

Statements of Comprehensive Income Analysis

Consolidated statements of comprehensive income

Explanation of significant changes in the past two years' operating revenue, operating income and income before tax:

1. Non-operating expenses increased in 2016 due to higher losses from disposal of property, plant and equipment.

2015 – 2016 Consolidated Statements of Comprehensive Income

Unit: NT\$'000, %

	2015	2016	YoY change	
			Amount	%
Operating revenue	116,144,205	116,647,498	503,293	0.43
Operating costs	79,785,135	78,790,518	(994,617)	(1.25)
Gross profit	36,359,070	37,856,980	1,497,910	4.12
Operating expenses	17,894,501	18,260,396	365,895	2.04
Operating income	18,769,149	20,019,766	1,250,617	6.66
Non-operating income (expenses)	(603,199)	(828,294)	(225,095)	37.32
Income before tax	18,165,950	19,191,472	1,025,522	5.65
Net income	16,168,029	15,928,443	(239,586)	(1.48)

Stand-alone statements of comprehensive income

Explanation of significant changes in the past two years' operating revenue, operating income and income before tax:

1. Operating expenses decreased and operating income increased due to the Company's termination of its direct store management contract with 100%-owned Taiwan Digital Service Co., Ltd. (TDS) in 2015.
2. Non-operating income decreased due to the decline in investment income from subsidiaries after the Company terminated its direct store management contract with TDS.

2015 – 2016 Stand-alone Statements of Comprehensive Income

Unit: NT\$'000, %

	2015	2016	YoY change	
			Amount	%
Operating revenue	83,710,453	80,543,403	(3,167,050)	(3.78)
Operating costs	52,234,342	50,615,701	(1,618,641)	(3.10)
Net Gross profit	31,521,743	29,927,702	(1,594,041)	(5.06)
Operating expenses	19,363,666	14,920,182	(4,443,484)	(22.95)
Operating income	12,397,268	15,401,232	3,003,964	24.23
Non-operating income (expenses)	4,366,737	2,369,009	(1,997,728)	(45.75)
Income before tax	16,764,005	17,770,241	1,006,236	6.00
Net income	15,686,186	15,320,187	(365,999)	(2.33)

Revenue outlook, key assumptions, potential impact on the Company's business and corresponding proposal:

In 2017, the Company will continue to leverage its 4G high-speed mobile internet service to expand its market share. As demand for smart devices increases, the Company will invest in value-added services to tap into this market's full growth potential. It will focus on developing and enhancing top-of-the-line mobile value-added services, including mobile shopping, mobile payment, video/audio services and myBook store (an e-book platform), to satisfy customer demand and boost average revenue per user. The Company will make full use of its potential and competitive edge in handset procurement to raise its cost-efficiency so as to meet its profit target.

Cash Flow Analysis

Consolidated cash flow analysis

1. Increase in cash inflow from operating activities: Cash inflow increased due to better cash collection.
2. Decrease in cash outflow from investment activities: Cash outflow declined as acquisitions of property, plant and equipment dropped in 2016.
3. Increase in cash outflow from financing activities: Cash outflow increased as the Company paid down bank borrowings.

2015 – 2016 Consolidated Cash Flow Statement

Unit: NT\$'000, %

	2015	2016	YoY change	
			Amount	%
Cash inflow (outflow) from operating activities	25,805,736	31,830,164	6,024,428	23.35
Cash inflow (outflow) from investment activities	(15,179,543)	(11,527,956)	3,651,587	(24.06)
Cash inflow (outflow) from financing activities	(9,948,924)	(21,170,963)	(11,222,039)	112.80
Impact from changes in exchange rate	(1,624)	(6,150)	(4,526)	278.69
Net cash increase (decrease)	675,645	(874,905)	(1,550,550)	NM

Stand-alone cash flow analysis

1. Increase in cash inflow from operating activities: Cash inflow rose due to higher revenue collection.
2. Decrease in cash outflow from investment activities: Cash outflow declined because acquisitions of property, plant and equipment dropped in 2016.
3. Increase in cash outflow from financing activities: Cash outflow increased as the Company paid down bank borrowings.

2015 – 2016 Stand-alone Cash Flow Statement

Unit: NT\$'000, %

	2015	2016	YoY change	
			Amount	%
Cash inflow (outflow) from operating activities	16,554,741	22,475,739	5,920,998	35.77
Cash inflow (outflow) from investment activities	(4,547,144)	(2,471,192)	2,075,952	(45.65)
Cash inflow (outflow) from financing activities	(11,629,231)	(20,065,912)	(8,436,681)	72.55
Net cash increase (decrease)	378,366	(61,365)	(439,731)	NM

Plans to improve negative liquidity: Not applicable