurrent assets	6,366,374	7,238,247
Current liabilities	(992,517)	(1,404,647)
Noncurrent liabilities	(5,295,144)	(5,887,754)
Equity	<u>\$ 1,602,984</u>	<u>\$ 1,767,772</u>
Proportion of the Company's ownership	39.42%	39.42%
Carrying amount	<u>\$ 631,848</u>	<u>\$ 696,803</u>
For the Years Ended		
	December 31	
	2015	2014
Operating revenue	<u>\$ 1,934,248</u>	<u>\$ 1,865,170</u>
Net profit for the year	<u>\$ (264,208)</u>	<u>\$ (241,867)</u>
Other comprehensive income	<u>198,437</u>	<u>(115,814)</u>
Total comprehensive income for the year	<u>\$ (65,771)</u>	<u>\$ (357,681)</u>

The usage rate of electronic toll collection (ETC) services had not reached the requirement stated in the contract of the Electronic Toll Collection BOT Project ("ETC Project") as of June 30, 2011. Thus, Far Eastern Electronic Toll Collection Co., Ltd. (FETC) filed a lawsuit against the Taiwan Area National Freeway Bureau (TANFB), and the Supreme Court remanded this case to the Taipei District Court Civil Division in September 2015. FETC had accrued the related penalties.

FETC failed to complete the taxpayer system infrastructure within a specified period under the ETC Project requirements. Therefore, FETC filed a lawsuit with TANFB and the lawsuit is in process by at the Taipei District Court Civil Division. As of June 27, 2013, FETC had completed the taxpayer system infrastructure. FETC had accrued the related penalties.

2) Aggregate information of associates that are not individually material

	For the Years Ended December 31	
	2015	2014
The Company's share of:		
Net profit for the year	\$ (120,136)	\$ (59,628)
Other comprehensive income	(29)	47
Total comprehensive income for the year	<u>\$ (120,165)</u>	<u>\$ (59,581)</u>

For the year ended December 31, 2015, the Company has disposed an associate that is not individually material, and gained \$2,422 thousand on the disposal of investment.

The Company has one or more representation on the boards of directors of some associates that are not individually material according to original agreement or other agreements, therefore the Company has significant influence over these associates.

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
Carrying amount 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	\$ 141,380,691
Additions	-	-	6,614	-	-	2,073	-	10,467,957	10,486,644
Disposals	(5,016)	(40,132)	(12,477,415)	(893,101)	(32,336)	(21,578)	(296)	(34,255)	(12,595,128)
Adjustments and reclassification	-	-	(8,386,814)	1,152,331	12,299	294,852	33,102	(9,983,166)	-
Balance at December 31, 2014	<u>\$ 1,170,782</u>	<u>\$ 2,197,697</u>	<u>\$ 112,986,669</u>	<u>\$ 8,895,631</u>	<u>\$ 972,882</u>	<u>\$ 3,060,365</u>	<u>\$ 586,825</u>	<u>\$ 3,927,959</u>	<u>\$ 138,168,000</u>
Accumulated depreciation									
Balance at January 1, 2014	\$ -	\$ (940,061)	\$ (100,578,661)	\$ (7,805,330)	\$ (457,563)	\$ (1,744,064)	\$ (443,974)	\$ -	\$ (112,569,675)
Depreciation expense	-	(66,994)	(5,699,815)	(640,202)	(42,388)	(240,059)	(45,886)	-	(6,755,249)
Disposals	-	33,664	1,167,414	67,590	32,381	18,856	215	-	1,667,140
Adjustments and reclassification	-	-	-	-	-	-	-	-	-
Balance at December 31, 2014	<u>\$ -</u>	<u>\$ (973,391)</u>	<u>\$ (104,608,455)</u>	<u>\$ (8,377,942)</u>	<u>\$ (467,600)</u>	<u>\$ (1,965,263)</u>	<u>\$ (469,562)</u>	<u>\$ -</u>	<u>\$ (107,722,003)</u>
Carrying amount at December 31, 2014	<u>\$ 1,170,782</u>	<u>\$ 1,224,306</u>	<u>\$ 108,378,214</u>	<u>\$ 517,689</u>	<u>\$ 505,282</u>	<u>\$ 1,095,102</u>	<u>\$ 117,263</u>	<u>\$ 3,927,959</u>	<u>\$ 31,445,997</u>

(Continued)

	Freehold Land	Building	Operating Equipment	Computer Equipment	Office Equipment	Leasehold Improvements	Miscellaneous Equipment	Construction-in-progress	Total
Carrying amount at January 1, 2015	\$ 1,170,782	\$ 2,202,213	\$ 112,296,498	\$ 9,859,681	\$ 972,973	\$ 3,061,345	\$ 586,917	\$ 3,927,978	\$ 139,148,007
Additions	-	(50,158)	(21,786,477)	(373,941)	(9,941)	(166,549)	(17,159)	(17,553)	(22,992,762)
Disposals	-	33,387	9,552,044	1,061,448	10,653	159,540	66,222	(10,915,623)	-
Adjustments and reclassification	-	-	-	-	-	-	-	-	-
Balance at December 31, 2015	<u>\$ 1,170,782</u>	<u>\$ 2,185,442</u>	<u>\$ 100,562,065</u>	<u>\$ 10,547,188</u>	<u>\$ 973,685</u>	<u>\$ 2,994,836</u>	<u>\$ 635,980</u>	<u>\$ 1,801,405</u>	<u>\$ 126,660,613</u>
Accumulated depreciation									
Balance at January 1, 2015	\$ -	\$ (948,381)	\$ (104,604,355)	\$ (8,357,552)	\$ (467,600)	\$ (1,986,289)	\$ (489,567)	\$ -	\$ (107,273,844)
Depreciation expense	-	(55,884)	(5,699,815)	(640,202)	(42,388)	(240,059)	(45,886)	-	(6,755,249)
Disposals	-	-	20,915,184	373,042	30,151	256,698	17,143	-	21,671,416
Adjustments and reclassification	-	-	-	-	-	-	-	-	-
Balance at December 31, 2015	<u>\$ -</u>	<u>\$ (904,465)</u>	<u>\$ (79,089,141)</u>	<u>\$ (8,204,712)</u>	<u>\$ (479,837)</u>	<u>\$ (1,969,649)</u>	<u>\$ (518,264)</u>	<u>\$ -</u>	<u>\$ (89,127,586)</u>
Carrying amount at December 31, 2015	<u>\$ 1,170,782</u>	<u>\$ 1,280,977</u>	<u>\$ 121,472,924</u>	<u>\$ 11,851,896</u>	<u>\$ 1,293,522</u>	<u>\$ 995,187</u>	<u>\$ 117,716</u>	<u>\$ 1,801,405</u>	<u>\$ 33,280,023</u>

(Concluded)

The following useful lives of property, plant and equipment are used in the calculation of depreciation by the straight-line method:

Building	41-55 years
Main building	5-10 years
Other building equipment	2-15 years
Operating equipment	3-10 years
Computer equipment	3-10 years
Office equipment	2-11 years
Leasehold improvements	2-10 years
Miscellaneous equipment	2-10 years

12. INVESTMENT PROPERTIES

Completed Investment Properties

Balance at January 1, 2014	\$ 917,291
Gain on change in fair value of investment properties	<u>45,624</u>
Balance at December 31, 2014	<u>\$ 962,915</u>

Balance at January 1, 2015	\$ 962,915
Loss on change in fair value of investment properties	<u>(10,335)</u>
Balance at December 31, 2015	<u>\$ 952,580</u>

The lease terms of investments properties were 3-6 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	
	2015	2014
No later than 1 year	\$ 14,463	\$ 13,301
Later than 1 year and not later than 5 years	<u>25,295</u>	<u>13,675</u>
	\$ 39,758	\$ 26,976

The fair value of investment properties were as follows:

	December 31	
	2015	2014
Independent valuation	\$ 952,580	\$ 962,915

The fair values of the investment properties as of December 31, 2015 and 2014 were based on the valuations carried out on January 29, 2016 and February 2, 2015, respectively, by independent qualified professional valuers, Ms. Hu, Chun-Chun from Debenham Tie Leung Real Estate Appraiser Office, a member of certified ROC real estate appraisers.

The fair value of investment properties was estimated using unobservable inputs (Level 3). The unrealized gains (losses) on the fair value changes of investment properties are recognized in other gains and losses.

The fair value of investment properties was measured using the income approach. The significant assumptions used were stated below. The increase in estimated future net cash inflows, or the decrease in discount rates would result in increase in the fair value.

	December 31	
	2015	2014
Expected future cash inflows	\$ 1,196,466	\$ 1,207,885
Expected future cash outflows	(28,956)	(28,429)
Expected future cash inflows, net	\$ 1,167,510	\$ 1,179,456
Discount rate	2.1%-2.39%	2.125%-2.35%

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, 2015 and 2014 were \$15,133 thousand and \$14,920 thousand, respectively.

The expected future cash inflows generated by investment properties referred to rental income, interest income on rental deposits, and 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 1.21%, 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. The expenditure was extrapolated on the basis of the current level of expenditure, 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
<u>Cost</u>				
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
<u>Accumulated amortization</u>				
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
<u>Cost</u>				
Balance at January 1, 2015	\$ 41,484,000	\$ 13,714,184	\$ 10,283,031	\$ 65,481,215
Additions	-	823,839	-	823,839
Disposals	-	(46,765)	-	(46,765)
Balance at December 31, 2015	\$ 41,484,000	\$ 14,491,258	\$ 10,283,031	\$ 66,258,289
<u>Accumulated amortization</u>				
Balance at January 1, 2015	\$ (7,608,005)	\$ (11,586,552)	\$ -	\$ (19,194,557)
Amortization	(2,041,126)	(669,623)	-	(2,710,749)
Disposals	-	46,765	-	46,765
Balance at December 31, 2015	\$ (9,649,131)	\$ (12,209,410)	\$ -	\$ (21,858,541)
Net balance at December 31, 2015	\$ 31,834,869	\$ 2,281,848	\$ 10,283,031	\$ 44,399,748

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 the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

As of December 31, 2015 and 2014, the carrying values of the tangible and intangible assets used by the Company were \$77,687,780 thousand and \$78,181,861 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 6.82% and 10.28% on December 31, 2015 and 2014, 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, 2015 and 2014, 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

Long-term Borrowings

Unsecured bank loans

	December 31	2014
	2015	
Credit loans	\$ 13,500,000	\$ 4,100,000
Long-term commercial paper payables	7,000,000	-
Less: Unamortized discount	9,999	-
Long-term borrowings	<u>\$ 20,490,001</u>	<u>\$ 4,100,000</u>

- a. The long-term loans are payable in New Taiwan dollars. The repayment of the principal will be made once when it's due with 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 2017. The interest rates were 0.903%-1.10% and 1.00%-1.325% on December 31, 2015 and 2014, respectively.
- b. The long-term commercial paper payables are treated revolving credit facilities under contracts. The interest rates were 1.0323%-1.0875% on December 31, 2015, and the last repayment date is in December 2018.

15. BONDS PAYABLE

	December 31	2014
	2015	
4th unsecured domestic bonds	\$ 4,994,089	\$ 4,992,773
5th unsecured domestic bonds	4,995,133	4,993,224
6th unsecured domestic bonds	9,991,126	9,987,099
	19,980,348	19,973,096
Less: Current portion	1,599,112	-
	<u>\$ 18,381,236</u>	<u>\$ 19,973,096</u>

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. The repayment of the three-year bonds will be made within one year from the balance sheet date.

16. OTHER LIABILITIES

	December 31	2014
	2015	
Current		
Other payables	\$ 1,997,382	\$ 2,139,171
Commission	1,754,061	1,963,017
Acquisition of properties	1,255,693	1,197,808
Salary and bonus	545,657	483,551
Professional service fee	385,628	308,010
Bonus to employees and remuneration to directors and supervisors	309,248	255,268
Advertisement	286,108	229,184
Utilities	277,850	252,429
Maintenance fee	125,663	91,406
Accumulating compensated absences	1,337,050	1,207,008
Other	<u>\$ 8,274,340</u>	<u>\$ 8,126,852</u>

(Continued)

	December 31	
	2015	2014
<u>Noncurrent</u>		
Credit balance on carrying value of equity method investments	\$ 145,214	\$ 63,153
Lease payable	79,331	62,475
Deferred revenue - government grant	-	5,063
Deferred revenue - other	-	2,432
	<u>\$ 224,545</u>	<u>\$ 133,123</u>
		(Concluded)

17. PROVISIONS

	December 31	
	2015	2014
Dismantling obligation	\$ 328,423	\$ 300,467
Product warranty	<u>21,266</u>	<u>2,863</u>
	<u>\$ 349,689</u>	<u>\$ 303,330</u>
Current (in other current liabilities)		
Noncurrent		
	<u>\$ 50,667</u>	<u>\$ 37,900</u>
	<u>299,022</u>	<u>265,430</u>
	<u>\$ 349,689</u>	<u>\$ 303,330</u>
Dismantling Obligation		Product Warranty
Balance at January 1, 2014	\$ 293,478	\$ 358
Additional provisions recognized	14,223	2,505
Reductions arising from payments	<u>(7,234)</u>	<u>-</u>
	<u>\$ 300,467</u>	<u>\$ 2,863</u>
Balance at December 31, 2014		
Balance at January 1, 2015	\$ 300,467	\$ 2,863
Additional provisions recognized	43,869	32,755
Reductions arising from payments	<u>(15,913)</u>	<u>(14,352)</u>
	<u>\$ 328,423</u>	<u>\$ 21,266</u>
Balance at December 31, 2015		

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 defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. 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. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31, 2015	December 31, 2014	January 1, 2014
Present value of defined benefit obligation	\$ 1,668,205	\$ 1,573,665	\$ 1,583,773
Fair value of plan assets	<u>(936,354)</u>	<u>(904,286)</u>	<u>(852,211)</u>
Net defined benefit liability	<u>\$ 731,851</u>	<u>\$ 669,379</u>	<u>\$ 731,562</u>
Movements in net defined benefit liability (asset) were as follows:			
	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2014	\$ 1,583,773	\$ (852,211)	\$ 731,562
Service cost			
Current service cost	14,803	-	14,803
Net interest expense (income)	31,507	(17,248)	14,259
Recognized in profit or loss	<u>46,310</u>	<u>(17,248)</u>	<u>29,062</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,864)	(2,864)
Actuarial loss - changes in financial assumptions	11	-	11
Actuarial gain - experience adjustments	<u>(51,771)</u>	<u>-</u>	<u>(51,771)</u>
Recognized in other comprehensive income	<u>(51,760)</u>	<u>(2,864)</u>	<u>(54,624)</u>
Contributions from the employer	-	(36,621)	(36,621)
Benefits paid	<u>(4,658)</u>	<u>4,658</u>	<u>-</u>
	<u>\$ 1,573,665</u>	<u>\$ (904,286)</u>	<u>\$ 669,379</u>
Balance at December 31, 2014			(Continued)

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31, 2015
Discount rate(s)	\$ (59,925)
0.25% increase	\$ 62,690
0.25% decrease	
Expected rate(s) of salary increase	\$ 62,392
0.25% increase	\$ (59,937)
0.25% decrease	

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31, 2015	December 31, 2014	January 1, 2014
The expected contributions to the plan for the next year	\$ 36,000	\$ 36,000	\$ 36,621
The average duration of the defined benefit obligation	14.9 years	15.6 years	16.3 years

19. EQUITY

a. Share capital

1) Common shares

	December 31, 2015	December 31, 2014
Shares authorized (in thousands)	4,200,000	4,200,000
Capital authorized	\$ 42,000,000	\$ 42,000,000
Issued and fully paid shares (in thousands)	3,258,501	3,258,501
Issued capital	\$ 32,585,008	\$ 32,585,008

Issued common shares, which have a par value of NT\$10, are entitled to one vote per share and a right to dividend.

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2015	\$ 1,573,665	\$ (904,286)	\$ 669,379
Service cost			
Current service cost	12,868	-	12,868
Net interest expense (income)	35,303	(20,647)	14,656
Recognized in profit or loss	48,171	(20,647)	27,524
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,342)	(3,342)
Actuarial loss - changes in financial assumptions	59,925	-	59,925
Actuarial loss - experience adjustments	14,518	-	14,518
Recognized in other comprehensive income	74,443	(3,342)	71,101
Contributions from the employer	-	(36,153)	(36,153)
Benefits paid	(28,074)	28,074	-
Balance at December 31, 2015	\$ 1,668,205	\$ (936,354)	\$ 731,851

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31, 2015	December 31, 2014	January 1, 2014
Discount rate(s)	2.00%	2.25%	2.00%
Expected rate(s) of salary increase	2.25%	2.25%	2.00%

2) Global depositary receipts

The Company's global depositary receipts (GDRs) as of December 31, 2015 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) 24,356	365,337
GDRs transferred to common stock	(33,800)	(507,000)
Outstanding GDRs issued	<u>359</u>	<u>5,384</u>

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, 2015, 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, 2015, the Company had reissued 24,356 thousand units of GDRs representing 365,337 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:

- Exercise voting rights;
- Convert the GDRs into common stocks; and
- Receive dividends and exercise preemptive rights or other rights and interests.

b. Capital surplus

	December 31	
	2015	2014
May be used to offset a deficit, distributed as cash dividends or transferred to share capital (1)		
Share issuance in excess of par value	\$ 3,561,389	\$ 5,461,095
From business combination	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	14,388
May not be used for any purpose		
Changes in equity-method associates capital surplus	-	51,197
	<u>\$ 12,058,158</u>	<u>\$ 14,009,061</u>

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. Retained 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.

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders, and do not include employees. The consequential amendments to the Company's Articles of Incorporation had been proposed by the Company's board of directors on February 17, 2016 and are subject to the resolution of the stockholders in their meeting to be held on June 16, 2016. For information about the accrual basis of the employee compensation and remuneration to directors and supervisors and the actual appropriations, please refer to Note 21-d on employee benefits expense.

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.

Under Rule No. 1010012865, Rule No. 1030006415 issued by FSC, and the directive entitled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs.", the Company should appropriated or reversed special reserve.

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 for 2014 and 2013 had been approved in the stockholders' meeting on June 18, 2015 and June 11, 2014, respectively.

	Appropriation of Earnings		Dividend Per Share	
	For the Years Ended December 31		For the Years Ended December 31	
	2014	2013	2014	2013

Legal reserve	\$ 1,148,415	\$ 1,155,843		
Special reserve	68,731	107,032		
Cash dividends	10,319,672	10,309,897	\$ 3.167	\$ 3.164

In addition to distributing cash dividends at NT\$3.167 and NT\$3.164 per share from unappropriated earnings, the Company's stockholders also approved in 2015 and 2014 the distribution of cash of \$1,899,706 thousand and \$1,909,481 thousand, respectively, from the above-mentioned additional paid-in capital - shares issuance in excess of par value at NT\$0.583 and NT\$0.586 per share, respectively, with the Company's stockholders to receive NT\$3.75 per share in 2015 and 2014, respectively.

The appropriation of earnings for 2015 was proposed by the Company's board of directors on February 17, 2016. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 1,143,672	
Special reserve	(54,573)	
Cash dividends	10,342,482	\$ 3.174

In addition to distributing cash dividends at NT\$3.174 per share from unappropriated earnings, the Company's board of directors approved on February 17, 2016 the cash distribution of \$1,876,896 thousand from the additional paid-in capital-share issuance in excess of par value at NT\$0.576 per share. Thus, the Company's stockholders will receive NT\$3.75 per share in 2016.

The appropriation of earnings for 2015 are subject to the resolution of the shareholders' meeting to be held on June 16, 2016.

d. Special reserve

	For the Years Ended December 31	
	2015	2014
Beginning balance	\$ 755,749	\$ -
Appropriation in respect of		
Application of the fair value model for investment properties	36,666	648,717
Debit to other equity items	32,065	107,032
Ending balance	\$ 824,480	\$ 755,749

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e. Other equity items

Other adjustment for the years ended December 31, 2015 and 2014 and are summarized as follows:

	For the year ended December 31, 2015	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
Beginning balance	\$ 2,156	\$ 99,084	\$ (240,337)	\$ (139,097)	
Recorded as adjustments to stockholders' equity	-	8,305	(9,645)	(1,340)	
Recorded as profit or loss	(4)	(23,019)	4,665	(18,358)	
Share of other comprehensive income of subsidiaries and associates	(1,323)	(69,745)	104,651	33,583	
Ending balance	\$ 829	\$ 14,625	\$ (140,666)	\$ (125,212)	

	For the year ended December 31, 2014	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
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	
	2015	2014
Sales of inventories	\$ 16,574,214	\$ 15,324,570
Telecommunications service revenues	61,146,690	60,854,373
Other	3,044,818	2,224,601
	\$ 80,765,722	\$ 78,403,544

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21. NET INCOME

Net income included some items as follows:

a. Other income

	For the Years Ended December 31	
	2015	2014
Rent revenue	\$ 65,906	\$ 67,630
Management service revenue	52,377	54,288
Interest revenue	29,149	37,544
Government grant	6,572	72,204
	<u>\$ 154,004</u>	<u>\$ 231,666</u>

b. Depreciation and amortization

	For the Years Ended December 31	
	2015	2014
Property, plant and equipment	\$ 6,577,924	\$ 6,755,269
Intangible asset	669,623	681,129
	<u>\$ 7,247,547</u>	<u>\$ 7,436,398</u>
Depreciation expense categorized by function		
Operating costs	\$ 5,819,309	\$ 6,112,799
Operating expenses	758,615	642,470
	<u>\$ 6,577,924</u>	<u>\$ 6,755,269</u>
Amortization expense categorized by function		
Operating costs	\$ 273,181	\$ 275,342
Marketing expenses	83,533	76,464
General and administrative expenses	312,909	329,323
	<u>\$ 669,623</u>	<u>\$ 681,129</u>

c. Financial costs

	For the Years Ended December 31	
	2015	2014
Interest expense on bank loans and commercial paper	\$ 57,582	\$ 19,269
Interest on financial liabilities measured at amortized cost	345,593	341,870
Unwinding of discounts on provisions	5,984	5,536
Levied interest on income tax reexamination	60,002	-
Other financial costs	2,544	2,793
	<u>\$ 471,705</u>	<u>\$ 369,468</u>

d. Employee benefit expense

	For the Year Ended December 31, 2015		
	Operating Costs	Operating Expenses	Costs or Expenses Deduction
Retirement benefit			
Defined contribution plans	\$ 39,377	\$ 195,811	\$ 45,943
Defined benefit plans	5,416	22,108	-
Other employee benefits			
Salary	660,135	3,527,602	812,515
Insurance	55,666	318,922	67,147
Other	18,625	229,882	25,493
	<u>\$ 779,219</u>	<u>\$ 4,294,325</u>	<u>\$ 951,098</u>

	For the Year Ended December 31, 2014		
	Operating Costs	Operating Expenses	Costs or Expenses Deduction
Retirement benefit			
Defined contribution plans	\$ 34,291	\$ 175,832	\$ 44,731
Defined benefit plans	5,670	23,392	-
Other employee benefits			
Salary	591,536	3,408,695	848,163
Insurance	50,641	305,195	68,486
Other	15,465	202,810	22,942
	<u>\$ 697,603</u>	<u>\$ 4,115,924</u>	<u>\$ 984,322</u>

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 6,549 and 6,437 employees as of December 31, 2015 and 2014, respectively.

The existing Articles of the Company stipulate to distribute bonus to employees and remuneration to directors and supervisors at the rates 1% to 2% and 1%, respectively, of net income (net of the bonus and remuneration). For the year ended December 31, 2014, the bonus to employees and the remuneration to directors and supervisors were \$205,340 thousand and \$102,670 thousand, respectively, representing 2% and 1%, respectively, of the base net income.

To be in compliance with the Company Act as amended in May 2015, the proposed amended Articles of Incorporation of the Company stipulate to distribute employees' compensation and remuneration to directors at the rates of 1% to 2% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and net of any accumulated deficit. For the year ended December 31, 2015, the employees' compensation and the remuneration to directors were \$283,550 thousand and \$102,078 thousand, respectively, representing 2% and 0.72%, respectively, of the base net profit. The bonus to employees and remuneration to directors for the year ended December 31, 2015 have been proposed by the Company's board of directors on February 17, 2016 and the related amendments to the Company's Articles of Incorporation are subject to the resolution of the shareholders in their meeting to be held on June 16, 2016. Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the date the annual financial statements are authorized for issue are adjusted in the year the bonus and remuneration were

recognized. If there is a change in the proposed amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

The bonuses to employees and remuneration to directors and supervisors for 2014 and 2013 which have been approved in the shareholders' meetings on June 18, 2015 and June 11, 2014, respectively, were as follows:

	For the Years Ended December 31			
	2014		2013	
	Cash Dividends	Share Dividends	Cash Dividends	Share Dividends
Bonus to employees	\$ 205,340	\$ -	\$ 205,911	\$ -
Remuneration of directors and supervisors	102,670	-	102,956	-

There was no difference between the amounts of the bonus to employees and the remuneration to directors and supervisors approved in the shareholders' meetings on June 18, 2015 and June 11, 2014 and the amounts recognized in the financial statements for the years ended December 31, 2014 and 2013, respectively.

Information on employees' compensation and the remuneration to directors proposed by the Company's board of directors during 2016 and information on the bonus to employees and remuneration to directors and supervisors approved by the Company's shareholders' meetings during 2015 and 2014 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

22. INCOME TAX

- a. Major components of tax expense recognized in profit or loss

	For the Years Ended December 31	
	2015	2014
Current tax	\$ 1,991,192	\$ 2,212,440
Deferred tax	363,969	146,824
Income tax expense recognized in profit or loss	<u>\$ 2,355,161</u>	<u>\$ 2,359,264</u>
A reconciliation of accounting profit and income tax expenses is as follows:		
Profit before tax	<u>\$ 13,840,856</u>	<u>\$ 13,842,249</u>
Income tax expense computed at statutory tax rate	\$ 2,352,946	\$ 2,353,182
Add (deduct) tax effects of:		
Equity in investees' net gains	(493,754)	(434,635)
Other	437,001	491,443
Prior year's adjustment	58,968	(50,726)
Income tax expense	<u>\$ 2,355,161</u>	<u>\$ 2,359,264</u>

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The applicable tax rate used above is the corporate tax rate of 17% payable by the Company in ROC.

As the status of the 2016 appropriation of earnings is uncertain, the potential income tax consequences of the 2015 unappropriated earnings are not reliably determinable.

- b. Income tax expense recognized in other comprehensive income

	For the Years Ended December 31	
	2015	2014
Deferred tax		
Current year:		
Unrealized gains and losses on available-for-sale financial assets	\$ 3,014	\$ (2,747)
Fair value changes of hedging instruments for cash flow hedges	1,020	1,568
Remeasurement on defined benefit plan	12,087	(9,286)
Income tax recognized in other comprehensive income	<u>\$ 16,121</u>	<u>\$ (10,465)</u>

- 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, 2015

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Allowance for doubtful accounts	\$ 348,922	\$ (52,241)	\$ -	\$ 296,681
Property, plant and equipment	259,526	(202,638)	-	56,888
Defined benefit obligation	112,457	(1,467)	12,087	123,077
Others	148,160	28,052	4,034	180,246
	<u>\$ 869,065</u>	<u>\$ (228,294)</u>	<u>\$ 16,121</u>	<u>\$ 656,892</u>
Deferred tax liabilities				
Amortization of goodwill	\$ 1,210,232	\$ 134,470	\$ -	\$ 1,344,702
Investment property	33,094	1,205	-	34,299
	<u>\$ 1,243,326</u>	<u>\$ 135,675</u>	<u>\$ -</u>	<u>\$ 1,379,001</u>

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For the year ended December 31, 2014

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
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
	<u>\$ 883,429</u>	<u>\$ (3,899)</u>	<u>\$ (10,465)</u>	<u>\$ 869,065</u>
<u>Deferred tax liabilities</u>				
Amortization of goodwill	\$ 1,075,762	\$ 134,470	\$ -	\$ 1,210,232
Investment property	24,639	8,455	-	33,094
	<u>\$ 1,100,401</u>	<u>\$ 142,925</u>	<u>\$ -</u>	<u>\$ 1,243,326</u>

d. Integrated income tax information is as follows:

	December 31	December 31
	2015	2014
Unappropriated earnings generated on and after 1998	\$ 11,436,725	\$ 11,558,138
Balance of imputation credit account (ICA)	<u>\$ 2,197,359</u>	<u>\$ 1,023,404</u>
	For the Years Ended December 31	2014
	2015 (Expected)	
Creditable ratio for distribution of earnings	20.48%	20.48%

e. Income tax assessments

Income tax returns through 2013 of the Company had been assessed by the tax authorities.

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:

	For the Years Ended December 31	2014
Net Income	2015	
Net income	\$ 11,485,695	\$ 11,482,985
Effect of dilutive potential common stock:		
Employees' compensation or bonus issued to employees	-	-
Earnings used in the calculation of diluted earnings per share	<u>\$ 11,485,695</u>	<u>\$ 11,482,985</u>

Common Stock

	(In Thousand Shares)	
	For the Years Ended December 31	2014
	2015	
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:		
Employees' compensation or bonus issued to employees	<u>5,652</u>	<u>4,224</u>
Weighted average number of common shares used in the calculation of diluted earnings per share	<u>3,264,153</u>	<u>3,262,725</u>

If the Company offers to settle compensation or bonuses paid to employees in cash or shares, the Company will assume the entire amount of the compensation or 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. Such dilutive effect of the potential shares will be included in the calculation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

24. EQUITY TRANSACTION WITH NONCONTROLLING INTERESTS

The Company acquired ARCOA equity interest from noncontrolling interests for the year ended December 31, 2014 and resulted in increasing its controlling interest.

The Company subscribed for additional new common shares of Hiir Co., Ltd. at a percentage different from existing ownership percentage for the year ended December 31, 2014 and increased its interest.

The above transactions were accounted for as equity transactions, since the Company did not loss control over these subsidiaries. Related information is shown on Note 29 of the consolidated financial statements of the Company as of and for the year ended December 31, 2015.

25. 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 5 years contain clauses for 5-yearly market rental reviews.

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

	December 31	
	2015	2014
Not later than 1 year	\$ 3,255,988	\$ 2,963,935
Later than 1 year and not later than 5 years	5,911,670	5,272,530
Later than 5 years	<u>38,967</u>	<u>31,880</u>
	<u>\$ 9,206,625</u>	<u>\$ 8,268,345</u>

The lease payments recognized as expenses were as follows:

	For the Years Ended December 31	
	2015	2014
Minimum lease payment	<u>\$ 3,602,151</u>	<u>\$ 3,476,626</u>

b. The Company as lessor

Operating leases relate to the investment property owned by the Company please refer to Note 12.

26. 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.

27. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured 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 financial statements approximate their fair values.

	December 31			
	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>				
Refundable deposits	\$ 469,208	\$ 467,614	\$ 468,869	\$ 464,269
<u>Financial liabilities</u>				
Bonds payable	19,980,348	20,057,401	19,973,096	19,988,897
Fair value hierarchy as at December 31, 2015				
	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Refundable deposits	\$ -	\$ -	\$ 467,614	\$ 467,614
<u>Financial liabilities</u>				
Bonds payable	\$ 20,057,401	\$ -	\$ -	\$ 20,057,401
Fair value hierarchy as at December 31, 2014				
	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Refundable deposits	\$ -	\$ -	\$ 464,269	\$ 464,269
<u>Financial liabilities</u>				
Bonds payable	\$ 19,988,897	\$ -	\$ -	\$ 19,988,897

The fair values of the financial assets included in the Level 3 category above have been determined in accordance with discounted cash flow approach based on average discount rate of commercial papers.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

	December 31, 2015			Total
	Level 1	Level 2	Level 3	
<u>Hedging derivative financial assets</u>				
Forward exchange contracts	\$ —	\$ —	\$ 3,790	\$ 3,790
<u>Hedging derivative financial liabilities</u>				
Cross-currency swap contracts	\$ —	\$ —	\$ 1,775	\$ 1,775
Forward exchange contracts	—	—	3,916	3,916
	\$ —	\$ —	\$ 5,691	\$ 5,691
	Level 1	Level 2	Level 3	Total
<u>Available-for-sale financial assets</u>				
Overseas funds	\$ —	\$ 181,853	\$ —	\$ 181,853
<u>Hedging derivative financial liabilities</u>				
Cross-currency swap contracts	\$ —	\$ —	\$ 3,150	\$ 3,150

There were no transfers between Levels 1 and 2 for the years ended December 31, 2015 and 2014.

2) Reconciliation of Level 3 fair value measurements of financial instruments:

	For the Years Ended December 31	
	2015	2014
<u>Hedging derivative financial instruments</u>		
Beginning balance	\$ (3,150)	\$ 115
Recognized in profit or loss (included in other gains and losses)	5,621	-
Recognized in other comprehensive income	(4,372)	(3,265)
Ending balance	\$ (1,901)	\$ (3,150)

3) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Overseas funds	Valuation based on the fair values of a portfolio of funds, calculated through each subfund by fair value net of the management and operating expenses for the subfund.

4) Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Cross-currency swap contracts	Discounted cash flow. Future cash flows are estimated based on observable spot exchange rates at the end of the reporting period and contract rates, discounted at a 0%/rate; the counterparties' high credit ratings and short contract terms indicate a low credit risk on counterparties.
Forward exchange contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates discounted at a rate that reflect the credit risk of various counterparties.

c. Categories of financial instruments

	December 31	
	2015	2014
<u>Financial assets</u>		
Derivative financial assets for hedging	\$ 3,790	\$ -
Loans and receivables (Note 1)	23,311,473	9,977,141
Available-for-sale financial assets (Note 2)	150,000	331,853
<u>Financial liabilities</u>		
Derivative financial liabilities for hedging	5,691	3,150
Measured at amortized cost (Note 3)	59,834,636	42,296,265

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 receivables, 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), lease payables, bonds payable, long-term borrowings and guarantee deposits received, which were measured at amortized cost.

d. Financial risk management objectives and policies

The Company's major financial instruments include equity and debt investments, accounts receivable, accounts payable, bonds payable and borrowings. The Company's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages financial risks relating to the operations of the Company 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 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 was governed by the Company's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The compliance with policies and exposure limits were reviewed by the internal auditors on a continuous basis. The Company did 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 exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Company managed the risk of change in the foreign currency exchange through cross-currency swap contracts and forward exchange contracts.

a) Foreign currency risk

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

Foreign currency sensitivity analysis

The Company was mainly exposed to U.S. dollars and Euro.

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 and EUR. 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 and EUR. For a 5% weakening of the NTD against U.S. dollar and EUR, shown by the negative amount below, there was a decrease in profit or equity.

	Impact For the Years Ended December 31	
	2015	2014
Profit or loss		
USD	\$ (23,738)	\$ (7,021)
EUR	\$ 8,403	\$ (62)

b) Interest rate risk

The Company 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 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	
	2015	2014
Fair value interest rate risk		
Financial assets	\$ 13,438,846	\$ 1,758,134
Financial liabilities	33,111,444	23,337,374
Cash flow interest rate risk		
Financial assets	3,502,577	1,721,485
Financial liabilities	14,490,001	5,800,000

Interest rate sensitivity analysis

The sensitivity analysis described below was 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, 2015 and 2014 would have decreased/increased by \$27,469 thousand and \$10,196 thousand respectively, mainly affected by borrowings and deposits with floating interest rate.

c) Other price risks

The Company is exposed to equity price risks involving 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 year ended December 31, 2014 would have increased/decreased by \$9,093 thousand.

2) Credit risk

Credit risk refers to the risk that 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 bank loan facilities amounted to \$33,094,830 thousand and \$37,726,570 thousand as of December 31, 2015 and 2014, 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, 2015					
Other payables - related parties	\$ 6,500,000	\$ 6,534,863	\$ 6,534,863	\$ -	\$ -
Long-term borrowings	20,490,001	20,803,785	27,875	20,775,910	-
Bonds payable	19,980,348	20,837,840	1,879,620	18,958,220	-
	<u>\$ 46,970,349</u>	<u>\$ 48,176,488</u>	<u>\$ 8,442,358</u>	<u>\$ 39,734,130</u>	<u>\$ -</u>
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
	<u>\$ 28,473,096</u>	<u>\$ 29,750,330</u>	<u>\$ 4,764,865</u>	<u>\$ 22,452,215</u>	<u>\$ 2,533,250</u>

28. 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	
	2015	2014
Far Eastern New Century	\$ 3,822	\$ 3,749
Subsidiaries of Far Eastern New Century	54,995	36,888
Subsidiaries	1,270,067	1,786,458
Other related parties	<u>26,385</u>	<u>26,327</u>
	<u>\$ 1,355,269</u>	<u>\$ 1,853,422</u>

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	
	2015	2014
Cost of telecommunications service		
Subsidiaries	<u>\$ 4,145,437</u>	<u>\$ 3,306,240</u>
Purchase		
Subsidiaries	<u>\$ 15,353,465</u>	<u>\$ 15,337,736</u>
Rental (included in operating cost)		
Far Eastern New Century	\$ 1,549	\$ 2,123
Subsidiaries of Far Eastern New Century	7,370	5,272
Subsidiaries	20,714	20,714
Other related parties	<u>18,615</u>	<u>16,708</u>
	<u>\$ 48,248</u>	<u>\$ 44,817</u>
Rental (included in operating expense)		
Far Eastern New Century	\$ 2,849	\$ 2,848
Subsidiaries of Far Eastern New Century	42,280	41,995
Subsidiaries	57,280	55,695
Other related parties	<u>64,639</u>	<u>72,948</u>
	<u>\$ 167,048</u>	<u>\$ 173,486</u>
Marketing expense		
Subsidiaries of Far Eastern New Century	\$ 52,144	\$ 42,233
Subsidiaries	633,888	862,236
Other related parties	<u>18,815</u>	<u>15,659</u>
	<u>\$ 704,847</u>	<u>\$ 920,128</u>

	For the Years Ended December 31	
	2015	2014
Service fee		
Far Eastern New Century	\$ 571	\$ 578
Subsidiaries of Far Eastern New Century	106,058	110,344
Subsidiaries	21,365	119,299
Other related parties	27,308	22,331
	<u>\$ 155,302</u>	<u>\$ 252,552</u>
Telephone fee		
Subsidiaries	\$ 51,630	\$ 52,922
Other related parties	3	3
	<u>\$ 51,633</u>	<u>\$ 52,925</u>
Donation expense		
Other related parties	<u>\$ -</u>	<u>\$ 6,000</u>
Other expense		
Far Eastern New Century	\$ 102,923	\$ 41,522
Subsidiaries of Far Eastern New Century	232	672
Other related parties	4,386	3,171
	<u>\$ 107,541</u>	<u>\$ 45,365</u>

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	
	2015	2014
Acquisition of equity-method investment		
Subsidiaries of Far Eastern New Century	\$ 79,500	\$ 360,000
Subsidiaries	-	457,260
	<u>\$ 79,500</u>	<u>\$ 817,260</u>
Acquisition of property, plant and equipment		
Subsidiaries of Far Eastern New Century	\$ 7,741	\$ 8,817
Subsidiaries	4,909	25,079
	<u>\$ 12,650</u>	<u>\$ 33,896</u>
Disposal of available-for-sale financial assets		
Other related parties	<u>\$ 181,419</u>	<u>\$ -</u>

The fund transaction between the Company 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 "D" 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 Company and other investors. For the year ended December 31, 2015, the Company disposed of funds with carrying amounts of \$158,400 thousand. The disposal proceed was \$181,419 thousand, and the gains on fund disposal was \$23,019 thousand. As of December 31, 2015, the Company has not received the proceeds which were included in other receivables - related parties.

For the expansion of future business, the Company participated in the issuance for cash by the subsidiaries of Far Eastern New Century and associates.

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

	December 31	
	2015	2014
Other related parties	<u>\$ 2,811,934</u>	<u>\$ 1,904,840</u>

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	
	2015	2014
Accounts receivable - related parties		
Far Eastern New Century	\$ 10	\$ 19
Subsidiaries of Far Eastern New Century	10,757	4,917
Subsidiaries	171,575	289,204
Other related parties	19,641	26,732
	<u>\$ 201,983</u>	<u>\$ 320,872</u>
Other receivable - related parties (not including loans to related parties)		
Subsidiaries of Far Eastern New Century	\$ 4,255	\$ 10,623
Subsidiaries	244,085	232,557
Other related parties	191,043	2,135
	<u>\$ 439,383</u>	<u>\$ 245,315</u>
Lease receivables (including current portion)		
Subsidiaries	<u>\$ 10,730</u>	<u>\$ 18,722</u>
Accounts payable - related parties		
Subsidiaries of Far Eastern New Century	\$ 152	\$ -
Subsidiaries	1,248,400	1,602,317
	<u>\$ 1,248,552</u>	<u>\$ 1,602,317</u>

29. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of December 31, 2015 and 2014 were as follows:

	December 31	
	2015	2014
a.		
Acquisition of property, plant and equipment under contracts	\$ 5,437,777	\$ 5,850,433
Less: Payments for acquisition of property, plant and equipment	1,446,484	1,577,937
	<u>\$ 3,991,293</u>	<u>\$ 4,272,496</u>
Acquisition of cellular phone equipment under contract	\$ 11,563,115	\$ 9,481,917
Less: Payments for acquisition of cellular phone equipment	7,837,254	4,107,742
	<u>\$ 3,725,861</u>	<u>\$ 5,374,175</u>

b. In May 2015, the Company applied to the Taipei District Court for a temporary injunction order against Taiwan Mobile Co., Ltd. (TWM) for TWM's violation of the agreement between the Company and TWM and prohibited TWM from using the C1 spectrum till TWM escheats the C4 spectrum to NCC. On July 1, 2015, the Taipei District Court approved the issuance of a preliminary injunction. Under the preliminary injunction process, in July 2015, the Company lodged \$1,049,000 thousand in negotiable certificates however TWM posted a bond of \$927,000 thousand as part of its appeal of the preliminary injunction and request that the Court allow TWM to use the C1 spectrum. On September 11, 2015, the High Court rejected TWM's interlocutory appeal and upheld provisional injunction.

TWM no longer filed another appeal of the preliminary injunction. On July 28, 2015, the Company filed a civil litigation against TWM, asking TWM to escheat the C4 spectrum immediately and declared that TWM should refrain from using the C1 spectrum even before escheating the C4 spectrum. At the same time, The Company demanded a compensation of \$1,005,800 thousand from TWM.

c. To enter the cable television market and strengthen the domain of digital convergence, the Company planned to enter into a strategic alliance with Morgan Stanley Private Equity Asia IV, LLC ("MSPE Asia") and seek opportunities to cooperate with China Network Systems Group ("CNS Group") by acquiring the corporate bonds in the future. For this alliance, on July 30, 2015, the board of directors of the Company resolved to enter into a cooperation agreement with the subsidiaries to be individually established by North Haven Private Equity Asia IV Holdings Limited ("NHPEA") which is managed by MSPE Asia to regulate future rights and obligations between the Company and MSPE Asia. Under the cooperation agreement, the Company may subscribe for the corporate bonds to be issued by the subsidiaries to be directly/indirectly owned by NHPEA and to be established in the R.O.C. to provide certain technology and advisory services as well as to explore other potential opportunities for collaboration as allowed under R.O.C. laws and regulations. The Company's total subscription of the subsidiaries' corporate bonds should not exceed \$17,120,000 thousand.

If the Company cannot acquire the permission from the administration, the original shareholders of CNS Group or its related parties could become the Company's strategic cooperative partners under certain conditions. For this cooperative partnership, the board of directors of the Company resolved to sign a contract with the above subsidiaries, and Evergreen Jade Sdn. Bhd. and Goodwill Tower Sdn. Bhd., both of whom are shareholders of CNS Group, to regulate the rights and obligations of each party. The case is subject to the permission from the Investment Commission, MOEA.

d. The Company bid for a 4G wireless communication license for GSM2600 on December 7, 2015, with the getting price of \$9,130,000 thousand. The deposit for bidding in the amount of \$1,000,000 thousand was applied as partial payment of the bid price and the rest of the bid price was paid on January 4, 2016.

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

(In Thousands, Except Exchange Rate)			
	December 31, 2015		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 22,382	32.825	\$ 734,685
EUR	72	35.88	2,566
<u>Financial liabilities</u>			
Monetary items			
USD	7,918	32.825	259,922
EUR	4,756	35.88	170,629
Nonmonetary items			
USD	1,501	32.825	49,267
	December 31, 2014		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 11,986	31.65	\$ 379,362
EUR	59	38.47	2,270
Nonmonetary items			
USD	9,925	31.65	314,135
<u>Financial liabilities</u>			
Monetary items			
USD	7,550	31.65	238,942
EUR	27	38.47	1,040

31. SEPARATELY DISCLOSED ITEMS

a. Important transactions and b. information on the Company's investees

- 1) Financing provided to others: 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) Information on investees: Schedule G
- b. Information on investments in mainland China
 - 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: 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.

SCHEDULE A

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEEES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2015
(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	\$ 250,000	\$ 241,000	1.48%-1.66%	Short-term financing	\$ -	For business operations	\$ -	-	\$ -	\$ 7,190,637	\$ 35,953,183
1	New Century InfoComm Co., Ltd.	Far Eastone Telecommunications Co., Ltd.	Other receivables - related parties	Yes	4,500,000	4,500,000	2,500,000	1%-1.14%	Short-term financing	-	For business operations	-	-	-	4,931,909	12,329,772
		Far Eastone Telecommunications Co., Ltd.	Other receivables - related parties	Yes	4,000,000	4,000,000	4,000,000	1%-1.14%	Transaction	4,541,171	-	-	-	-	4,541,171	12,329,772
		Q-ware Communications Co., Ltd.	Other receivables - related parties	Yes	250,000	-	-	1.64%	Short-term financing	-	For business operations	-	-	-	4,931,909	12,329,772

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 amount of financing provided to short-term financing 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 20% of NCIC's net worth.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEEES

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note)	Maximum Amounts Endorsed/ Guaranteed During the Year	Outstanding Endorsement/ Guarantee at the End of the Year	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statement (%)	Aggregate Endorsement/ Guarantee Limit (Note)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	Far EasTone Telecommunications Co., Ltd.	KGEx.com Co., Ltd.	Subsidiary	\$ 35,953,183	\$ 45,000	\$ 45,000	\$ 5,994	\$ -	0.06	\$ 71,906,365	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.

SCHEDULE C**FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEEs**

MARKETABLE SECURITIES HELD
DECEMBER 31, 2015
(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, 2015			Note
				Shares	Carrying Amount	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	11.11	\$ - Note B
ARCOA Communication Co., Ltd.	Stock THI consultants	-	Financial assets carried at cost - noncurrent	1,213,594	12,190	18.32	- 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
	Overseas funds Opas Fund Segregated Portfolio Tranche A Opas Fund Segregated Portfolio Tranche C	Other related party Other related party	Available-for-sale financial assets - current Available-for-sale financial assets - current	14,561,612 4,133,591	492,375 172,920	- -	492,375 172,920 Note A Note A

Note A: The market values of open-end mutual funds were calculated at their net asset values as of December 31, 2015.

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 INVESTEEES**

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, 2015

(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal		Gain (Loss) on Disposal	Ending Balance	
					Share/Units	Amount	Share/Units	Amount	Share/Units	Amount		Share/Units	Amount
New Century InfoComm Tech Co., Ltd.	Overseas funds												
	Opas Fund Segregated Portfolio Tranche B	Available-for-sale financial assets - current	-	Other related party	11,499,399	\$ 445,500	-	\$ -	11,499,399	\$ 505,614	\$ 60,114	-	\$ -
	Opas Fund Segregated Portfolio Tranche A	Available-for-sale financial assets - current	-	Other related party	14,561,612	-	14,561,612	487,050	-	-	-	14,561,612	487,050

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

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, 2015
(In Thousands of New Taiwan Dollars)

Purchaser (Seller) of Goods	Related Party	Nature of Relationship	Transaction Details			Abnormal Transaction		Notes/Accounts Receivable (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	\$ 16,048,386	25	Based on agreement	\$	-	Accounts payable and other payables	\$ (1,181,896)	(7)
	New Century InfoComm Co., Ltd.	Subsidiary	Operating revenues	(242,740)	-	Based on agreement	-	-	Accounts receivable	97,761	2
			Operating revenues	(749,882)	(1)	Based on agreement	-	-	Accounts receivable	3,845	-
				Cost of telecommunications services	3,791,289	8	Based on agreement	-	-	Accounts payable and other payables (Note A)	(779,035)
New Century InfoComm Co., Ltd.	KGEx.com. Co., Ltd.	Subsidiary	Operating revenues	(170,078)	-	Based on agreement	-	-	Accounts receivable	27,352	-
	Omusic Co., Ltd.	Subsidiary	Cost of telecommunications services	202,417	-	Based on agreement	-	-	Accounts payable	(41,089)	-
	Far Cheng Human Resource Consultant Corp.	Same ultimate parent company	Service fee	105,089	1	Based on agreement	-	-	Other payables	(9,015)	-
New Century InfoComm Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating revenues	(3,791,289)	(28)	Based on agreement	-	-	Accounts receivable (Note B)	779,035	49
	KGEx.com. Co., Ltd.	Same parent company	Cost of telecommunications services	749,882	8	Based on agreement	-	-	Accounts payable	(3,845)	-
	Sino Lead Enterprise Limited	Subsidiary	Cost of telecommunications services	153,225	2	Based on agreement	-	-	Accounts payable	(27,189)	(4)
			Cost of telecommunications services	114,336	1	Based on agreement	-	-	Accounts payable and other payables	(19,723)	(3)
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating revenues	(16,048,386)	(78)	Based on agreement	-	-	Accounts receivable	1,181,896	82
			Cost of sales and cost of telecommunication services	242,740	1	Based on agreement	-	-	Accounts payable	(97,761)	(6)
KGEx.com. Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating revenues	170,078	33	Based on agreement	-	-	Accounts payable	(27,352)	(47)
	New Century InfoComm Co., Ltd.	Same parent company	Operating revenues	(153,225)	(26)	Based on agreement	-	-	Accounts receivable	27,189	31
Omusic Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating revenues	(202,417)	(99)	Based on agreement	-	-	Accounts receivable	41,089	98
Sino Lead Enterprise Limited	New Century InfoComm Co., Ltd.	Parent company	Operating revenues	(114,336)	(100)	Based on agreement	-	-	Accounts receivable	19,723	94
DataExpress Infotech Co., Ltd.	Linkwell Tech. Ltd.	Subsidiary	Cost of sales	114,875	4	Based on agreement	-	-	Accounts receivable	(16,835)	(5)
Linkwell Tech. Ltd.	DataExpress Infotech Co., Ltd.	Parent company	Operating revenues	(114,875)	(8)	Based on agreement	-	-	Accounts receivable	16,835	40

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.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEEES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2015

(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. New Century InfoComm Co., Ltd. Q-ware Communications Co., Ltd.	Subsidiary Subsidiary Subsidiary	\$ 117,227 178,132 284,231	12.57 (Note A) (Note B)	\$ - - -	- - -	\$ 86,616 96,495 34,670	\$ - - -
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	7,374,579	(Note C)	-	-	723,227	-
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	1,181,896	11.71	-	-	1,181,896	-

Note A: The turnover rate was unavailable as the receivables from related parties were mainly due to the advances made for NCIC's daily operating expenditures and the management service charges to NCIC.

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

Note C: The turnover rate was unavailable as the receivables from related parties were due to (A) the collection of telecommunications bills by the Company for NCIC and (B) financing provided by NCIC to the Company.

SCHEDULE G

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEEES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of December 31, 2015	Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2015	December 31, 2014	Shares			
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	\$ 3,032,150	\$ 3,262,181	Notes A and B
	ARCOA Communication Co., Ltd.	Taiwan	Type II telecommunications services, sales of communications products and office equipment	1,305,802	1,305,802	82,762,221	201,715	122,376	Notes A and B
	KGEx. com. Co., Ltd.	Taiwan	Type I telecommunications services	2,540,442	2,540,442	88,894,286	56,612	56,604	Notes A and B
	Hintr Inc.	Taiwan	Electronic information providing services	537,260	537,260	53,726,000	(323,516)	(288,913)	Notes A and B
	Yuan Qing Co., Ltd.	Taiwan	Call center services	101,371	101,371	19,349,995	11,334	11,334	Notes A and B
	E. World (Holdings) Ltd.	Cayman Islands	Investment	-	82,883	-	(215)	(184)	Notes A and D
	Far EastTron Holding Ltd.	Cayman Islands	Investment	-	150,000	-	267	267	Notes A and B
	Far Eastern Info Service (Holding) Ltd.	Bermuda	Investment	-	150,000	-	(37,686)	(37,686)	Notes A and B
	Omusic Co., Ltd.	Taiwan	Electronic information providing services	92,616	92,616	1,200	7,912	3,956	Notes A and B
	Q-ware Communication Co., Ltd.	Taiwan	Type II telecommunications services	25,000	25,000	2,500,000	254	207	Notes A and B
	Far Eastern Electronic Toll Collection Co., Ltd.	Taiwan	Electronic information providing services and electronic toll collection service	832,038	832,038	33,982,812	(62,915)	207	Notes A and B
	Yuan Hsin Digital Payment Co., Ltd.	Taiwan	Other financing and supporting services	2,542,396	2,542,396	254,239,581	(264,208)	(143,172)	Notes B and C
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	450,000	450,000	45,000,000	(265,832)	(75,703)	Notes C and D
	Alliance Digital Technology Co., Ltd.	Taiwan	Electronic information providing services	139,500	60,000	10,408,200	(11,429)	(1,837)	Notes B and C
	iScreen Corporation	Taiwan	Information service	30,000	30,000	3,000,000	(53,481)	(5,909)	Notes C and D
	Far Eastern Electronic Commerce Co., Ltd.	Taiwan	Electronic information providing services	-	100,000	-	1,626	650	Notes C and D
ARCOA Communication Co., Ltd.	DataExpress Infotech Co., Ltd.	Taiwan	Sale of communications products	80,893	80,893	6,691,000	(249,941)	(37,337)	Notes B and C
	New Diligent Co., Ltd.	Taiwan	Investments	141,750	141,750	12,866,353	51,792	-	Notes B and E
	New Century InfoComm Tech Co., Ltd.	Taiwan	Investments	800,000	800,000	80,000,000	(68,414)	-	Notes B and E
	Digital United (Cayman) Ltd.	Taiwan	Security and monitoring service via internet	148,777	148,777	10,249,047	2,502	-	Notes B and E
	Simple InfoComm Co., Ltd.	Cayman Islands	Investments	132,406	132,406	4,320,000	(6,821)	-	Notes B and E
	Far Eastern Electronic Commerce Co., Ltd.	Taiwan	Electronic information providing services	-	34,000	-	24	-	Notes D and E
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Electronic information providing services	28,922	28,922	2,392,000	(249,941)	-	Notes B and C
	Sino Lead Enterprise Limited	Taiwan	Marketing	46,500	20,000	3,469,400	(11,429)	-	Notes B and C
	Far Eastern New Diligent Company Ltd.	Hong Kong	Telecommunication services	125	125	-	(126)	-	Notes B and E
	New Diligent Hong Kong Co., Ltd.	British Virgin Islands	Investments	133,048	133,048	-	(74,600)	-	Notes B and E
DataExpress Infotech Co., Ltd.	Linkwell Tech. Ltd.	Hong Kong	Investments	-	-	-	-	-	Notes E and G
	Home Master Technology Ltd.	Taiwan	Sale of communications products	10,000	10,000	-	(6,369)	-	Notes B and E
		Taiwan	Sale of communications products	10,000	9,999	-	(6,240)	-	Notes B and E

Note A: Subsidiary.

Note B: The calculation was based on audited financial statements as of December 31, 2015.

Note C: Equity-method investee of the Company.

Note D: The calculation was based on unaudited financial statements as of December 31, 2015.

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.

Note G: New Diligent Hong Kong Co., Ltd. was established on December 4, 2014. The investment amount had not been remitted to the investee as of December 31, 2015.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEEES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note A)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2015	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2015	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2015	Accumulated Repatriation of Investment Income as of December 31, 2015
					Outflow	Inflow						
Digital United Information Technologies (Shanghai) Ltd.	Research and design of computer system	\$ 101,758 (US\$ 3,100,000)	2	\$ 101,758 (US\$ 3,100,000)	\$ -	\$ -	\$ 101,758 (US\$ 3,100,000)	\$ (7,549)	100.00	\$ (7,549)	\$ 10,817 (RMB 2,165,000)	\$ -
Far Eastern New Century Information Technology (Beijing) Limited	Electronic information providing services	170,690 (US\$ 5,200,000)	2	131,300 (US\$ 4,000,000)	-	-	131,300 (US\$ 4,000,000)	(64,464)	79.04 (Note B)	(50,951) (Note B)	78,469 (RMB 15,710,000) (Note B)	-
Far Eastern Tech-info Ltd. (Shanghai)	Computer software, data processing and provision of network information	196,950 (US\$ 6,000,000)	2	207,504 (Note F)	-	-	207,504 (Note F)	(44,223)	100.00 (Note C)	(44,223) (Note C)	107,825 (RMB 21,587,000) (Note C)	-
New Diligence Corporation (Shanghai) (Note E)	Consulting services, supporting services, and wholesale of machinery and equipment	-	1	36,994 (US\$ 1,127,000)	-	-	36,994 (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	\$ 43,595,338
New Century InfoComm Tech Co., Ltd.	101,758 (US\$ 3,100,000)	101,758 (US\$ 3,100,000)	14,795,726
New Diligent Co., Ltd.	283,182 (US\$ 8,627,000)	283,182 (US\$ 8,627,000)	338,267

Note A: Investment type as follows:

- The Company made the investment directly.
- 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.
- 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 or the group's net worth, which is higher, 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.

Note F: Including US\$3,500,000.

The background is a light orange color with a white grid pattern. Several white circles of different sizes are scattered across the grid, some connected by thin white lines, creating a network-like structure.

Trustworthy
Innovative
Proactive
Accountable
Collaborative

F A R E A S T O N E



只有遠傳 沒有距離

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