

**Far EasTone Telecommunications Co., Ltd.
and Subsidiaries**

**Consolidated Financial Statements for the
Six Months Ended June 30, 2019 and 2018 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Stockholders
Far EasTone Telecommunications Co., Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of Far EasTone Telecommunications Co., Ltd. (Far EasTone) and its subsidiaries (collectively, the Group) as of June 30, 2019 and 2018, the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2019 and 2018, the related consolidated statements of changes in equity and cash flows for the six months ended June 30, 2019 and 2018 and the related notes, including a summary of significant accounting policies (collectively referred to as the consolidated financial statements). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As disclosed in Note 11 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements were not reviewed. As of June 30, 2019 and 2018, the combined total assets of these non-significant subsidiaries were NT\$4,084,185 thousand and NT\$2,930,942 thousand, respectively, representing 2.9% and 2.1%, respectively, of the consolidated total assets, and the combined total liabilities of these subsidiaries were NT\$2,948,866 thousand and NT\$2,023,382 thousand, respectively, representing 4.1% and 2.9%, respectively, of the consolidated total liabilities; for the three months ended June 30, 2019 and 2018, the combined comprehensive income (loss) of these non-significant subsidiaries were NT\$6,179 thousand and NT\$(67,209) thousand, respectively, representing 0.3% and (2.5%), respectively, of the consolidated total comprehensive income; for the six months ended June 30, 2019 and 2018, the combined comprehensive income (loss) of these non-significant subsidiaries were NT\$18,117 thousand and NT\$(153,039) thousand, respectively, representing 0.4% and (3.0%), respectively, of the consolidated total comprehensive income. As stated in Note 12 to the consolidated financial statements, the investments accounted for using the equity method as of June

30, 2019 and 2018 were NT\$1,357,653 thousand and NT\$1,222,120 thousand, respectively; and the related share of the investments' comprehensive income was NT\$18,538 thousand and NT\$22,482 thousand for the three months ended June 30, 2019 and 2018, respectively, and NT\$6,461 thousand and NT\$17,104 thousand for the six months ended June 30, 2019 and 2018, respectively. The aforementioned balance of investments accounted for using the equity method, the related share of the investments' comprehensive income recognized, and the related information on the Group's investments disclosed in Note 38 to the consolidated financial statements were based on the investee's financial statements that were not reviewed for the same periods.

Qualified Conclusion

Based on our reviews, except for any adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries and equity-method investees as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2019 and 2018, its consolidated financial performance for the three months ended June 30, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the six months ended June 30, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are An-Hwei Lin and Cheng-Hung Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 2, 2019

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 review such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' review 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' review report and consolidated financial statements shall prevail.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	June 30, 2019 (Reviewed)		December 31, 2018 (Audited)		June 30, 2018 (Reviewed)	
ASSETS	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Notes 6 and 33)	\$ 12,757,297	9	\$ 4,248,345	3	\$ 14,324,762	10
Financial assets at fair value through profit or loss - current (Note 32)	769,667	1	732,898	1	749,257	1
Financial assets at amortized cost - current (Notes 8 and 33)	487,887	-	543,600	1	507,085	-
Financial assets for hedging - current (Notes 32 and 33)	-	-	1,868	-	-	-
Contract assets - current (Note 24)	3,915,283	3	3,762,170	3	3,519,357	3
Notes receivable, net (Note 9)	55,644	-	42,717	-	55,721	-
Accounts receivable, net (Note 9)	7,422,872	5	7,747,548	6	7,270,832	5
Accounts receivable - related parties (Notes 9 and 33)	220,769	-	259,108	-	208,205	-
Inventories (Note 10)	2,275,690	2	3,760,419	3	3,399,450	3
Prepaid expenses (Note 3)	811,483	1	996,001	1	931,023	1
Other financial assets - current (Notes 33 and 34)	1,740,203	1	1,730,485	1	1,890,586	1
Other current assets (Note 33)	<u>247,789</u>	<u>-</u>	<u>114,966</u>	<u>-</u>	<u>167,080</u>	<u>-</u>
Total current assets	<u>30,704,584</u>	<u>22</u>	<u>23,940,125</u>	<u>19</u>	<u>33,023,358</u>	<u>24</u>
NONCURRENT ASSETS						
Financial assets at fair value through other comprehensive income - noncurrent (Notes 7 and 32)	437,366	-	432,111	-	196,929	-
Investments accounted for using the equity method (Notes 3 and 12)	1,357,653	1	1,353,441	1	1,222,120	1
Contract assets - noncurrent (Note 24)	1,903,790	1	1,535,757	1	1,582,287	1
Property, plant and equipment, net (Notes 3, 4, 13 and 33)	38,581,024	28	41,843,053	33	43,657,319	31
Right-of-use assets (Notes 3, 4, 14 and 33)	8,214,985	6	-	-	-	-
Investment properties (Note 15)	992,546	1	992,546	1	1,082,453	1
Concessions, net (Notes 1 and 16)	37,270,311	27	38,688,253	30	40,254,381	29
Goodwill (Note 16)	11,176,831	8	10,806,128	9	10,808,901	8
Other intangible assets (Note 16)	3,611,262	2	3,628,304	3	3,508,628	2
Deferred income tax assets (Note 4)	872,754	1	854,022	1	855,102	1
Incremental costs of obtaining a contract - noncurrent (Note 24)	2,806,427	2	1,802,163	1	1,421,216	1
Other noncurrent assets (Notes 4, 9, 17 and 33)	<u>990,314</u>	<u>1</u>	<u>940,606</u>	<u>1</u>	<u>838,697</u>	<u>1</u>
Total noncurrent assets	<u>108,215,263</u>	<u>78</u>	<u>102,876,384</u>	<u>81</u>	<u>105,428,033</u>	<u>76</u>
TOTAL	<u>\$ 138,919,847</u>	<u>100</u>	<u>\$ 126,816,509</u>	<u>100</u>	<u>\$ 138,451,391</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 18)	\$ 775,000	1	\$ 2,120,000	2	\$ 346,000	-
Short-term bills payable (Note 18)	262,773	-	1,269,373	1	319,742	-
Financial liabilities for hedging - current (Notes 32 and 33)	-	-	-	-	4,013	-
Contract liabilities - current (Note 24)	2,148,423	1	2,256,000	2	2,640,862	2
Notes payable	33,059	-	16,899	-	37,289	-
Accounts payable (Note 33)	4,891,614	3	4,438,923	3	5,137,858	4
Other payables (Notes 3 and 20)	17,796,968	13	6,860,347	5	18,527,948	13
Current tax liabilities (Notes 3 and 4)	1,368,394	1	3,362,323	3	3,371,860	3
Provisions - current (Note 21)	177,495	-	169,739	-	288,726	-
Lease liabilities - current (Notes 3, 4, 14 and 33)	2,815,962	2	-	-	-	-
Current portion of long-term borrowings (Notes 18 and 19)	5,698,264	4	3,199,112	3	6,499,534	5
Guarantee deposits received - current	189,148	-	191,666	-	192,537	-
Other current liabilities (Notes 3, 20 and 33)	<u>849,911</u>	<u>1</u>	<u>1,736,877</u>	<u>1</u>	<u>1,786,687</u>	<u>1</u>
Total current liabilities	<u>37,007,011</u>	<u>26</u>	<u>25,621,259</u>	<u>20</u>	<u>39,153,056</u>	<u>28</u>
NONCURRENT LIABILITIES						
Contract liabilities - noncurrent (Note 24)	223,012	-	208,272	-	220,696	-
Bonds payable (Note 19)	24,673,349	18	22,175,150	17	25,370,192	18
Long-term borrowings (Note 18)	1,750,000	1	700,000	1	-	-
Provisions - noncurrent (Note 21)	937,049	1	911,333	1	842,862	1
Deferred income tax liabilities (Note 4)	2,175,081	2	2,172,598	2	2,093,902	2
Lease liabilities - noncurrent (Notes 3, 4, 14 and 33)	5,003,518	4	-	-	-	-
Net defined benefit liabilities - noncurrent (Note 4)	652,391	-	661,240	1	721,207	1
Guarantee deposits received - noncurrent	280,010	-	283,214	-	286,635	-
Other noncurrent liabilities (Note 3)	<u>-</u>	<u>-</u>	<u>47,260</u>	<u>-</u>	<u>61,013</u>	<u>-</u>
Total noncurrent liabilities	<u>35,694,410</u>	<u>26</u>	<u>27,159,067</u>	<u>22</u>	<u>29,596,507</u>	<u>22</u>
Total liabilities	<u>72,701,421</u>	<u>52</u>	<u>52,780,326</u>	<u>42</u>	<u>68,749,563</u>	<u>50</u>
EQUITY ATTRIBUTABLE TO OWNERS OF FAR EASTONE						
Capital stock						
Common stock	<u>32,585,008</u>	<u>24</u>	<u>32,585,008</u>	<u>26</u>	<u>32,585,008</u>	<u>24</u>
Capital surplus	<u>5,820,041</u>	<u>4</u>	<u>5,820,041</u>	<u>5</u>	<u>5,820,041</u>	<u>4</u>
Retained earnings						
Legal reserve	19,425,986	14	18,487,851	15	18,487,851	13
Special reserve	606,730	-	626,328	-	626,328	1
Unappropriated earnings	<u>6,979,724</u>	<u>5</u>	<u>15,766,913</u>	<u>12</u>	<u>11,474,062</u>	<u>8</u>
Total retained earnings	<u>27,012,440</u>	<u>19</u>	<u>34,881,092</u>	<u>27</u>	<u>30,588,241</u>	<u>22</u>
Other equity	<u>(6,254)</u>	<u>-</u>	<u>31,357</u>	<u>-</u>	<u>24,177</u>	<u>-</u>
Total equity attributable to owners of Far EasTone	65,411,235	47	73,317,498	58	69,017,467	50
NONCONTROLLING INTERESTS	<u>807,191</u>	<u>1</u>	<u>718,685</u>	<u>-</u>	<u>684,361</u>	<u>-</u>
Total equity	<u>66,218,426</u>	<u>48</u>	<u>74,036,183</u>	<u>58</u>	<u>69,701,828</u>	<u>50</u>
TOTAL	<u>\$ 138,919,847</u>	<u>100</u>	<u>\$ 126,816,509</u>	<u>100</u>	<u>\$ 138,451,391</u>	<u>100</u>

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

(With Deloitte & Touche review report dated August 2, 2019)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Notes 24 and 33)	\$ 20,425,260	100	\$ 21,620,613	100	\$ 41,244,719	100	\$ 43,287,173	100
OPERATING COSTS (Notes 10, 25 and 33)	<u>13,705,661</u>	<u>67</u>	<u>14,197,504</u>	<u>65</u>	<u>27,857,348</u>	<u>67</u>	<u>28,788,573</u>	<u>66</u>
GROSS PROFIT	<u>6,719,599</u>	<u>33</u>	<u>7,423,109</u>	<u>35</u>	<u>13,387,371</u>	<u>33</u>	<u>14,498,600</u>	<u>34</u>
OPERATING EXPENSES (Notes 25 and 33)								
Marketing	2,348,168	11	2,404,032	11	4,619,789	11	4,798,135	11
General and administrative	1,229,339	6	1,379,847	7	2,483,159	6	2,746,613	7
Expected credit losses	<u>103,864</u>	<u>1</u>	<u>58,458</u>	<u>-</u>	<u>177,980</u>	<u>1</u>	<u>121,768</u>	<u>-</u>
Total operating expenses	<u>3,681,371</u>	<u>18</u>	<u>3,842,337</u>	<u>18</u>	<u>7,280,928</u>	<u>18</u>	<u>7,666,516</u>	<u>18</u>
OPERATING INCOME	<u>3,038,228</u>	<u>15</u>	<u>3,580,772</u>	<u>17</u>	<u>6,106,443</u>	<u>15</u>	<u>6,832,084</u>	<u>16</u>
NONOPERATING INCOME AND EXPENSES (Notes 4, 25, 32 and 33)								
Other income	46,221	-	29,879	-	66,273	-	47,673	-
Other gains and losses	40,459	-	60,054	-	90,691	-	85,116	-
Financial costs	(157,192)	-	(113,895)	-	(265,890)	-	(220,872)	-
Share of the gain of associates	25,768	-	2,969	-	49,894	-	7,826	-
Loss on disposal of property, plant and equipment and intangible assets	<u>(193,946)</u>	<u>(1)</u>	<u>(184,898)</u>	<u>(1)</u>	<u>(385,851)</u>	<u>(1)</u>	<u>(285,540)</u>	<u>(1)</u>
Total nonoperating income and expenses	<u>(238,690)</u>	<u>(1)</u>	<u>(205,891)</u>	<u>(1)</u>	<u>(444,883)</u>	<u>(1)</u>	<u>(365,797)</u>	<u>(1)</u>
INCOME BEFORE INCOME TAX	2,799,538	14	3,374,881	16	5,661,560	14	6,466,287	15
INCOME TAX (Notes 4 and 26)	<u>607,902</u>	<u>3</u>	<u>691,851</u>	<u>3</u>	<u>1,218,927</u>	<u>3</u>	<u>1,325,589</u>	<u>3</u>
NET INCOME	<u>2,191,636</u>	<u>11</u>	<u>2,683,030</u>	<u>13</u>	<u>4,442,633</u>	<u>11</u>	<u>5,140,698</u>	<u>12</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4 and 23)								
Items that will not be reclassified subsequently to profit or loss:								
Remeasurement of defined benefit plans	-	-	10,790	-	-	-	10,790	-
Unrealized gain on investments in equity instruments designated as at fair value through other comprehensive income	3,455	-	2,489	-	3,075	-	8,458	-
Share of the other comprehensive loss of associates accounted for using the equity method	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>3,455</u>	<u>-</u>	<u>13,279</u>	<u>-</u>	<u>3,072</u>	<u>-</u>	<u>19,248</u>	<u>-</u>

(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations	\$ (1,882)	-	\$ (569)	-	\$ 3,649	-	\$ 221	-
Share of the other comprehensive (loss) income of associates accounted for using the equity method	(8,192)	-	19,513	-	(44,452)	-	9,278	-
	(10,074)	-	18,944	-	(40,803)	-	9,499	-
Total other comprehensive (loss) income, net of income tax	(6,619)	-	32,223	-	(37,731)	-	28,747	-
TOTAL COMPREHENSIVE INCOME	<u>\$ 2,185,017</u>	<u>11</u>	<u>\$ 2,715,253</u>	<u>13</u>	<u>\$ 4,404,902</u>	<u>11</u>	<u>\$ 5,169,445</u>	<u>12</u>
NET INCOME								
ATTRIBUTABLE TO:								
Owners of Far EasTone	\$ 2,173,938	11	\$ 2,678,100	13	\$ 4,405,480	11	\$ 5,131,298	12
Noncontrolling interests	17,698	-	4,930	-	37,153	-	9,400	-
	<u>\$ 2,191,636</u>	<u>11</u>	<u>\$ 2,683,030</u>	<u>13</u>	<u>\$ 4,442,633</u>	<u>11</u>	<u>\$ 5,140,698</u>	<u>12</u>
COMPREHENSIVE INCOME								
ATTRIBUTABLE TO:								
Owners of Far EasTone	\$ 2,167,273	11	\$ 2,710,151	13	\$ 4,367,869	11	\$ 5,159,866	12
Noncontrolling interests	17,744	-	5,102	-	37,033	-	9,579	-
	<u>\$ 2,185,017</u>	<u>11</u>	<u>\$ 2,715,253</u>	<u>13</u>	<u>\$ 4,404,902</u>	<u>11</u>	<u>\$ 5,169,445</u>	<u>12</u>
EARNINGS PER SHARE, NEW TAIWAN DOLLARS								
(Note 27)								
Basic	\$ 0.67		\$ 0.82		\$ 1.35		\$ 1.57	
Diluted	\$ 0.67		\$ 0.82		\$ 1.35		\$ 1.57	

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

(With Deloitte & Touche review report dated August 2, 2019)

(Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Owners of Far EasTone											
						Other Equity						
	Retained Earnings					Exchange Differences on Translating the Financial Statements of Foreign Operations (Note 23)	Unrealized (Losses) Gains on Financial Assets at Fair Value Through Other Comprehensive Income (Note 23)	Cash Flow Hedges (Note 23)	Gains (Losses) on Hedging Instruments (Note 23)	Total	Noncontrolling Interests (Notes 3, 23, 28, 29 and 30)	Total Equity
	Capital Stock (Note 23)	Capital Surplus (Note 23)	Legal Reserve (Note 23)	Special Reserve (Note 23)	Unappropriated Earnings (Notes 3, 23 and 30)							
BALANCE AT JANUARY 1, 2018	\$ 32,585,008	\$ 8,143,345	\$ 17,405,561	\$ 783,467	\$ 10,822,899	\$ 4,122	\$ -	\$ 14,010	\$ -	\$ 69,758,412	\$ 687,801	\$ 70,446,213
Effects of retrospective application and retrospective restatement	-	-	-	-	6,364,273	-	(11,733)	(14,010)	14,010	6,352,540	-	6,352,540
BALANCE AT JANUARY 1, 2018 AS RESTATED	32,585,008	8,143,345	17,405,561	783,467	17,187,172	4,122	(11,733)	-	14,010	76,110,952	687,801	76,798,753
Appropriation of the 2017 earnings												
Legal reserve	-	-	1,082,290	-	(1,082,290)	-	-	-	-	-	-	-
Special reserve	-	-	-	(157,139)	157,139	-	-	-	-	-	-	-
Cash dividends - NT\$3.037 per share	-	-	-	-	(9,896,067)	-	-	-	-	(9,896,067)	-	(9,896,067)
Cash dividends from capital surplus - NT\$0.713 per share	-	(2,323,311)	-	-	-	-	-	-	-	(2,323,311)	-	(2,323,311)
Changes in equity from investments in associates accounted for using the equity method	-	7	-	-	(6)	-	-	-	-	1	-	1
Changes in ownership interest of subsidiaries	-	-	-	-	(33,974)	-	-	-	-	(33,974)	33,576	(398)
Net income for the six months ended June 30, 2018	-	-	-	-	5,131,298	-	-	-	-	5,131,298	9,400	5,140,698
Other comprehensive income for the six months ended June 30, 2018, net of income tax	-	-	-	-	10,790	257	8,287	-	9,234	28,568	179	28,747
Return of cash capital due to subsidiary's liquidation	-	-	-	-	-	-	-	-	-	-	(360)	(360)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	(46,235)	(46,235)
BALANCE AT JUNE 30, 2018	<u>\$ 32,585,008</u>	<u>\$ 5,820,041</u>	<u>\$ 18,487,851</u>	<u>\$ 626,328</u>	<u>\$ 11,474,062</u>	<u>\$ 4,379</u>	<u>\$ (3,446)</u>	<u>\$ -</u>	<u>\$ 23,244</u>	<u>\$ 69,017,467</u>	<u>\$ 684,361</u>	<u>\$ 69,701,828</u>
BALANCE AT JANUARY 1, 2019	\$ 32,585,008	\$ 5,820,041	\$ 18,487,851	\$ 626,328	\$ 15,766,913	\$ 4,197	\$ 808	\$ -	\$ 26,352	\$ 73,317,498	\$ 718,685	\$ 74,036,183
Effects of retrospective application and retrospective restatement	-	-	-	-	(54,754)	-	-	-	-	(54,754)	(560)	(55,314)
BALANCE AT JANUARY 1, 2019 AS RESTATED	32,585,008	5,820,041	18,487,851	626,328	15,712,159	4,197	808	-	26,352	73,262,744	718,125	73,980,869
Appropriation of the 2018 earnings												
Legal reserve	-	-	938,135	-	(938,135)	-	-	-	-	-	-	-
Special reserve	-	-	-	(19,598)	19,598	-	-	-	-	-	-	-
Cash dividends - NT\$3.75 per share	-	-	-	-	(12,219,378)	-	-	-	-	(12,219,378)	-	(12,219,378)
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	(11,276)	(11,276)
Net income for the six months ended June 30, 2019	-	-	-	-	4,405,480	-	-	-	-	4,405,480	37,153	4,442,633
Other comprehensive income (loss) for the six months ended June 30, 2019, net of income tax	-	-	-	-	-	3,427	3,243	-	(44,281)	(37,611)	(120)	(37,731)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	133,333	133,333
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	(70,024)	(70,024)
BALANCE AT JUNE 30, 2019	<u>\$ 32,585,008</u>	<u>\$ 5,820,041</u>	<u>\$ 19,425,986</u>	<u>\$ 606,730</u>	<u>\$ 6,979,724</u>	<u>\$ 7,624</u>	<u>\$ 4,051</u>	<u>\$ -</u>	<u>\$ (17,929)</u>	<u>\$ 65,411,235</u>	<u>\$ 807,191</u>	<u>\$ 66,218,426</u>

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

(With Deloitte & Touche review report dated August 2, 2019)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 5,661,560	\$ 6,466,287
Adjustments for:		
Depreciation	6,848,950	5,121,822
Amortization	496,139	440,549
Amortization of concessions	1,417,942	1,566,129
Expected credit losses	177,980	121,768
Net gain on fair value changes of financial assets at fair value through profit or loss	(36,769)	(4,057)
Financial costs	265,890	220,872
Interest income	(31,484)	(31,333)
Dividend income	(1,499)	(450)
Share of the gain of associates	(49,894)	(7,826)
Loss on disposal of property, plant and equipment and intangible assets	385,851	285,540
Write-down (reversal of write-down) of inventories	22,714	(16,932)
Gain on modifications of lease arrangements	(986)	-
Loss on disposal of a subsidiary	773	-
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	-	(150,000)
Financial assets for hedging	1,868	5,713
Contract assets	(521,146)	750,193
Notes receivable	(903)	14,600
Accounts receivable	284,439	470,803
Accounts receivable - related parties	38,339	43,705
Inventories	1,503,401	1,394,029
Prepaid expenses	(199,301)	(71,511)
Other current assets	(119,350)	12,550
Incremental costs of obtaining a contract	(1,004,264)	144,974
Contract liabilities	(142,333)	20,446
Notes payable	9,019	(8,348)
Accounts payable	355,442	(1,377,194)
Other payables	(819,373)	(1,138,290)
Provisions	(5,813)	(32,698)
Other current liabilities	(857,142)	954,156
Net defined benefit liabilities	(8,889)	(7,031)
Cash generated from operations	13,671,161	15,188,466
Interest received	29,032	32,068
Dividends received	1,499	-
Interest paid	(298,089)	(208,749)
Income taxes paid	(3,201,882)	(1,064,645)
Net cash generated from operating activities	<u>10,201,721</u>	<u>13,947,140</u>

(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the disposal of financial assets at amortized cost	\$ 38,313	\$ 151,680
Increase in prepayment for an investment	(100,000)	-
Net cash outflow on acquisition of a subsidiary	(351,804)	-
Net cash outflow on disposal of a subsidiary	(39,803)	-
Acquisition of property, plant and equipment	(2,834,276)	(2,931,387)
Proceeds from the disposal of property, plant and equipment	6,288	44,179
Increase in refundable deposits	(177,088)	(181,567)
Decrease in refundable deposits	222,590	129,223
Acquisition of intangible assets	(363,057)	(469,910)
(Increase) decrease in other financial assets	(9,718)	957,106
Net cash used in investing activities	(3,608,555)	(2,300,676)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(1,345,000)	(518,000)
(Decrease) increase in short-term bills payable	(1,006,600)	20,061
Proceeds from the issuance of bonds payable	4,993,460	4,993,390
Repayment of bonds payable	-	(2,500,000)
Proceeds from long-term borrowings	1,750,000	-
Repayment of long-term borrowings	(700,000)	(7,600,000)
Increase in guarantee deposits received	21,424	43,550
Decrease in guarantee deposits received	(28,330)	(107,460)
Repayment of the principal portion of lease liabilities	(1,770,221)	-
Cash dividends paid	-	(10)
Net changes in noncontrolling interests	-	(758)
Net cash generated from (used in) financing activities	1,914,733	(5,669,227)
EFFECT OF EXCHANGE RATE CHANGES	1,053	221
INCREASE IN CASH AND CASH EQUIVALENTS	8,508,952	5,977,458
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	4,248,345	8,347,304
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	\$ 12,757,297	\$ 14,324,762

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

(With Deloitte & Touche review report dated August 2, 2019)

(Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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 stock was initially listed and commenced trading on the over-the-counter (OTC) securities exchange (known as the Taipei Exchange, TPEx) of the ROC on December 10, 2001, but later ceased trading on the TPEx and transferred listing of its stock on the Taiwan Stock Exchange (TWSE) on August 24, 2005. Far EasTone provides wireless communications, Internet and international simple resale (ISR) services and also sells cellular phone equipment and accessories. As of June 30, 2019 and 2018, Far Eastern New Century Corporation (Far Eastern New Century) and its affiliates directly and indirectly owned 38.28% of Far EasTone's stock. Since Far Eastern New Century and its subsidiaries have the power to cast the 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 second-generation (2G) wireless communications services under type I licenses issued by the Directorate General of Telecommunications (DGT) of the ROC. These licenses allowed Far EasTone to provide services for 15 years from 1997. The National Communications Commission (NCC) approved the renewal of the licenses when they were due. However, 2G wireless communications services were terminated on June 30, 2017.

The DGT also issued to Far EasTone a type II license to provide Internet and ISR services until December 2021.

Through the completion of the merger with Yuan-Ze Telecommunications Co., Ltd. on May 2, 2005, Far EasTone acquired a third-generation (3G) wireless communications license, which was issued by the DGT and is valid through December 31, 2018.

On October 30, 2013, Far EasTone bid for two fourth-generation (4G) wireless communications licenses, GSM700 and GSM1800 (GSM means global system for mobile communications), valid through December 31, 2030. On December 7, 2015 and November 15, 2017, Far EasTone bid for fourth-generation (4G) wireless communications licenses GSM 2600 and GSM 2100, respectively, both of which are valid through December 31, 2033.

The consolidated financial statements of Far EasTone and its subsidiaries, collectively referred to as the Group, are presented in New Taiwan dollars, the functional currency of Far EasTone.

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were reported to Far EasTone's board of directors on August 2, 2019.

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC) and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group’s accounting policies:

IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of a lease

The Group reassess whether a contract is, or contains, a lease in accordance with the definition of a lease under IFRS 16. Contracts that are reassessed as containing a lease are accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets, except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables were recognized on the consolidated balance sheets for contracts classified as finance leases.

The Group elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the aforementioned incremental borrowing rate. The Group applies IAS 36 to all right-of-use assets.

For leases previously classified as finance leases under IAS 17, the carrying amount of right-of-use assets and lease liabilities on January 1, 2019 are determined as at the carrying amount of the respective leased assets and finance lease payables on December 31, 2018.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 0.98%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 8,228,018
Less: Recognition exemption for short-term leases	<u>(22,229)</u>
Undiscounted amount on January 1, 2019	<u>\$ 8,205,789</u>
Discounted amount using the incremental borrowing rate on January 1, 2019	\$ 8,075,750
Add: Finance lease liabilities on December 31, 2018	<u>96,845</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 8,172,595</u>

The Group as lessor

The Group does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities, and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
<u>Current assets</u>			
Prepaid expenses	\$ 996,001	\$ (395,319)	\$ 600,682
<u>Noncurrent assets</u>			
Investments accounted for using the equity method	1,353,441	(2,249)	1,351,192
Property, plant and equipment, net	41,843,053	(218,668)	41,624,385
Right-of-use assets	-	8,598,278	8,598,278
Total assets	126,816,509	7,982,042	134,798,551
<u>Current liabilities</u>			
Other payables	6,860,347	(24,996)	6,835,351
Current tax liabilities	3,362,323	(13,398)	3,348,925
Lease liabilities - current	-	2,906,806	2,906,806
Other current liabilities	1,736,877	(49,585)	1,687,292
<u>Noncurrent liabilities</u>			
Lease liabilities - noncurrent	-	5,265,789	5,265,789
Other noncurrent liabilities	47,260	(47,260)	-
Total liabilities	52,780,326	8,037,356	60,817,682

(Continued)

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
<u>Equity</u>			
Retained earnings	\$ 34,881,092	\$ (54,754)	\$ 34,826,338
Noncontrolling interests	718,685	(560)	718,125
Total equity	74,036,183	(55,314)	73,980,869 (Concluded)

- b. The IFRSs endorsed by the FSC for application starting from 2020

<u>New IFRSs</u>	<u>Effective Date Announced by IASB</u>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 2)

Note 1: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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.

- c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note)</u>
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
IFRS 17 “Insurance Contracts”	January 1, 2021

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

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

b. Basis of preparation

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, and net defined benefit assets/liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

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

c. Basis of consolidation

Principles for preparing the 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 11, Schedule G and Schedule H for detailed information on subsidiaries, including the percentages of ownership and main businesses.

d. Other significant accounting policies

Except for the following, the accounting policies applied in the interim consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2018. For the summary of other significant accounting policies, refer to the consolidated financial statements for the year ended December 31, 2018.

1) Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss. Before January 1, 2019, property, plant and equipment also included assets held under finance leases.

Property, plant and equipment in the course of construction are measured 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 their intended use.

The depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. For assets which were held under finance leases before January 1, 2019, if their respective lease terms are shorter than their useful lives, such assets are depreciated over their lease terms. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effects of any changes in estimates 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.

2) Leases

2019

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

For a contract that contains a lease component and non-lease components, the Group allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

a) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

b) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprise the initial measurement of lease liabilities adjusted for an estimate of costs needed to restore the underlying assets. Right-of-use assets are subsequently measured at cost less accumulated depreciation and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term resulting in a change in future lease payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

2018

Leases are classified as finance leases whenever the terms of a 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 lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

b) The Group as 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 expenses on a straight-line basis over the lease term.

3) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

4) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistently with the accounting for the transaction itself which gives rise to the tax consequence, and this is recognized in profit or loss, other comprehensive income or directly in equity in full in the period in which the change in tax rate occurs.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Except for the following, the critical accounting judgments and key sources of estimation uncertainty are the same as those applicable to the consolidated financial statements for the year ended December 31, 2018.

Lease Terms - 2019

In determining a lease term, the Group considers all facts and circumstances that create an economic incentive to exercise or not to exercise an option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. Main factors considered include contractual terms and conditions for the optional periods, significant leasehold improvements undertaken over the contract term, the importance of the underlying asset to the lessee's operations, etc. The lease term is reassessed if a significant change in circumstances that are within control of the Group occurs.

6. CASH AND CASH EQUIVALENTS

	June 30, 2019	December 31, 2018	June 30, 2018
Cash on hand	\$ 15,660	\$ 11,212	\$ 14,571
Checking and demand deposits	5,371,739	2,619,064	8,535,516
Cash equivalents			
Commercial paper purchased under resale agreements	860,462	953,606	1,134,993
Certificates of deposits	<u>6,509,436</u>	<u>664,463</u>	<u>4,639,682</u>
	<u>\$ 12,757,297</u>	<u>\$ 4,248,345</u>	<u>\$ 14,324,762</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Noncurrent</u>			
Investments in equity instruments at FVTOCI	<u>\$ 437,366</u>	<u>\$ 432,111</u>	<u>\$ 196,929</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

8. FINANCIAL ASSETS AT AMORTIZED COST

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Current</u>			
Certificates of deposits with original maturities of more than 3 months	\$ 487,887	\$ 543,600	\$ 507,085

9. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Notes receivable</u>			
At amortized cost			
Gross carrying amount	\$ 55,644	\$ 42,717	\$ 55,721
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>	<u>-</u>
	\$ 55,644	\$ 42,717	\$ 55,721
Notes receivable - operating	\$ 55,644	\$ 42,717	\$ 55,721
<u>Accounts receivable (including other noncurrent assets and related parties)</u>			
At amortized cost			
Gross carrying amount	\$ 8,453,121	\$ 8,719,407	\$ 8,267,009
Less: Allowance for impairment loss	(736,302)	(632,681)	(737,303)
Less: Unrealized interest income	<u>(4,535)</u>	<u>(5,210)</u>	<u>(2,902)</u>
	\$ 7,712,284	\$ 8,081,516	\$ 7,526,804

At the end of the reporting period, accounts receivable from sales with payment by installments of the Group were as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Gross amounts of accounts receivable	\$ 85,407	\$ 92,104	\$ 59,322
Unrealized interest income	<u>(4,535)</u>	<u>(5,210)</u>	<u>(2,902)</u>
	\$ 80,872	\$ 86,894	\$ 56,420

Accounts receivable expected to be recovered over one year are classified as noncurrent assets. The above accounts receivable are expected to be recovered before 2028.

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.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of notes receivable and accounts receivable at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for all notes receivable and accounts receivable at an amount equal to lifetime expected credit losses (ECLs). The expected credit losses on notes receivable and accounts receivable are estimated using an allowance matrix by reference to past default experience with the debtor and an analysis of the debtor's current financial position, adjusted for the general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the allowance for losses based on the past due status of receivables is not further distinguished according to different segments of the Group's customer base.

The Group recognizes an allowance for impairment loss of 100% when there is information indicating that a debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery of the receivable, e.g. when the debtor has been placed under liquidation or when the account receivable is over 120 days past due, whichever occurs earlier. For notes receivable and accounts receivable that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The Group's expected credit loss rate ranges of receivables which were not overdue and receivables which were overdue were 0.05%-6% and 6.58%-100%, respectively.

The following table details the loss allowance of notes receivable and accounts receivable based on the Group's allowance matrix.

June 30, 2019

	Not Overdue	Overdue Less than 60 Days	Overdue 60 Days or More	Total
Gross carrying amount	\$ 7,054,490	\$ 1,098,073	\$ 351,667	\$ 8,504,230
Loss allowance (lifetime ECLs)	<u>(406,045)</u>	<u>(112,925)</u>	<u>(217,332)</u>	<u>(736,302)</u>
Amortized cost	<u>\$ 6,648,445</u>	<u>\$ 985,148</u>	<u>\$ 134,335</u>	<u>\$ 7,767,928</u>

December 31, 2018

	Not Overdue	Overdue Less than 60 Days	Overdue 60 Days or More	Total
Gross carrying amount	\$ 7,964,353	\$ 498,880	\$ 293,681	\$ 8,756,914
Loss allowance (lifetime ECLs)	<u>(430,961)</u>	<u>(40,440)</u>	<u>(161,280)</u>	<u>(632,681)</u>
Amortized cost	<u>\$ 7,533,392</u>	<u>\$ 458,440</u>	<u>\$ 132,401</u>	<u>\$ 8,124,233</u>

June 30, 2018

	Not Overdue	Overdue Less than 60 Days	Overdue 60 Days or More	Total
Gross carrying amount	\$ 7,466,842	\$ 428,879	\$ 424,107	\$ 8,319,828
Loss allowance (lifetime ECLs)	<u>(336,459)</u>	<u>(73,024)</u>	<u>(327,820)</u>	<u>(737,303)</u>
Amortized cost	<u>\$ 7,130,383</u>	<u>\$ 355,855</u>	<u>\$ 96,287</u>	<u>\$ 7,582,525</u>

The movements of the loss allowance of notes receivable and accounts receivable were as follows:

	For the Six Months Ended June 30	
	2019	2018
Balance at January 1	\$ 632,681	\$ 952,244
Add: Acquisitions through business combinations	5,205	-
Add: Amounts recovered	106,462	136,207
Add: Net remeasurement of loss allowance	177,980	(30,939)
Less: Amounts written off	(186,110)	(320,209)
Foreign exchange gains and losses	<u>84</u>	<u>-</u>
Balance at June 30	<u>\$ 736,302</u>	<u>\$ 737,303</u>

10. INVENTORIES

	June 30, 2019	December 31, 2018	June 30, 2018
Cellular phone equipment and accessories	\$ 1,660,563	\$ 3,315,350	\$ 2,792,326
Others	<u>615,127</u>	<u>445,069</u>	<u>607,124</u>
	<u>\$ 2,275,690</u>	<u>\$ 3,760,419</u>	<u>\$ 3,399,450</u>

Costs of inventories sold were \$6,455,056 thousand and \$7,129,638 thousand for the three months ended June 30, 2019 and 2018, respectively, and \$13,899,587 thousand and \$14,799,529 thousand for the six months ended June 30, 2019 and 2018, respectively.

The write-down (reversal of write-down) of inventories amounting to \$(16,197) thousand, \$28,839 thousand, \$(22,714) thousand and \$16,932 thousand were included in the cost of sales for the three months and six months ended June 30, 2019 and 2018, respectively.

11. SUBSIDIARIES

Subsidiaries 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
			June 30, 2019	December 31, 2018	June 30, 2018	
Far EasTone	NCIC	Type I, II telecommunications services	100.00	100.00	100.00	Disposed of on April 30, 2019 Dissolved on June 30, 2018 due to the merger with Far EasTone
	ARCOA	Sales of communications products and office equipment	61.63	61.63	61.63	
	KGEx.com	Type II telecommunications services	99.99	99.99	99.99	
	YSDT	Electronic information services	86.41	86.41	86.41	
	Yuan Cing	Call center services	100.00	100.00	100.00	
	FEIS	Investment	100.00	100.00	100.00	
	Omusic	Electronic information services	-	50.00	50.00	
	Qware	Type II telecommunications services	-	-	-	
FEIS	FETI	Computer software, data processing and network information services	41.67	41.67	41.67	
NCIC	ISSDU	Security and monitoring service via Internet	100.00	100.00	100.00	
	DU (Cayman)	Investment	100.00	100.00	100.00	
	New Diligent	Investment	100.00	100.00	100.00	
	YSDT	Electronic information services	2.40	2.40	2.40	
	Prime Ecopower	Energy-technology services	100.00	100.00	-	
	Nextlink Technology	Electronic information services	70.00	-	-	
New Diligent	FEND	Investment	100.00	100.00	100.00	
	Sino Lead	Telecommunications services	100.00	100.00	100.00	
	New Diligent Hong Kong	Investment	100.00	100.00	100.00	
FEND	FETI	Computer software, data processing and network information services	58.33	58.33	58.33	
	FENCIT	Electronic information services	-	-	-	Dissolved on February 9, 2018 with the approval of the local government
FETI	FENCIT	Electronic information services	-	-	-	Dissolved on February 9, 2018 with the approval of the local government
DU (Cayman)	DUIT	Design, research, installment and maintenance of computer software and system	100.00	100.00	100.00	
ARCOA	DataExpress	Sale of communications products	70.00	70.00	70.00	
DataExpress	Linkwell	Sale of communications products	100.00	100.00	100.00	
Nextlink Technology	Home Master	Sale of communications products	100.00	100.00	100.00	
	Microfusion Technology	Electronic information services	100.00	-	-	
	Nextlink (HK) Technology	Electronic information services	100.00	-	-	
Microfusion Technology	Microfusion Technology (HK)	Electronic information services	-	-	-	Established on September 4, 2018. Investment capital has not been remitted as of June 30, 2019.
Nextlink (HK) Technology	Nextlink (SH) Technology	Electronic information services	100.00	-	-	

In order to simplify the Group's investment structure and to integrate wireless network services and mobile virtual network services, Far EasTone's board of directors resolved on May 4, 2018 that Far EasTone would proceed with a cash merger with Qware. Far EasTone became the surviving company, and Qware was dissolved after it merged with Far EasTone. The merger's total cash consideration was \$397 thousand. The record date of the merger was June 30, 2018.

Except for NCIC's and ARCOA's financial statements as of and for the six months ended June 30, 2019 and 2018, the financial statements of all other investees were unreviewed.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	June 30, 2019	December 31, 2018	June 30, 2018
Material associate			
Far Eastern Electronic Toll Collection Co., Ltd.	\$ 961,182	\$ 924,758	\$ 867,434
Associates that are not individually material	<u>396,471</u>	<u>428,683</u>	<u>354,686</u>
	<u>\$ 1,357,653</u>	<u>\$ 1,353,441</u>	<u>\$ 1,222,120</u>

Material associates:

Company	Nature of Business	Main Place	Interests and Voting Rights		
			June 30, 2019	December 31, 2018	June 30, 2018
Far Eastern Electronic Toll Collection Co., Ltd.	Electronic information services	Taiwan	39.42%	39.42%	39.42%

Far Eastern Electronic Toll Collection Co., Ltd.

As of June 30, 2011, 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). 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, and October 19, 2018, the Taipei District Court pronounced the judgment in FETC's favor. The TANFB filed an appeal on November 9, 2018. The High Court overruled the TANFB's appeal on June 11, 2019, and on July 8, 2019, the TANFB filed another appeal to the Supreme Court.

FETC failed to complete the taximeter system infrastructure within the specified period under the ETC Project requirements. The Taipei District Court Civil Division pronounced on May 20, 2016 that FETC should pay the compensation for breach of contract to TANFB. FETC filed an appeal on May 31, 2016 and accrued related penalties.

The calculation of investments accounted for using the equity method and share of profit or loss and other comprehensive income of the investments in the associates were based on the associates' unreviewed financial statements.

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Operating Equipment	Computer Equipment	Other Equipment	Construction-in-progress	Total
<u>Cost</u>							
Balance at January 1, 2019	\$ 7,023,832	\$ 7,984,142	\$ 80,647,866	\$ 14,592,715	\$ 6,930,269	\$ 1,782,104	\$ 118,960,928
Adjustments on initial application of IFRS 16	-	-	(281,281)	-	(282,912)	-	(564,193)
Balance at January 1, 2019 (restated)	7,023,832	7,984,142	80,366,585	14,592,715	6,647,357	1,782,104	118,396,735
Additions	-	7,071	6,402	6,861	38,320	2,310,609	2,369,263
Disposals	-	(27,835)	(924,330)	(552,055)	(229,913)	(11,664)	(1,745,797)
Acquisition through business combinations	-	-	-	1,192	6,269	-	7,461
Effect of disposal of a subsidiary	-	-	-	(2,869)	(241)	-	(3,110)
Adjustments and reclassification	-	12,650	1,922,520	238,780	68,635	(2,242,585)	-
Balance at June 30, 2019	<u>\$ 7,023,832</u>	<u>\$ 7,976,028</u>	<u>\$ 81,371,177</u>	<u>\$ 14,284,624</u>	<u>\$ 6,530,427</u>	<u>\$ 1,838,464</u>	<u>\$ 119,024,552</u>

(Continued)

	Freehold Land	Buildings	Operating Equipment	Computer Equipment	Other Equipment	Construction-in-progress	Total
Accumulated depreciation and impairment							
Balance at January 1, 2019	\$ (95,894)	\$ (4,092,612)	\$ (53,690,734)	\$ (13,172,356)	\$ (6,066,279)	\$ -	\$ (77,117,875)
Adjustments on initial application of IFRS 16	-	-	188,608	-	156,917	-	345,525
Balance at January 1, 2019 (restated)	(95,894)	(4,092,612)	(53,502,126)	(13,172,356)	(5,909,362)	-	(76,772,350)
Depreciation expense	-	(108,155)	(4,264,128)	(463,808)	(186,919)	-	(5,023,010)
Disposals	-	27,744	562,653	551,818	210,188	-	1,352,403
Acquisition through business combinations	-	-	-	(908)	(2,208)	-	(3,116)
Effect of disposal of a subsidiary	-	-	-	2,369	176	-	2,545
Adjustments and reclassification	-	-	-	(697)	697	-	-
Balance at June 30, 2019	<u>\$ (95,894)</u>	<u>\$ (4,173,023)</u>	<u>\$ (57,203,601)</u>	<u>\$ (13,083,582)</u>	<u>\$ (5,887,428)</u>	<u>\$ -</u>	<u>\$ (80,443,528)</u>
Carrying amount at January 1, 2019	<u>\$ 6,927,938</u>	<u>\$ 3,891,530</u>	<u>\$ 26,957,132</u>	<u>\$ 1,420,359</u>	<u>\$ 863,990</u>	<u>\$ 1,782,104</u>	<u>\$ 41,843,053</u>
Carrying amount at June 30, 2019	<u>\$ 6,927,938</u>	<u>\$ 3,803,005</u>	<u>\$ 24,167,576</u>	<u>\$ 1,201,042</u>	<u>\$ 642,999</u>	<u>\$ 1,838,464</u>	<u>\$ 38,581,024</u>
Cost							
Balance at January 1, 2018	\$ 5,250,776	\$ 7,910,971	\$ 85,211,653	\$ 14,628,610	\$ 7,281,029	\$ 2,623,257	\$ 122,906,296
Additions	-	1,119	41,549	1,660	20,329	2,781,550	2,846,207
Disposals	-	(13,920)	(2,833,778)	(294,790)	(502,548)	(11,456)	(3,656,492)
Adjustments and reclassification	<u>1,749,577</u>	<u>69,572</u>	<u>1,671,951</u>	<u>470,592</u>	<u>108,391</u>	<u>(4,070,083)</u>	<u>-</u>
Balance at June 30, 2018	<u>\$ 7,000,353</u>	<u>\$ 7,967,742</u>	<u>\$ 84,091,375</u>	<u>\$ 14,806,072</u>	<u>\$ 6,907,201</u>	<u>\$ 1,323,268</u>	<u>\$ 122,096,011</u>
Accumulated depreciation and impairment							
Balance at January 1, 2018	\$ (95,894)	\$ (3,905,177)	\$ (53,948,462)	\$ (12,499,174)	\$ (6,223,882)	\$ -	\$ (76,672,589)
Depreciation expense	-	(115,970)	(4,154,869)	(607,475)	(243,508)	-	(5,121,822)
Disposals	-	13,726	2,573,701	294,743	473,549	-	3,355,719
Adjustments and reclassification	-	-	176,436	(176,436)	-	-	-
Balance at June 30, 2018	<u>\$ (95,894)</u>	<u>\$ (4,007,421)</u>	<u>\$ (55,353,194)</u>	<u>\$ (12,988,342)</u>	<u>\$ (5,993,841)</u>	<u>\$ -</u>	<u>\$ (78,438,692)</u>
Carrying amount at June 30, 2018	<u>\$ 6,904,459</u>	<u>\$ 3,960,321</u>	<u>\$ 28,738,181</u>	<u>\$ 1,817,730</u>	<u>\$ 913,360</u>	<u>\$ 1,323,268</u>	<u>\$ 43,657,319</u>

(Concluded)

The above items of property, plant and equipment are depreciated on a straight-line basis over their useful lives as follows:

Buildings	
Main buildings	41-55 years
Other building equipment	3-10 years
Operating equipment	2-25 years
Computer equipment	3-10 years
Other equipment	1-11 years

14. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

June 30, 2019

Carrying amounts

Buildings	\$ 8,031,645
Other equipment	<u>183,340</u>
	<u>\$ 8,214,985</u>

	For the Three Months Ended June 30, 2019	For the Six Months Ended June 30, 2019
Additions to right-of-use assets	\$ 876,827	\$ 1,627,242
Depreciation charge for right-of-use assets		
Buildings	\$ 875,664	\$ 1,757,938
Other equipment	33,537	68,002
	<u>\$ 909,201</u>	<u>\$ 1,825,940</u>

b. Lease liabilities - 2019

June 30, 2019

Carrying amounts

Current	<u>\$ 2,815,962</u>
Non-current	<u>\$ 5,003,518</u>

Discount rate ranges for lease liabilities were as follows:

June 30, 2019

Buildings	0.72%-1.44%
Other equipment	0.72%-0.99%

c. Material lessee activities and terms

The Group entered into lease arrangements to lease other equipment including vehicles and computer equipment for operating uses with lease terms of 1 to 5 years. These arrangements do not contain renewal or purchase options.

The Group also leases some of the buildings for cell sites, data centers, offices and retail stores with lease terms of 1 to 20 years. The Group does not have bargain purchase options to acquire the buildings at the end of the lease terms.

d. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties are set out in Note 15.

2019

	For the Three Months Ended June 30, 2019	For the Six Months Ended June 30, 2019
Expenses relating to short-term leases	\$ 14,872	\$ 28,921
Total cash outflow for leases		<u>\$ (1,829,950)</u>

The Group has elected to apply the recognition exemption for the lease of certain buildings and other equipment that qualify as short-term leases and thus did not recognize right-of-use assets and lease liabilities for these leases.

2018

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	December 31, 2018	June 30, 2018
Not later than 1 year	\$ 2,918,074	\$ 3,199,547
Later than 1 year and not later than 5 years	5,294,309	5,390,121
Later than 5 years	<u>15,635</u>	<u>33,097</u>
	<u>\$ 8,228,018</u>	<u>\$ 8,622,765</u>

The lease payments recognized in profit or loss were as follows:

	For the Three Months Ended June 30, 2018	For the Six Months Ended June 30, 2018
Minimum lease payments	<u>\$ 960,896</u>	<u>\$ 1,927,474</u>

15. INVESTMENT PROPERTIES

Balance at June 30, 2019 and December 31, 2018	<u>\$ 992,546</u>
Balance at June 30, 2018	<u>\$ 1,082,453</u>

The lease terms of investment 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 maturity analysis of lease payments receivable under operating leases of investment properties as of June 30, 2019 is as follows:

	June 30, 2019
Year 1	\$ 21,479
Year 2	18,775
Year 3	11,645
Year 4	5,885
Year 5	1,054
Year 6 onwards	<u>-</u>
	<u>\$ 58,838</u>

The future minimum lease payments of non-cancellable operating lease commitments as of December 31 and June 30, 2018 were as follows:

	December 31, 2018	June 30, 2018
Not later than 1 year	\$ 21,539	\$ 20,841
Later than 1 year and not later than 5 years	47,564	54,422
Later than 5 years	<u>75</u>	<u>114</u>
	<u>\$ 69,178</u>	<u>\$ 75,377</u>

The fair values of investment properties measured at fair value on a recurring basis were as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Independent valuation	<u>\$ 992,546</u>	<u>\$ 992,546</u>	<u>\$ 1,082,453</u>

The fair values of the investment properties as of December 31, 2018 and 2017 were based on the valuations carried out on January 4, 2019 and January 2, 2018, respectively, by independent qualified professional valuers, Ms. Chun-Chun Hu and Mr. Chia-ho Tsai from DTZ, Cushman & Wakefield, a member of certified ROC real estate appraisers. In consultation with the appraisers, the Group determined that the fair values reported at December 31, 2018 and 2017 were still valid as of June 30, 2019 and 2018, respectively.

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

	June 30, 2019	December 31, 2018	June 30, 2018
Expected future cash inflows	\$ 1,598,541	\$ 1,598,541	\$ 1,756,230
Expected future cash outflows	<u>(44,745)</u>	<u>(44,745)</u>	<u>(52,861)</u>
Expected future cash inflows, net	<u>\$ 1,553,796</u>	<u>\$ 1,553,796</u>	<u>\$ 1,703,369</u>
Discount rate	2.00%-2.25%	2.00%-2.25%	2.00%-2.235%

The market rentals in the area where the investment properties are located were between \$1 thousand and \$19 thousand per ping per month (i.e. 1 ping = 3.3 square meters). The market rentals for comparable properties were between \$1 thousand and \$16 thousand per ping per month.

All of the investment properties have been leased out under operating leases. The rental income generated were \$6,078 thousand and \$6,375 thousand for the three months ended June 30, 2019 and 2018, respectively, and \$12,143 thousand and \$12,811 thousand for the six months ended June 30, 2019 and 2018, 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 values that are overly high or overly low, 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 1.04%, the interest rate announced by the central bank for the one-year average deposit interest rate of five major banks, and the disposal value was determined using the direct capitalization method under the income approach. The expected future cash outflows on investment property included expenditures such as land value taxes, house taxes, insurance premium, management fee, maintenance costs, replacement allowance and depreciation. These expenditure were extrapolated on the basis of the current level of expenditures, taking into account the future adjustment to the government-announced land value and the tax rate promulgated under the House Tax Act.

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

16. INTANGIBLE ASSETS

	Concessions	Goodwill	Computer Software	Other Intangible Assets	Total
<u>Cost</u>					
Balance at January 1, 2019	\$ 57,129,000	\$ 10,823,401	\$ 17,800,539	\$ 738,727	\$ 86,491,667
Additions	-	-	363,057	-	363,057
Disposals	(10,169,000)	-	(694,437)	-	(10,863,437)
Acquisition through business combinations	-	370,703	3,113	113,800	487,616
Effect of disposal of a subsidiary	-	-	(156)	-	(156)
Balance at June 30, 2019	<u>\$ 46,960,000</u>	<u>\$ 11,194,104</u>	<u>\$ 17,472,116</u>	<u>\$ 852,527</u>	<u>\$ 76,478,747</u>
<u>Accumulated amortization and impairment</u>					
Balance at January 1, 2019	\$(18,440,747)	\$ (17,273)	\$(14,476,664)	\$ (434,298)	\$(33,368,982)
Amortization	(1,417,942)	-	(469,356)	(26,783)	(1,914,081)
Disposals	10,169,000	-	694,245	-	10,863,245
Acquisition through business combinations	-	-	(594)	-	(594)
Effect of disposal of a subsidiary	-	-	69	-	69
Balance at June 30, 2019	<u>\$ (9,689,689)</u>	<u>\$ (17,273)</u>	<u>\$(14,252,300)</u>	<u>\$ (461,081)</u>	<u>\$(24,420,343)</u>
Carrying amount at January 1, 2019	<u>\$ 38,688,253</u>	<u>\$ 10,806,128</u>	<u>\$ 3,323,875</u>	<u>\$ 304,429</u>	<u>\$ 53,122,685</u>
Carrying amount at June 30, 2019	<u>\$ 37,270,311</u>	<u>\$ 11,176,831</u>	<u>\$ 3,219,816</u>	<u>\$ 391,446</u>	<u>\$ 52,058,404</u>
<u>Cost</u>					
Balance at January 1, 2018	\$ 57,129,000	\$ 10,883,789	\$ 17,173,627	\$ 871,368	\$ 86,057,784
Additions	-	-	469,910	-	469,910
Disposals	-	(57,615)	(434,943)	(132,641)	(625,199)
Balance at June 30, 2018	<u>\$ 57,129,000</u>	<u>\$ 10,826,174</u>	<u>\$ 17,208,594</u>	<u>\$ 738,727</u>	<u>\$ 85,902,495</u>
<u>Accumulated amortization and impairment</u>					
Balance at January 1, 2018	\$(15,308,490)	\$ (74,888)	\$(14,040,823)	\$ (524,212)	\$(29,948,413)
Amortization	(1,566,129)	-	(419,186)	(21,363)	(2,006,678)
Disposals	-	57,615	434,250	132,641	624,506
Balance at June 30, 2018	<u>\$(16,874,619)</u>	<u>\$ (17,273)</u>	<u>\$(14,025,759)</u>	<u>\$ (412,934)</u>	<u>\$(31,330,585)</u>
Carrying amount at June 30, 2018	<u>\$ 40,254,381</u>	<u>\$ 10,808,901</u>	<u>\$ 3,182,835</u>	<u>\$ 325,793</u>	<u>\$ 54,571,910</u>

Intangible assets were amortized on a straight-line basis over their estimated useful lives as follows:

Concessions	14 to 17.75 years
Computer software	1 to 7 years
Other intangible assets	2 to 15.5 years

Refer to Note 17 of the consolidated financial statements for the year ended December 31, 2018 for the related information of goodwill.

17. OTHER NONCURRENT ASSETS

	June 30, 2019	December 31, 2018	June 30, 2018
Refundable deposits	\$ 807,780	\$ 851,895	\$ 773,911
Others	<u>182,534</u>	<u>88,711</u>	<u>64,786</u>
	<u>\$ 990,314</u>	<u>\$ 940,606</u>	<u>\$ 838,697</u>

18. BORROWINGS

a. Short-term borrowings

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Unsecured bank loans</u>			
Credit loans	<u>\$ 775,000</u>	<u>\$ 2,120,000</u>	<u>\$ 346,000</u>
Interest rate range	1.0944%-1.65%	0.73%-2.20%	1.12%-1.80%

b. Short-term bills payable

	June 30, 2019	December 31, 2018	June 30, 2018
Commercial paper payable	\$ 263,000	\$ 1,270,000	\$ 320,000
Less: Unamortized discount	<u>227</u>	<u>627</u>	<u>258</u>
	<u>\$ 262,773</u>	<u>\$ 1,269,373</u>	<u>\$ 319,742</u>
Interest rate range	1.018%-1.538%	0.818%-1.538%	1.148%-1.538%

c. Long-term borrowings

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Unsecured bank loans</u>			
Credit loans	\$ 1,750,000	\$ 700,000	\$ 2,500,000
Less: Current portion	<u>-</u>	<u>-</u>	<u>2,500,000</u>
Long-term borrowings	<u>\$ 1,750,000</u>	<u>\$ 700,000</u>	<u>\$ -</u>
Interest rate range	0.76%-0.77%	0.74%	1.13%

The credit loans are payable in New Taiwan dollars. Repayment of principal will be made in full on maturity together with interest payment. Under some contracts, loans are treated as revolving credit facilities, and the maturity dates of the loans are based on terms as specified in the contracts. The loans are all repayable by March 2021.

19. BONDS PAYABLE

	June 30, 2019	December 31, 2018	June 30, 2018
4th unsecured domestic bonds	\$ 2,498,698	\$ 2,498,040	\$ 2,497,334
5th unsecured domestic bonds	-	-	3,999,534
6th unsecured domestic bonds	3,199,566	3,199,112	3,198,658
2016 1st unsecured domestic bonds	5,195,788	5,194,949	5,194,110
2017 1st unsecured domestic bonds	4,495,888	4,495,159	4,494,430
2017 2nd unsecured domestic bonds	1,997,373	1,997,120	1,996,866
2017 3rd unsecured domestic bonds	2,996,214	2,995,805	2,995,395
2018 1st unsecured domestic bonds	4,994,607	4,994,077	4,993,399
2019 1st unsecured domestic bonds	<u>4,993,479</u>	<u>-</u>	<u>-</u>
	30,371,613	25,374,262	29,369,726
Less: Current portion	<u>5,698,264</u>	<u>3,199,112</u>	<u>3,999,534</u>
	<u>\$ 24,673,349</u>	<u>\$ 22,175,150</u>	<u>\$ 25,370,192</u>

On May 7, 2018, Far EasTone issued the first unsecured domestic bonds of 2018, with an aggregate principal amount of \$5,000,000 thousand and a par value of \$10,000 thousand. The bonds included five-year bonds and seven-year bonds, with principal amounts of \$1,500,000 thousand and \$3,500,000 thousand and with coupon interest rates of 0.85% and 1.01%, respectively, with simple interest due annually. Repayment will be made in full at maturity.

In June 2018, Far EasTone repaid \$2,500,000 thousand of the 4th unsecured domestic bonds which were due in June 2018.

On June 25, 2019, Far EasTone issued the first unsecured domestic bonds of 2019, with an aggregate principal amount of \$5,000,000 thousand and a par value of \$10,000 thousand. The bonds included five-year bonds and seven-year bonds, with principal amounts of \$3,200,000 thousand and 1,800,000 thousand and with coupon interest rate of 0.75% and 0.81%, respectively, with simple interest due annually. Repayment will be made in full at maturity.

20. OTHER LIABILITIES

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Current</u>			
Other payables			
Dividends	\$ 12,289,402	\$ -	\$ 12,265,603
Commission	1,162,026	1,083,592	1,553,214
Salary and bonus	958,636	1,608,723	983,043
Acquisition of properties	715,785	1,190,517	860,640
Maintenance fees	546,316	609,949	587,743
Employees' compensation and remuneration of directors	248,119	335,911	288,500
Others	<u>1,876,684</u>	<u>2,031,655</u>	<u>1,989,205</u>
	<u>\$ 17,796,968</u>	<u>\$ 6,860,347</u>	<u>\$ 18,527,948</u>

(Continued)

	June 30, 2019	December 31, 2018	June 30, 2018
Other current liabilities			
Temporary receipts due to litigation	\$ -	\$ 791,867	\$ 791,867
Other payables - related parties	110,998	112,635	115,463
Lease liabilities	-	49,585	54,588
Others	<u>738,913</u>	<u>782,790</u>	<u>824,769</u>
	<u>\$ 849,911</u>	<u>\$ 1,736,877</u>	<u>\$ 1,786,687</u>
			(Concluded)

Far EasTone received a security deposit of \$791,867 thousand from Taiwan Mobile Co., Ltd., which was included in temporary receipts on December 31, 2018 and June 30, 2018 since the court decision has not been declared. On May 29, 2019, the Supreme Court remanded this case to the High court and thereafter the security deposit was returned to Taiwan Mobile Co., Ltd.

21. PROVISIONS

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Current</u>			
Dismantling obligation	\$ 130,165	\$ 125,211	\$ 189,815
Product warranty	<u>47,330</u>	<u>44,528</u>	<u>98,911</u>
	<u>\$ 177,495</u>	<u>\$ 169,739</u>	<u>\$ 288,726</u>
<u>Noncurrent</u>			
Dismantling obligation	<u>\$ 937,049</u>	<u>\$ 911,333</u>	<u>\$ 842,862</u>
		Dismantling Obligation	Product Warranty
Balance at January 1, 2019		\$ 1,036,544	\$ 44,528
Additional provisions recognized		39,285	11,285
Reductions arising from payments		<u>(8,615)</u>	<u>(8,483)</u>
Balance at June 30, 2019		<u>\$ 1,067,214</u>	<u>\$ 47,330</u>
Balance at January 1, 2018		\$ 1,022,012	\$ 92,965
Additional provisions recognized		49,309	15,558
Reductions arising from payments		<u>(38,644)</u>	<u>(9,612)</u>
Balance at June 30, 2018		<u>\$ 1,032,677</u>	<u>\$ 98,911</u>

22. RETIREMENT BENEFIT PLANS

For defined benefit plans, employee benefit expenses were calculated as \$4,751 thousand and \$5,268 thousand as of and for the three months ended June 30, 2019 and 2018, respectively, and \$7,222 thousand and \$10,537 thousand as of and for the six months ended June 30, 2019 and 2018, respectively, by the actuarially determined pension cost discount rates as of December 31, 2018 and 2017, respectively.

23. EQUITY

a. Capital stock

1) Common stock

	June 30, 2019	December 31, 2018	June 30, 2018
Stock authorized (in thousands)	4,200,000	4,200,000	4,200,000
Capital authorized	<u>\$ 42,000,000</u>	<u>\$ 42,000,000</u>	<u>\$ 42,000,000</u>
Issued and fully paid stock (in thousands)	3,258,501	3,258,501	3,258,501
Issued capital	<u>\$ 32,585,008</u>	<u>\$ 32,585,008</u>	<u>\$ 32,585,008</u>

Issued common stock, which have a par value of NT\$10, are entitled to one vote per share and a right to dividends.

2) Global depositary receipts (GDRs)

Since 2004, part of Far EasTone's issued common stock have been trading on the Luxemburg Stock Exchange in the form of GDRs. One GDR unit represents 15 shares of Far EasTone's common stock. As of June 30, 2019, December 31, 2018 and June 30, 2018, there were 194 thousand, 195 thousand and 420 thousand units of GDRs outstanding, representing 2,917 thousand, 2,921 thousand and 6,302 thousand common stock, respectively.

The holders of GDRs have the same rights and obligations as the holders of common stock, except regarding the manner of exercise of GDR holders' rights, which shall be handled in accordance with the terms of the Depositary Agreements and the relevant laws and regulations of the ROC. Such rights which shall be exercised through a depositary trust company include:

- a) The exercise of voting rights;
- b) Conversion of GDRs into common stock; and
- c) The receipt of dividends and exercise of preemptive rights or other rights and interests.

b. Capital surplus

	June 30, 2019	December 31, 2018	June 30, 2018
May be used to offset a deficit, distributed as cash dividends or transferred to capital stock*			
From business combinations	\$ 5,820,034	\$ 5,820,034	\$ 5,820,034
<u>May be used to offset a deficit only</u>			
Share of changes in equities of associates	<u>7</u>	<u>7</u>	<u>7</u>
	<u>\$ 5,820,041</u>	<u>\$ 5,820,041</u>	<u>\$ 5,820,041</u>

* 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 capital stock once a year within a certain percentage of Far EasTone's capital surplus.

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the Articles, where Far EasTone made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses in previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by Far EasTone's board of directors as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for the distribution of dividends and bonuses to stockholders. For the policies on the distribution of employees' compensation and remuneration of directors, refer to Note 25 d. 'Employees' compensation and remuneration of directors'.

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.

The 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 a special reserve.

The appropriations of earnings for 2018 and 2017, which have been approved in the stockholders' meetings on June 18, 2019 and June 14, 2018, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2018	2017	2018	2017
Legal reserve	\$ 938,135	\$ 1,082,290		
Special reserve	(19,598)	(157,139)		
Cash dividends	12,219,378	9,896,067	\$3.75	\$3.037

In addition to distributing cash dividends at NT\$3.037 per share from the unappropriated earnings, Far EasTone's stockholders also approved to distribute cash of \$2,323,311 thousand from the above-mentioned additional paid-in capital from business combinations at NT\$0.713 per share. Therefore, Far EasTone's stockholders received NT\$3.75 per share in 2017.

As of June 30, 2019 and 2018, cash dividends of \$12,219,378 thousand were included in other payables with July 22, 2019 and July 17, 2018, respectively, as the ex-right record dates for cash dividend distribution.

d. Special reserve

	For the Six Months Ended June 30	
	2019	2018
Beginning balance	\$ 626,328	\$ 783,467
Reversal in respect of		
Application of the fair value method for investment properties	(19,598)	(23,659)
Reversal of debit to other equity items	<u>-</u>	<u>(133,480)</u>
Ending balance	<u>\$ 606,730</u>	<u>\$ 626,328</u>

e. Other equity items

Adjustments to other equity items for the six months ended June 30, 2019 and 2018 are summarized as follows:

	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gains and Losses on Financial Assets at Fair Value through Other Comprehen- sive Income	Unrealized Gains and Losses on Cash Flow Hedges	Gains and Losses on Hedging Instruments	Total
<u>For the six months ended June 30, 2019</u>					
Beginning balance	\$ 4,197	\$ 808	\$ -	\$ 26,352	\$ 31,357
Recorded as adjustments to stockholders' equity	3,598	3,246	-	-	6,844
Share of other comprehensive income of associates	<u>(171)</u>	<u>(3)</u>	<u>-</u>	<u>(44,281)</u>	<u>(44,455)</u>
Ending balance	<u>\$ 7,624</u>	<u>\$ 4,051</u>	<u>\$ -</u>	<u>\$ (17,929)</u>	<u>\$ (6,254)</u>
<u>For the six months ended June 30, 2018</u>					
Beginning balance (IAS 39)	\$ 4,122	\$ -	\$ 14,010	\$ -	\$ 18,132
Effects of retrospective application of IFRS 9	<u>-</u>	<u>(11,733)</u>	<u>(14,010)</u>	<u>14,010</u>	<u>(11,733)</u>
Beginning balance (IFRS 9)	4,122	(11,733)	-	14,010	6,399
Recorded as adjustments to stockholders' equity	213	8,287	-	-	8,500
Share of other comprehensive income of associates	<u>44</u>	<u>-</u>	<u>-</u>	<u>9,234</u>	<u>9,278</u>
Ending balance	<u>\$ 4,379</u>	<u>\$ (3,446)</u>	<u>\$ -</u>	<u>\$ 23,244</u>	<u>\$ 24,177</u>

f. Noncontrolling interests

	For the Six Months Ended June 30	
	2019	2018
Beginning balance	\$ 718,685	\$ 687,801
Effects of retrospective application of IFRS 16	(560)	-
Beginning balance (IFRS 16)	718,125	687,801
Share of profit	37,153	9,400
Other comprehensive income during the period		
Exchange differences on translating the financial statements of foreign operations	51	179
Unrealized loss on financial assets at FVTOCI	(171)	-
Noncontrolling interests arising from acquisition of a subsidiary	133,333	-
Disposal of a subsidiary	(11,276)	-
Cash dividends distributed by subsidiaries	(70,024)	(46,235)
Remittance of cash due to liquidation of a subsidiary	-	(360)
Equity transactions	-	33,576
Ending balance	<u>\$ 807,191</u>	<u>\$ 684,361</u>

24. REVENUE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Contract revenue				
Sales of inventories	\$ 6,450,683	\$ 6,802,366	\$ 13,888,070	\$ 13,939,181
Telecommunications service revenue	11,958,750	12,817,704	23,896,059	26,013,330
	<u>18,409,433</u>	<u>19,620,070</u>	<u>37,784,129</u>	<u>39,952,511</u>
Other operating revenue	2,015,827	2,000,543	3,460,590	3,334,662
	<u>\$ 20,425,260</u>	<u>\$ 21,620,613</u>	<u>\$ 41,244,719</u>	<u>\$ 43,287,173</u>

a. Contract balances

	June 30, 2019	December 31, 2018	June 30, 2018	January 1, 2018
Contract assets				
Bundle sale of goods	\$ 5,954,998	\$ 5,433,852	\$ 5,254,351	\$ 6,004,544
Less: Allowance for impairment loss	(135,925)	(135,925)	(152,707)	-
	<u>\$ 5,819,073</u>	<u>\$ 5,297,927</u>	<u>\$ 5,101,644</u>	<u>\$ 6,004,544</u>
Contract assets - current	\$ 3,915,283	\$ 3,762,170	\$ 3,519,357	\$ 4,006,717
Contract assets - noncurrent	<u>1,903,790</u>	<u>1,535,757</u>	<u>1,582,287</u>	<u>1,997,827</u>
	<u>\$ 5,819,073</u>	<u>\$ 5,297,927</u>	<u>\$ 5,101,644</u>	<u>\$ 6,004,544</u>

(Continued)

	June 30, 2019	December 31, 2018	June 30, 2018	January 1, 2018
Contract liabilities				
Goods	\$ 291,513	\$ 312,797	\$ 580,358	\$ 573,974
Services	<u>2,079,922</u>	<u>2,151,475</u>	<u>2,281,200</u>	<u>2,267,138</u>
	<u>\$ 2,371,435</u>	<u>\$ 2,464,272</u>	<u>\$ 2,861,558</u>	<u>\$ 2,841,112</u>
Contract liabilities - current	\$ 2,148,423	\$ 2,256,000	\$ 2,640,862	\$ 2,655,346
Contract liabilities - noncurrent	<u>223,012</u>	<u>208,272</u>	<u>220,696</u>	<u>185,766</u>
	<u>\$ 2,371,435</u>	<u>\$ 2,464,272</u>	<u>\$ 2,861,558</u>	<u>\$ 2,841,112</u>

(Concluded)

For details of notes receivable and accounts receivable, refer to Note 9.

For the six months ended June 30, 2019 and 2018, the changes in contract asset and contract liability balances primarily resulted from the timing difference between the Group's fulfillment of performance obligations and the respective customer's payment. Except for the above changes, there are no other significant changes.

b. Assets related to contract costs

	June 30, 2019	December 31, 2018	June 30, 2018
Noncurrent			
Incremental costs of obtaining a contract	<u>\$ 2,806,427</u>	<u>\$ 1,802,163</u>	<u>\$ 1,421,216</u>

The Group considered its past experience and believes the commission and subsidies paid for obtaining contracts are wholly recoverable. Total expenses recognized were \$596,770 thousand and \$491,464 thousand for the three months ended June 30, 2019 and 2018, respectively, and \$1,129,702 thousand and \$951,946 thousand for the six months ended June 30, 2019 and 2018, respectively.

c. Disaggregation of revenue

Refer to Note 39 for information about the disaggregation of revenue.

25. CONSOLIDATED NET INCOME

a. Financial costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Interest on financial liabilities measured at amortized cost	\$ 77,208	\$ 95,889	\$ 153,994	\$ 184,862
Interest on compensation arising from lawsuits	42,305	-	42,305	-
Interest on lease liabilities	19,550	-	39,714	-
Interest expense on bank loans and commercial paper	7,794	12,117	14,549	24,265
Other financial costs	<u>10,335</u>	<u>5,889</u>	<u>15,328</u>	<u>11,745</u>
	<u>\$ 157,192</u>	<u>\$ 113,895</u>	<u>\$ 265,890</u>	<u>\$ 220,872</u>

b. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Property, plant and equipment	\$ 2,489,347	\$ 2,559,848	\$ 5,023,010	\$ 5,121,822
Right-of-use assets	909,201	-	1,825,940	-
Intangible assets	<u>252,861</u>	<u>226,979</u>	<u>496,139</u>	<u>440,549</u>
	<u>\$ 3,651,409</u>	<u>\$ 2,786,827</u>	<u>\$ 7,345,089</u>	<u>\$ 5,562,371</u>
Depreciation expense categorized by function				
Operating costs	\$ 2,992,890	\$ 2,278,078	\$ 6,029,004	\$ 4,545,244
Operating expenses	<u>405,658</u>	<u>281,770</u>	<u>819,946</u>	<u>576,578</u>
	<u>\$ 3,398,548</u>	<u>\$ 2,559,848</u>	<u>\$ 6,848,950</u>	<u>\$ 5,121,822</u>
Amortization expense categorized by function				
Operating costs	\$ 67,609	\$ 71,520	\$ 134,450	\$ 144,915
Marketing expenses	48,147	34,595	96,258	67,054
General and administrative expenses	<u>137,105</u>	<u>120,864</u>	<u>265,431</u>	<u>228,580</u>
	<u>\$ 252,861</u>	<u>\$ 226,979</u>	<u>\$ 496,139</u>	<u>\$ 440,549</u>

c. Employee benefits expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Retirement benefits				
Defined contribution plans	\$ 47,545	\$ 56,501	\$ 95,179	\$ 120,034
Defined benefit plans	<u>4,751</u>	<u>5,268</u>	<u>7,222</u>	<u>10,537</u>
	<u>52,296</u>	<u>61,769</u>	<u>102,401</u>	<u>130,571</u>
Other employee benefits				
Salary	1,412,980	1,540,238	2,832,554	3,011,971
Insurance	128,793	134,141	259,661	272,140
Others	<u>73,201</u>	<u>85,898</u>	<u>156,598</u>	<u>175,659</u>
	<u>1,614,974</u>	<u>1,760,277</u>	<u>3,248,813</u>	<u>3,459,770</u>
	<u>\$ 1,667,270</u>	<u>\$ 1,822,046</u>	<u>\$ 3,351,214</u>	<u>\$ 3,590,341</u>
Categorized by function				
Operating costs	\$ 292,963	\$ 309,117	\$ 577,812	\$ 617,038
Operating expenses	<u>1,374,307</u>	<u>1,512,929</u>	<u>2,773,402</u>	<u>2,973,303</u>
	<u>\$ 1,667,270</u>	<u>\$ 1,822,046</u>	<u>\$ 3,351,214</u>	<u>\$ 3,590,341</u>

d. Employees' compensation and remuneration of directors

Far EasTone distributes employees' compensation and remuneration of directors at the rates of 1% to 2% and no higher than 1%, respectively, of net profit before income tax, employees' compensation and remuneration of directors. For the three months and six months ended June 30, 2019 and 2018, the employees' compensation and the remuneration of directors represented 2% and 0.72%, respectively, of net profit before income tax, employees' compensation and remuneration of directors.

The accrued employees' compensation and remuneration of directors for the three months and six months ended June 30, 2019 and 2018 were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Employees' compensation	<u>\$ 44,252</u>	<u>\$ 66,207</u>	<u>\$ 100,388</u>	<u>\$ 128,412</u>
Remuneration of directors	<u>\$ 15,931</u>	<u>\$ 23,834</u>	<u>\$ 36,140</u>	<u>\$ 46,228</u>

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 appropriations of employees' compensation and remuneration of directors for 2018 and 2017 resolved by the board of directors on February 20, 2019 and February 23, 2018, respectively, are stated below:

	For the Year Ended December 31			
	2018		2017	
	Cash	Stock	Cash	Stock
Employees' compensation	\$ 233,689	\$ -	\$ 261,539	\$ -
Remuneration of directors	84,128	-	94,154	-

There was no difference between the amounts of the employees' compensation and the remuneration of directors resolved by the board of directors and the respective amounts recognized in the consolidated financial statements for the years ended December 31, 2018 and 2017.

Information on employees' compensation and remuneration of directors resolved by Far EasTone's board of directors during 2019 and 2018 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

26. INCOME TAX

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Current tax	\$ 632,702	\$ 628,148	\$ 1,235,691	\$ 1,044,938
Deferred tax	<u>(24,800)</u>	<u>63,703</u>	<u>(16,764)</u>	<u>280,651</u>
Income tax recognized in profit or loss	<u>\$ 607,902</u>	<u>\$ 691,851</u>	<u>\$ 1,218,927</u>	<u>\$ 1,325,589</u>

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. The effect of the change in tax rate on deferred tax expense to be recognized in profit or loss is recognized in full in the period in which the change in tax rate occurs. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings has been reduced from 10% to 5%.

b. Income tax recognized in other comprehensive income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
<u>Deferred tax</u>				
Effect of change in tax rate - remeasurement of defined benefit plans	\$ -	\$ 10,790	\$ -	\$ 10,790
Effect of change in tax rate - fair value changes of financial assets at fair value through other comprehensive income	-	1,604	-	1,604
In respect of the current period Fair value changes of financial assets at fair value through other comprehensive income	<u>(69)</u>	<u>-</u>	<u>(515)</u>	<u>-</u>
Total income tax recognized in other comprehensive income	<u>\$ (69)</u>	<u>\$ 12,394</u>	<u>\$ (515)</u>	<u>\$ 12,394</u>

c. Income tax assessments

Income tax returns of Far EasTone through 2017, except 2016, have been assessed by the tax authorities.

Income tax returns of KG Telecom (dissolved due to the merger with Far EasTone on January 1, 2010) through 2010 had been assessed by the tax authorities. However, Far EasTone disagreed with the tax authorities' assessment of its 2000 and 2004 returns and thus filed administrative litigation for the reexamination of these returns. Nevertheless, Far EasTone accrued the related tax.

Income tax returns of NCIC through 2016 have been assessed by the tax authorities. However, NCIC disagreed with the tax authorities' assessment of its 2013 to 2016 returns and thus applied for administrative remedies. Nevertheless, NCIC accrued the related tax. Income tax returns of Data Express and Yuan Cing through 2016 had been assessed by the tax authorities. Income tax returns of ARCOA, Qware, KGEx.com, ISSDU, Linkwell, YSDT, Home Master, Nextlink Technology, Microfusion Technology and New Diligent through 2017 had been assessed by the tax authorities.

27. EARNINGS PER SHARE

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

Net Income for the Period

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Net income for the period attributable to Far EasTone	\$ 2,173,938	\$ 2,678,100	\$ 4,405,480	\$ 5,131,298
Effect of potentially dilutive common stock:				
Employees' compensation	-	-	-	-
Earnings used in the calculation of diluted earnings per share	<u>\$ 2,173,938</u>	<u>\$ 2,678,100</u>	<u>\$ 4,405,480</u>	<u>\$ 5,131,298</u>

Weighted Average Number of Common Stock Outstanding

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Weighted average number of common stock used in the calculation of basic earnings per share	3,258,501	3,258,501	3,258,501	3,258,501
Effect of potentially dilutive common stock:				
Employees' compensation	<u>1,282</u>	<u>1,630</u>	<u>2,257</u>	<u>2,694</u>
Weighted average number of common stock used in the calculation of diluted earnings per share	<u>3,259,783</u>	<u>3,260,131</u>	<u>3,260,758</u>	<u>3,261,195</u>

(In Thousand Shares)

Since Far EasTone offered to settle compensation paid to employees in cash or stock, Far EasTone assumed the entire amount of the compensation would be settled in stock and the resulting potential stock were included in the weighted average number of common stock outstanding used in the calculation of diluted earnings per share, if the effect was dilutive. Such dilutive effect of the potential stock was included in the calculation of diluted earnings per share until the number of stock to be distributed to employees is resolved in the following year.

28. BUSINESS COMBINATIONS

a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Nextlink Technology Co., Ltd.	Electronic information services	March 4, 2019	70	<u>\$ 420,000</u>

In line with Far EasTone's overall strategy of increasing market share of the fast growing cloud services market, the board of directors of NCIC (Far EasTone's 100% owned subsidiary) resolved on November 5, 2018 to acquire Nextlink Technology Co., Ltd. (Nextlink Technology), and the acquisition was completed on March 4, 2019.

b. Considerations transferred

	Nextlink Technology
Cash	<u>\$ 420,000</u>

c. Assets acquired and liabilities assumed at the date of acquisition

	Nextlink Technology
Current assets	\$ 314,100
Noncurrent assets	146,885
Current liabilities	(267,471)
Noncurrent liabilities	<u>(10,884)</u>
	<u>\$ 182,630</u>

d. Noncontrolling interests

The fair value of the noncontrolling interest of Nextlink Technology (30% of total equity of Nextlink Technology) was measured using the market approach by reference to the fair value of the noncontrolling interest on the date of acquisition, which was \$133,333 thousand.

e. Goodwill recognized on acquisition

	Nextlink Technology
Consideration transferred	\$ 420,000
Plus: Noncontrolling interests (30% in Nextlink Technology)	133,333
Less: Fair value of identifiable net assets acquired	<u>(182,630)</u>
Goodwill recognized on acquisition	<u>\$ 370,703</u>

The goodwill generated from the acquisition of Nextlink Technology mainly represents the benefits of expected synergies of mergers, revenue growth, future market developments and the assembled workforces of Nextlink Technology. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

f. Net cash outflow on the acquisition of a subsidiary

	Nextlink Technology
Consideration paid in cash	\$ 420,000
Less: Cash and cash equivalent balances acquired	<u>(68,196)</u>
	<u>\$ 351,804</u>

g. Impact of acquisitions on the results of the Group

The financial results of the acquiree since the acquisition date, which are included in the consolidated statements of comprehensive income, are as follows:

	Nextlink Technology
Operating revenue	<u>\$ 482,410</u>
Net income	<u>\$ 4,621</u>

Had the business combination been in effect at the beginning of the reporting period, the Group's operating revenue for the three months and six months ended June 30, 2019 would have been \$20,425,260 thousand and \$41,410,760 thousand, respectively, and the Group's net income for the three months and six months ended June 30, 2019 would have been \$2,191,636 thousand and \$4,446,147 thousand, respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2019, nor is it intended to be a projection of future results.

29. DISPOSAL OF SUBSIDIARIES

On April 15, 2019, the Group entered into an agreement to dispose of Omusic Co., Ltd. (Omusic), which provides electronic information services. The disposal was completed on April 30, 2019, on which date control of Omusic passed to the acquirer.

- a. Consideration received from disposal

	Omusic
Consideration received in cash	<u>\$ 10,500</u>

- b. Analysis of assets and liabilities on the date control was lost

	Omusic
Current assets	\$ 99,652
Noncurrent assets	989
Current liabilities	<u>(78,092)</u>
Net assets disposed of	<u>\$ 22,549</u>

- c. Loss on disposal of a subsidiary

	Omusic
Consideration received	\$ 10,500
Net assets disposed of	(22,549)
Noncontrolling interests	<u>11,276</u>
Loss on disposal	<u>\$ (773)</u>

- d. Net cash outflow on disposal of a subsidiary

	Omusic
Consideration received in cash	\$ 10,500
Less: Cash and cash equivalent balances disposed of	<u>(50,303)</u>
	<u>\$ (39,803)</u>

30. EQUITY TRANSACTIONS WITH NONCONTROLLING INTERESTS

The Group subscribed for new common stock of Qware in April 2018 and acquired noncontrolling interests' shares of Qware in cash in June 2018, increasing its interest from 81.63% to 100%.

The above transactions were accounted for as equity transactions since the Group did not lose control over the subsidiary.

	Qware
Cash consideration paid	\$ 5,398
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to noncontrolling interests	<u>28,576</u>
Difference arising from equity transaction	<u>\$ 33,974</u>
<u>Line item adjusted for equity transaction</u>	
Unappropriated earnings	<u>\$ (33,974)</u>

31. NONCASH TRANSACTIONS

Noncash Transactions Arising from Investing and Financing Activities

The cash dividends approved in the stockholders' meetings were not yet distributed as of June 30, 2019 and 2018, respectively (refer to Notes 20 and 23).

32. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

- 1) 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.

	<u>June 30, 2019</u>		<u>December 31, 2018</u>		<u>June 30, 2018</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Financial assets</u>						
Refundable deposits	\$ 807,780	\$ 805,686	\$ 851,895	\$ 849,135	\$ 773,911	\$ 770,977
<u>Financial liabilities</u>						
Bonds payable	30,371,613	30,541,436	25,374,262	25,583,418	29,369,726	29,570,769

2) Fair value hierarchy

	<u>June 30, 2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets</u>				
Refundable deposits	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 805,686</u>	<u>\$ 805,686</u>
<u>Financial liabilities</u>				
Bonds payable	<u>\$ 30,541,436</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,541,436</u>

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Refundable deposits	\$ <u>-</u>	\$ <u>-</u>	\$ <u>849,135</u>	\$ <u>849,135</u>
<u>Financial liabilities</u>				
Bonds payable	\$ <u>25,583,418</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>25,583,418</u>
	June 30, 2018			
	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Refundable deposits	\$ <u>-</u>	\$ <u>-</u>	\$ <u>770,977</u>	\$ <u>770,977</u>
<u>Financial liabilities</u>				
Bonds payable	\$ <u>29,570,769</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>29,570,769</u>

The fair values of the financial assets included in the Level 3 category above have been determined in accordance with the discounted cash flow approach based on the discount rate of corporate bonds at the end of the reporting period on June 30, 2019 and December 31, 2018, and based on the average discount rate of commercial papers on June 30, 2018.

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

1) Fair value hierarchy

	June 30, 2019			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit or loss</u>				
Mutual funds	\$ <u>150,805</u>	\$ <u>618,862</u>	\$ <u>-</u>	\$ <u>769,667</u>
<u>Financial assets at fair value through other comprehensive income</u>				
Domestic/foreign unlisted common stock	\$ <u>-</u>	\$ <u>-</u>	\$ <u>437,366</u>	\$ <u>437,366</u>

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit or loss</u>				
Mutual funds	<u>\$ 150,409</u>	<u>\$ 582,489</u>	<u>\$ -</u>	<u>\$ 732,898</u>
<u>Financial assets for hedging</u>				
Fair value hedges - foreign exchange swap contracts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,868</u>	<u>\$ 1,868</u>
<u>Financial assets at fair value through other comprehensive income</u>				
Domestic/foreign unlisted common stock	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 432,111</u>	<u>\$ 432,111</u>
	June 30, 2018			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit or loss</u>				
Mutual funds	<u>\$ 150,065</u>	<u>\$ 599,192</u>	<u>\$ -</u>	<u>\$ 749,257</u>
<u>Financial assets at fair value through other comprehensive income</u>				
Domestic unlisted common stock	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 196,929</u>	<u>\$ 196,929</u>
<u>Financial liabilities for hedging</u>				
Fair value hedges - foreign exchange swap contracts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,013</u>	<u>\$ 4,013</u>

There were no transfers of financial assets and liabilities between Level 1 and Level 2 for the six months ended June 30, 2019 and 2018.

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

	For the Six Months Ended June 30, 2019	
	Financial Instruments for Hedging	Financial Instruments at Fair Value Through Other Comprehensive Income
Beginning balance	\$ 1,868	\$ 432,111
Recognized in profit or loss (included in other gains and losses)	(1,868)	-
Recognized in other comprehensive income	-	3,590
Effects of foreign currency exchange differences	-	1,665
Ending balance	<u>\$ -</u>	<u>\$ 437,366</u>

	For the Six Months Ended June 30, 2018	
	Financial Instruments for Hedging	Financial Instruments at Fair Value Through Other Comprehensive Income
Beginning balance	\$ 1,700	\$ 251,575
Recognized in profit or loss (included in other gains and losses)	(5,713)	-
Recognized in other comprehensive income	-	6,854
Remittance of cash due to capital reduction	-	(61,500)
Ending balance	<u>\$ (4,013)</u>	<u>\$ 196,929</u>

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

Financial Instrument	Valuation Techniques and Inputs
Mutual funds	Valuation based on the fair values of a portfolio of funds, calculated through each subfund by fair value net of 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
Domestic/foreign unlisted common stock	<p>a) Asset-based approach. Valuation based on the fair value of an investee, calculated through each investment of the investee using the income approach, market approach or a combination of the two approaches, while also taking the liquidity premium into consideration.</p> <p>b) Transaction method of market approach. The approach is a valuation strategy that looks at market ratios of companies with similar profitability at the end of the reporting period, while taking the liquidity premium into consideration.</p>
Foreign exchange swap contracts	Cash flow is discounted. 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 of counterparties.

c. Financial instruments

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Financial assets</u>			
Financial assets for hedging	\$ -	\$ 1,868	\$ -
Financial assets at fair value through profit or loss	769,667	732,898	749,257
Financial assets at amortized cost (Note 1)	23,572,280	15,520,633	25,096,331
Financial assets at fair value through other comprehensive income	437,366	432,111	196,929
<u>Financial liabilities</u>			
Financial liabilities for hedging	-	-	4,013
Financial liabilities at amortized cost (Note 2)	56,461,183	41,464,164	56,948,800

Note 1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, debt investments, notes receivable, accounts receivable (including related parties), other receivables (including related parties), refundable deposits, and other financial assets.

Note 2: The balances include financial liabilities at amortized cost, which comprise short-term borrowings, short-term bills payable, notes payable, accounts payable (including related parties), other payables (including related parties), long-term borrowings (including current portion), financial lease payables, bonds payable (including current portion), and guarantee deposits received.

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, and 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 the market and reduce the potential downside effects of market changes against the Group's financial performance.

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 which were approved by the board of directors, which provide written principles on the managing of 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 are 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 the internal control system. The Group should implement the overall financial management objective as well as observe the levels of delegated authority and ensure that those with delegated authority carry out their duties.

1) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see Note (a) below) and interest rates (see Note (b) below).

a) Foreign currency risk

The Group owns foreign currency-denominated assets and enters into transactions where expected future purchases or payments are denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed through foreign exchange swap contracts and foreign exchange spot transactions. The notional amounts of the aforesaid contracts do not exceed that of the hedged item.

Sensitivity analysis

The Group was mainly exposed to the U.S. dollar.

The following table details the Group's sensitivity to a 5% increase and decrease in the New Taiwan dollar (NTD) against the U.S. dollar. The sensitivity rate of 5% is used when reporting foreign currency risk internally to key management personnel, and it represents management's basis for assessing the reasonably possible changes in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency - denominated monetary items, for which their translation at the end of the period is adjusted for a 5% change in foreign currency rates. The positive number shown in the currency impact table below indicates an increase in pre-tax profit associated with the NTD strengthening 5% against the U.S. dollar. For a 5% weakening of the NTD against the U.S. dollar, shown by the negative amount below, there was a decrease in pre-tax profit.

	USD Impact	
	For the Six Months Ended	
	June 30	
	2019	2018
5% change in profit or loss		
USD	<u>\$ (32,990)</u>	<u>\$ (32,645)</u>

Hedge accounting

The Group used foreign exchange swap contracts to manage its exposure to the exchange gains or losses of identified foreign currency-denominated assets.

The following tables summarize the information relating to the hedges of foreign currency risk.

December 31, 2018

Hedging Instruments	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount		Change in Value Used for Calculating Hedge Ineffectiveness
						Asset	Liability	
Fair value hedge								
Foreign exchange swap contracts	US\$ to NT\$	US\$10,000 thousand	2019.01.03-2019.01.31	\$30.770/30.825	Financial assets (liabilities) for hedging	\$ 1,868	\$ -	\$ -
Hedged Items		Carrying Amount		Accumulated Amount of Fair Value Hedge Adjustments		Change in Value Used for Calculating Hedge Ineffectiveness		Accumulated Amount of Fair Value Hedge Adjustments for Hedged Items That Have Ceased to Be Adjusted for Hedging Gains and Losses
		Asset	Liability	Asset	Liability	Asset	Liability	
Fair value hedge								
Overseas mutual funds		\$ 291,245	\$ -	\$ 7,850	\$ -	\$ -	\$ -	\$ -

June 30, 2018

Hedging Instruments	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount		Change in Value Used for Calculating Hedge Ineffectiveness
						Asset	Liability	
Fair value hedge								
Foreign exchange swap contracts	US\$ to NT\$	US\$10,000 thousand	2018.08.20-2018.09.28	\$29.7815/30.255	Financial assets (liabilities) for hedging	\$ -	\$ 4,013	\$ -

Hedged Items	Carrying Amount		Accumulated Amount of Fair Value Hedge Adjustments		Change in Value Used for Calculating Hedge Ineffectiveness	Accumulated Amount of Fair Value Hedge Adjustments for Hedged Items That Have Ceased to Be Adjusted for Hedging Gains and Losses
	Asset	Liability	Asset	Liability		
Fair value hedge Overseas mutual funds	\$ 299,596	\$ -	\$ (5,300)	\$ -	\$ -	\$ -

The Group invested in overseas mutual funds, whose fair value are exposed to the changes of net asset value and exchange rates. Thus, the Group used foreign exchange swap contracts to manage the risk due to foreign exchange rate fluctuations.

b) Interest rate risk

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 amount of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Fair value risk			
Financial assets	\$ 9,828,449	\$ 4,153,111	\$ 8,369,308
Financial liabilities	40,298,024	29,295,360	33,110,241
Cash flow risk			
Financial assets	5,891,738	3,125,240	9,056,435
Financial liabilities	1,150,000	740,000	20,000

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 financial assets and financial liabilities with floating interest rates, 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 six months ended June 30, 2019 and 2018 would have increased (decreased) by \$5,927 thousand and \$11,296 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 equity investments in mutual fund beneficial certificates and domestic/foreign unlisted common stock. The Group manages the risk by holding a portfolio of investments with different risk levels. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the 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, pre-tax profit for the six months ended June 30, 2019 and 2018 would have increased/decreased by \$38,483 thousand and \$37,463 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL; and the pre-tax other comprehensive income for the six months ended June 30, 2019 and 2018 would have increased/decreased by \$21,868 thousand and \$9,846 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in a 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 the failure of the counterparties to discharge their obligation and due to the financial guarantees provided by the Group arises from the carrying amounts of the respective recognized financial assets as stated in the consolidated balance sheets.

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 extensions are granted.

The Group transacts with a large number of unrelated customers and thus, no concentration of credit risk was observed.

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 \$38,839,375 thousand, \$38,972,514 thousand and \$41,191,787 thousand as of June 30, 2019, December 31, 2018 and June 30, 2018, 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:

	Carrying Amount	Contractual Cash Flows	Within 1 Year	1-5 Years	More than 5 Years
<u>June 30, 2019</u>					
Short-term borrowings	\$ 775,000	\$ 776,968	\$ 776,968	\$ -	\$ -
Short-term bills payable	262,773	263,000	263,000	-	-
Long-term borrowings	1,750,000	1,768,859	13,385	1,755,474	-
Bonds payable	30,371,613	31,612,065	6,037,980	16,669,825	8,904,260
Lease liabilities	<u>7,819,480</u>	<u>7,946,134</u>	<u>2,882,133</u>	<u>5,048,822</u>	<u>15,179</u>
	<u>\$ 40,978,866</u>	<u>\$ 42,367,026</u>	<u>\$ 9,973,466</u>	<u>\$ 23,474,121</u>	<u>\$ 8,919,439</u>
<u>December 31, 2018</u>					
Short-term borrowings	\$ 2,120,000	\$ 2,122,041	\$ 2,122,041	\$ -	\$ -
Short-term bills payable	1,269,373	1,270,000	1,270,000	-	-
Long-term borrowings	700,000	710,360	5,180	705,180	-
Bonds payable	<u>25,374,262</u>	<u>26,584,845</u>	<u>3,499,400</u>	<u>15,974,995</u>	<u>7,110,450</u>
	<u>\$ 29,463,635</u>	<u>\$ 30,687,246</u>	<u>\$ 6,896,621</u>	<u>\$ 16,680,175</u>	<u>\$ 7,110,450</u>
<u>June 30, 2018</u>					
Short-term borrowings	\$ 346,000	\$ 347,195	\$ 347,195	\$ -	\$ -
Short-term bills payable	319,742	320,000	320,000	-	-
Long-term borrowings	2,500,000	2,514,086	2,514,086	-	-
Bonds payable	<u>29,369,726</u>	<u>30,752,605</u>	<u>4,362,600</u>	<u>19,239,805</u>	<u>7,150,200</u>
	<u>\$ 32,535,468</u>	<u>\$ 33,933,886</u>	<u>\$ 7,543,881</u>	<u>\$ 19,239,805</u>	<u>\$ 7,150,200</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years
Lease liabilities	<u>\$ 2,882,133</u>	<u>\$ 5,048,822</u>	<u>\$ 15,179</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. The Group's related parties and their relationships

Related Party	Relationship with the Group
Far Eastern New Century Corporation (FENC)	Ultimate parent company
Far Eastern Electronic Toll Collection Co., Ltd.	Subsidiary of FENC
Ding Ding Integrated Marketing Service Co., Ltd.	Subsidiary of FENC
Far Eastern International Leasing Corp.	Other related party (equity-method investee of subsidiary of FENC)
Telecommunication and Transportation Foundation	Other related party (Far EasTone's donation is over one third of the foundation's fund)
Far Eastern Apparel Co., Ltd.	Subsidiary of FENC
Far Cheng Human Resources Consultant Corp.	Subsidiary of FENC
Far Eastern Resource Development Co., Ltd. (FERD)	Subsidiary of FENC
Pacific Sogo Department Stores Co., Ltd. (SOGO)	Other related party (same chairman as parent company's)
Far Eastern Big City Shopping Malls Co., Ltd.	Other related party (subsidiary of SOGO)
Far Eastern Citysuper Co., Ltd.	Other related party (same chairman as parent company's)
Ya Tung Department Store Co., Ltd.	Other related party (same chairman as parent company's)
Fu Dar Transportation Corporation	Other related party (same chairman as parent company's)
Fu-Ming Transportation Co., Ltd.	Other related party (same chairman as parent company's)
YDT Technology International Co., Ltd.	Subsidiary of FENC
Far Eastern Investment (Holding) Ltd.	Subsidiary of FENC
Nan Hwa Cement Corporation	Other related party (same chairman as parent company's)
Ya Tung Ready Mixed Concrete Co., Ltd.	Other related party (same chairman as parent company's)
Oriental Securities Corporation Ltd.	Other related party (Equity-method investee of FENC)
Yuan Ding Co., Ltd.	Subsidiary of FENC
Far Eastern Department Stores Co., Ltd.	Other related party (same chairman as Far EasTone's)
Asia Cement Co., Ltd.	Other related party (same chairman as Far EasTone's)
Oriental Union Chemical Corporation	Other related party (same chairman as Far EasTone's)
Far Eastern Ai Mai CO., Ltd.	Other related party (same chairman as Far EasTone's)
Far Eastern Hospital	Other related party (same chairman as Far EasTone's)
Oriental Institute of Technology	Other related party (same chairman as Far EasTone's)

(Continued)

Related Party	Relationship with the Group
Far Eastern Plaza Hotel	Subsidiary of FENC
Yuan-Ze University	Other related party (same chairman as Far EasTone's)
U-Ming Marine Transport Corporation	Other related party (same chairman as Far EasTone's)
Chiahui Power Corporation	Other related party (same chairman as Far EasTone's)
Far Eastern Medical Foundation	Other related party (same chairman as Far EasTone's)
Far Eastern International Bank (FEIB)	Other related party (Far EasTone's chairman is FEIB's vice chairman)
Far Eastern Construction Co., Ltd.	Subsidiary of FENC
Fu Kwok Garment Manufacturing Co., Ltd.	Subsidiary of FENC
Oriental Petrochemical (Taiwan) Co., Ltd.	Subsidiary of FENC
Air Liquide Far Eastern Co., Ltd.	Other related party (equity-method investee of FENC)
Far Eastern General Contractor Inc.	Subsidiary of FENC
Oriental Resources Development Limited	Subsidiary of FENC
Far Eastern Fibertech Co., Ltd.	Subsidiary of FENC
Far Eastern Realty Management Co., Ltd.	Subsidiary of FENC
Ding & Ding Management Consultant Co., Ltd.	Other related party (equity-method investee of FENC)
Yuan Hsin Digital Payment Co., Ltd.	Subsidiary of FENC
Alliance Digital Technology Co., Ltd.	Associate (dissolved on December 31, 2018 and the liquidation procedures have not been completed)
Far Eastern Polyclinic of Far Eastern Medical Foundation	Other related party (same chairman as Far EasTone's)
FETC International Co., Ltd.	Subsidiary of FENC
Far Eastern Polytex (Vietnam) Ltd.	Subsidiary of FENC
U-Ming Marine Transport (Hong Kong) Ltd.	Other related party (substantive related party)
U-Ming Marine Transport (Singapore) Pte. Ltd.	Other related party (substantive related party)
Deutsche Far Eastern Asset Management Co., Ltd. (DFEAMC)	Other related party (substantive related party)
Kowloon Cement Corporation Limited	Other related party (substantive related party)
Asia Cement (Singapore) PTE. Ltd	Other related party (substantive related party)
Jianxi Yadong Cement Co., Ltd	Other related party (substantive related party)
Oriental Petrochemical (Yangzhou) Corporation	Other related party (substantive related party)
Everest Textile Co., Ltd.	Other related party (substantive related party)
Kaohsiung Rapid Transit Corporation	Other related party (substantive related party)
Systemex Corporation	Other related party (juristic-person director of associate)
HIM International Music Inc. (HIM)	Other related party (juristic-person supervisor of subsidiary)
Universal Music Taiwan Ltd.	Other related party (juristic-person director of subsidiary)
Forward Music Co., Ltd.	Other related party (juristic-person director of subsidiary)
Sony Music Entertainment Taiwan Ltd.	Other related party (juristic-person director of subsidiary)
Otiga Technologies Ltd. (Otiga)	Other related party (juristic-person supervisor of subsidiary)

(Concluded)

b. Operating revenue

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
FENC	\$ 9,269	\$ 14,002	\$ 18,424	\$ 22,891
Subsidiaries of FENC	32,194	66,404	56,160	114,014
Other related parties	<u>66,959</u>	<u>69,868</u>	<u>127,773</u>	<u>122,473</u>
	<u>\$ 108,422</u>	<u>\$ 150,274</u>	<u>\$ 202,357</u>	<u>\$ 259,378</u>

Operating revenue from related parties include revenue from sales of inventories, telecommunications services, fixed network services, storage services and customer services, of which the terms and conditions conformed to normal business practices.

c. Operating costs and expenses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Operating costs				
FENC	\$ -	\$ 375	\$ -	\$ 715
Subsidiaries of FENC	868	2,975	3,077	18,247
Other related parties	<u>27,603</u>	<u>12,711</u>	<u>43,389</u>	<u>31,567</u>
	<u>\$ 28,471</u>	<u>\$ 16,061</u>	<u>\$ 46,466</u>	<u>\$ 50,529</u>
Operating expenses				
FENC	\$ 24,471	\$ 26,653	\$ 59,223	\$ 58,912
Subsidiaries of FENC	50,184	66,751	95,199	129,085
Other related parties	<u>21,767</u>	<u>32,005</u>	<u>43,460</u>	<u>64,037</u>
	<u>\$ 96,422</u>	<u>\$ 125,409</u>	<u>\$ 197,882</u>	<u>\$ 252,034</u>

The above companies provide telecommunications operating related services to the Group. The terms and conditions conformed to normal business practices.

d. Property transactions

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Acquisition of property, plant and equipment				
Subsidiaries of FENC				
FERD	\$ -	\$ 329,505	\$ -	\$ 712,183
Others	<u>3,157</u>	<u>4,417</u>	<u>6,102</u>	<u>4,417</u>
	<u>3,157</u>	<u>333,922</u>	<u>6,102</u>	<u>716,600</u>
Other related parties	<u>29,630</u>	<u>-</u>	<u>30,535</u>	<u>-</u>
	<u>\$ 32,787</u>	<u>\$ 333,922</u>	<u>\$ 36,637</u>	<u>\$ 716,600</u>
Acquisition of financial assets at fair value through profit or loss				
Other related parties				
DFEAMC	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ 150,000</u>
Disposal of securities				
Other related parties				
HIM	\$ 2,205	\$ -	\$ 2,205	\$ -
Otiga	<u>3,255</u>	<u>-</u>	<u>3,255</u>	<u>-</u>
Others	<u>1,890</u>	<u>-</u>	<u>1,890</u>	<u>-</u>
	<u>\$ 7,350</u>	<u>\$ -</u>	<u>\$ 7,350</u>	<u>\$ -</u>

With the need for the expansion of space for network equipment, the board of directors of NCIC (Far EasTone's 100% owned subsidiary) resolved on May 4, 2017 that NCIC purchase part of the land from FERD, which is located in the Taipei Far Eastern Telecom park, so as to build a new integrated building which will be utilized as an office and internet data center. The acquisition price for the aforementioned transaction amounted to \$1,749,577 thousand and was determined through price negotiations based on appraisal reports issued by independent qualified professional appraisers. Of the total acquisition price, \$712,183 thousand has been paid during the six months ended June 30, 2018.

The Group acquired a mutual fund of DFEAMC with a carrying amount of \$150,000 thousand in May 2018.

In April 2019, the Group disposed of Omusic Co., Ltd. (Far EasTone's subsidiary). The consideration received from related parties amounted to \$7,350 thousand and the difference between the consideration and the book value was recognized as a disposal loss of \$542 thousand.

e. Lease arrangements - Group is lessee

	For the Three Months Ended June 30, 2019	For the Six Months Ended June 30, 2019
Acquisition of right-of-use assets		
Other related parties	<u>\$ 2,505</u>	<u>\$ 6,925</u>

	June 30, 2019
Lease liabilities - current	
FENC	\$ 4,000
Subsidiaries of FENC	59,770
Other related parties	<u>29,244</u>
	<u>\$ 93,014</u>
Lease liabilities - noncurrent	
FENC	\$ 6,185
Subsidiaries of FENC	62,901
Other related parties	<u>33,674</u>
	<u>\$ 102,760</u>

As of December 31, 2018 and June 30, 2018, there was no outstanding balance in financial lease payables between the Group and its related parties.

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Financial costs				
FENC	\$ 25	\$ -	\$ 52	\$ -
Subsidiaries of FENC	294	-	624	-
Other related parties	<u>160</u>	<u>-</u>	<u>269</u>	<u>-</u>
	<u>\$ 479</u>	<u>\$ -</u>	<u>\$ 945</u>	<u>\$ -</u>

All the terms and conditions of the above lease contracts conformed to normal business practices.

Modifications of lease arrangements

Due to early termination of lease contracts, for the three months and six months ended June 30, 2019, the Group wrote off the right-of-use assets acquired from other related parties with a carrying amount of \$792 thousand and \$2,705 thousand, respectively, the related unpaid lease liabilities were \$792 thousand and \$2,715 thousand, respectively, and the gain on lease modification were \$0 thousand and \$10 thousand, respectively.

- f. Bank deposits, financial assets at amortized cost and other financial assets

	June 30, 2019	December 31, 2018	June 30, 2018
Other related parties			
FEIB	<u>\$ 3,663,237</u>	<u>\$ 3,117,050</u>	<u>\$ 7,160,873</u>

The Group had bank deposits in 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 a trust fund and included in other financial assets - current.

g. Financial assets (liabilities) for hedging - current

	June 30, 2019	December 31, 2018	June 30, 2018
Other related parties			
FEIB	\$ <u> -</u>	\$ <u> 1,868</u>	\$ <u> (4,013)</u>

NCIC entered into foreign exchange swap contracts with FEIB to hedge against the exchange gains or losses of its foreign currency-denominated assets. The notional amounts were both US\$10,000 thousand as of December 31, 2018 and June 30, 2018. Related expenses were treated as financial costs.

h. Receivables and payables - related parties

	June 30, 2019	December 31, 2018	June 30, 2018
Accounts receivable - related parties			
FENC	\$ 2,595	\$ 7,486	\$ 7,787
Subsidiaries of FENC	27,377	55,377	37,075
Associates	-	10	-
Other related parties	<u>190,797</u>	<u>196,235</u>	<u>163,343</u>
	<u>\$ 220,769</u>	<u>\$ 259,108</u>	<u>\$ 208,205</u>
Other receivables - related parties (included in other current assets)			
Subsidiaries of FENC	\$ 3,214	\$ 3,848	\$ 5,219
Other related parties	<u>7,971</u>	<u>12,078</u>	<u>12,242</u>
	<u>\$ 11,185</u>	<u>\$ 15,926</u>	<u>\$ 17,461</u>
Accounts payable - related parties (included in accounts payable)			
Subsidiaries of FENC	\$ 2,485	\$ 1,115	\$ 1,166
Other related parties	<u>10,924</u>	<u>8,080</u>	<u>17,206</u>
	<u>\$ 13,409</u>	<u>\$ 9,195</u>	<u>\$ 18,372</u>
Other payables - related parties (included in other current liabilities)			
FENC	\$ 24,833	\$ 23,204	\$ 24,000
Subsidiaries of FENC	78,203	84,809	83,435
Other related parties	<u>7,962</u>	<u>4,622</u>	<u>8,028</u>
	<u>\$ 110,998</u>	<u>\$ 112,635</u>	<u>\$ 115,463</u>

i. Refundable deposits

	June 30, 2019	December 31, 2018	June 30, 2018
Subsidiaries of FENC	\$ 62,904	\$ 69,003	\$ 67,954
Other related parties	<u>1,451</u>	<u>1,486</u>	<u>1,486</u>
	<u>\$ 64,355</u>	<u>\$ 70,489</u>	<u>\$ 69,440</u>

j. Others

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Interest revenue				
Subsidiaries of FENC	\$ 5	\$ 5	\$ 11	\$ 11
Other related parties				
FEIB	6,911	13,169	12,784	21,361
Others	<u>2</u>	<u>1</u>	<u>2</u>	<u>10</u>
	<u>6,913</u>	<u>13,170</u>	<u>12,786</u>	<u>21,371</u>
	<u>\$ 6,918</u>	<u>\$ 13,175</u>	<u>\$ 12,797</u>	<u>\$ 21,382</u>
Financial costs				
Other related parties	<u>\$ 45</u>	<u>\$ 1,885</u>	<u>\$ 773</u>	<u>\$ 3,730</u>

k. Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the three months and six months ended June 30, 2019 and 2018 were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Short-term benefits	\$ 52,804	\$ 70,748	\$ 151,779	\$ 187,206
Post-employment benefits	<u>807</u>	<u>985</u>	<u>1,628</u>	<u>1,994</u>
	<u>\$ 53,611</u>	<u>\$ 71,733</u>	<u>\$ 153,407</u>	<u>\$ 189,200</u>

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

34. ASSETS PLEDGED OR MORTGAGED

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

	June 30, 2019	December 31, 2018	June 30, 2018
Other financial assets - current	<u>\$ 644,097</u>	<u>\$ 641,094</u>	<u>\$ 806,066</u>

35. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments of the Group as of June 30, 2019, December 31, 2018 and June 30, 2018 were as follows:

a.

	June 30, 2019	December 31, 2018	June 30, 2018
Unpaid acquisition of property, plant and equipment under contracts	<u>\$ 3,031,481</u>	<u>\$ 3,634,677</u>	<u>\$ 3,255,646</u>
Unpaid acquisition of inventories under contracts	<u>\$ 3,477,298</u>	<u>\$ 5,359,431</u>	<u>\$ 5,766,260</u>

b. All lease commitments (the Group as a lessee) with lease terms commencing after the balance sheet dates are as follows:

	June 30, 2019
Lease commitments	<u>\$ 202,873</u>

c. The Group provided a \$100,000 thousand bank guarantee for its purchases as of June 30, 2019, December 31, 2018 and June 30, 2018, respectively.

36. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

- a. On July 3, 2019, the NCC announced the amendment to the “Regulations for Administration of Mobile Broadband Businesses” and started preparations for the 5G spectrum licensing auction. In order to meet future market demands and respond to competition in the future 5G new telecom generation and provide consumers with a wider bandwidth and more high-speed data services, on August 2, 2019, the board of directors of Far EasTone resolved to participate in the 5G spectrum licensing auction in accordance with the aforementioned NCC administration rule.
- b. To fulfill the needs for long-term working capital or the repayment of loans and borrowings, on August 2, 2019, the board of directors of Far EasTone resolved to issue domestic unsecured corporate bonds in an amount not exceeding \$20,000,000 thousand, and the bonds are to be issued separately within one year after the date of approval, pursuant to the related laws and regulations. The chairman, or his appointed deputy in his absence, are authorized to decide on all matters pertaining to the issuance of bonds or the requirements of the government authorities and to amend or improve the plan.

37. 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)

June 30, 2019			
	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 35,610	31.06 (USD:NTD)	\$ 1,106,047
Nonmonetary items			
USD	24,948	31.06 (USD:NTD)	774,873
USD	5,000	6.87 (USD:RMB)	155,300
<u>Financial liabilities</u>			
Monetary items			
USD	14,367	31.06 (USD:NTD)	446,246
December 31, 2018			
	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 26,682	30.715 (USD:NTD)	\$ 819,552
Nonmonetary items			
USD	23,976	30.715 (USD:NTD)	736,424
USD	5,000	6.868 (USD:RMB)	153,575
<u>Financial liabilities</u>			
Monetary items			
USD	8,291	30.715 (USD:NTD)	254,660
June 30, 2018			
	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 31,650	30.46 (USD:NTD)	\$ 964,065
Nonmonetary items			
USD	19,671	30.46 (USD:NTD)	599,192
<u>Financial liabilities</u>			
Monetary items			
USD	10,215	30.46 (USD:NTD)	311,157

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

For the Three Months Ended June 30				
Foreign Currency	2019		2018	
	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
NTD	1 (NTD:NTD)	\$ 1,333	1 (NTD:NTD)	\$ 814
RMB	4.554 (RMB:NTD)	1,299	4.669 (RMB:NTD)	1,602
HKD	3.972 (HKD:NTD)	<u>616</u>	- (HKD:NTD)	<u>-</u>
		<u>\$ 3,248</u>		<u>\$ 2,416</u>

For the Six Months Ended June 30				
Foreign Currency	2019		2018	
	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
NTD	1 (NTD:NTD)	\$ 1,084	1 (NTD:NTD)	\$ 8,198
RMB	4.560 (RMB:NTD)	122	4.640 (RMB:NTD)	552
HKD	3.950 (HKD:NTD)	<u>291</u>	- (HKD:NTD)	<u>-</u>
		<u>\$ 1,497</u>		<u>\$ 8,750</u>

38. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees

- 1) Financing provided to others: Schedule A
- 2) Endorsements/guarantees provided: None
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures): Schedule B
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Schedule C
- 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 purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Schedule D
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Schedule E

- 9) Trading in derivative instruments: Note 32
- 10) Intercompany relationships and significant intercompany transactions: Schedule F
- 11) 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: Schedule F
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) Other transactions that have material effect on profit or loss for the period or on the financial position, such as the rendering or receipt of services.

39. SEGMENT INFORMATION

Products and services from which reportable segments derive revenue:

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:

- a. Mobile services business: Providing mobile telecommunications services
- b. Fixed-line services business: Providing international direct dial, local network, long-distance network and broadband access services
- c. 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, costs, expenses, interest revenue, other revenue, equity in investees' net income and loss, financial costs, other expenses and general and administrative expenses. 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 revenue and operating results analyzed by the operating segments were as follows:

	For the Six Months Ended June 30, 2019				
	Mobile Services Business	Fixed-line Services Business	Sales Business	Adjustment and Elimination	Consolidation
Revenue generated from external customers	\$ 22,600,281	\$ 4,423,313	\$ 14,221,125	\$ -	\$ 41,244,719
Revenue generated within the Group (Note)	<u>148,847</u>	<u>1,248,674</u>	<u>31,953</u>	<u>(1,429,474)</u>	<u>-</u>
Total revenue	<u>\$ 22,749,128</u>	<u>\$ 5,671,987</u>	<u>\$ 14,253,078</u>	<u>\$ (1,429,474)</u>	<u>\$ 41,244,719</u>
Segment operating income	<u>\$ 3,198,513</u>	<u>\$ 984,419</u>	<u>\$ 1,791,875</u>	<u>\$ (313,247)</u>	<u>\$ 5,661,560</u>
	For the Six Months Ended June 30, 2018				
	Mobile Services Business	Fixed-line Services Business	Sales Business	Adjustment and Elimination	Consolidation
Revenue generated from external customers	\$ 25,060,011	\$ 3,921,852	\$ 14,305,310	\$ -	\$ 43,287,173
Revenue generated within the Group (Note)	<u>201,134</u>	<u>1,481,072</u>	<u>5,413</u>	<u>(1,687,619)</u>	<u>-</u>
Total revenue	<u>\$ 25,261,145</u>	<u>\$ 5,402,924</u>	<u>\$ 14,310,723</u>	<u>\$ (1,687,619)</u>	<u>\$ 43,287,173</u>
Segment operating income	<u>\$ 5,243,669</u>	<u>\$ 1,227,136</u>	<u>\$ 1,021,293</u>	<u>\$ (1,025,811)</u>	<u>\$ 6,466,287</u>

Note: Represents sales of goods and other income between segments.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE SIX MONTHS ENDED JUNE 30, 2019
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note A)	Aggregate Financing Limit (Note A)
													Item	Value		
1	New Century InfoComm Tech Co., Ltd.	Yuanshi Digital Technology Co., Ltd.	Other receivables - related parties	Yes	\$ 300,000	\$ 300,000	\$ 140,000	1.53%	Short-term financing	\$ -	For business operations	\$ -	-	\$ -	7,906,782	11,295,404
		Far EasTone Telecommunications Co., Ltd.	Other receivables - related parties	Yes	2,500,000	1,500,000	-	0.83%	Transaction	2,547,152	-	-	-	-	2,547,152	11,295,404
		Far EasTone Telecommunications Co., Ltd.	Other receivables - related parties	Yes	7,500,000	7,500,000	-	0.83%	Short-term financing	-	For business operations	-	-	-	7,906,782	11,295,404

Note A: Where New Century InfoComm Tech 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 business transaction amount between the two parties. The business transaction amount refers to the estimated amount in the year the loan contract was signed or the prior year’s actual transaction amount. B) For short-term financing needs, the individual loan amount should not exceed 35% of NCIC’s net worth.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
JUNE 30, 2019
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	June 30, 2019				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Far EasTone Telecommunications Co., Ltd.	<u>Stock</u> App Works Fund II Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	8,850,000	\$ 101,330	11.11	\$ 101,330	Note B
	CDIB Capital Innovation Accelerator Limited	-	Financial assets at fair value through other comprehensive income - noncurrent	9,000,000	90,000	10.71	90,000	Note B
ARCOA Communication Co., Ltd.	<u>Stock</u> THI consultants	-	Financial assets at fair value through other comprehensive income - noncurrent	1,213,594	12,190	18.32	12,190	Note B
	Web Point Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	160,627	1,618	0.63	1,618	Note B
New Century InfoComm Tech Co., Ltd.	<u>Stock</u> Kaohsiung Rapid Transit Corporation	Other related party	Financial assets at fair value through other comprehensive income - noncurrent	8,858,191	41,368	3.18	41,368	Note B
	Bank Pro E-service Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	450,000	4,500	3.33	4,500	Note B
	<u>Stock certificate</u> Changing.ai Inc	-	Financial assets at fair value through other comprehensive income - noncurrent	500,000	31,060	2.50	31,060	Note B
	<u>Open-ended mutual fund</u> DFE DWS Taiwan Money Market Fund	Other related party	Financial assets at fair value through profit or loss - current	12,877,231.4	150,805	-	150,805	Note A
	<u>Overseas funds</u> Opas Fund Segregated Portfolio Tranche A	Other related party	Financial assets at fair value through profit or loss - current	13,491.781	459,125	-	459,125	Note A
	Opas Fund Segregated Portfolio Tranche B	Other related party	Financial assets at fair value through profit or loss - current	5,000.000	159,737	-	159,737	Note A
Digital United (Cayman) Ltd.	<u>Stock certificate</u> TBCASoft, Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	980,435	155,300	6.77	155,300	Note B

Note A: The market values of the open-ended mutual funds and overseas funds were calculated at their net asset values as of June 30, 2019.

Note B: The fair values of financial assets at fair value through other comprehensive income were calculated using inputs and valuation methods.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED June 30, 2019
(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition (Note B)		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
New Century InfoComm Tech Co., Ltd.	<u>Stock</u> Nextlink Technology Co., Ltd.	Investments accounted for using the equity method	Nextlink Inc.	Subsidiary	-	\$ -	3,430,000	\$ 420,000	-	\$ -	\$ -	\$ -	3,430,000	\$ 419,460 (Note A)

Note A: The amount is the balance of investments accounted for using the equity method.

Note B: The amount is the cost of acquisition.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2019
(In Thousands of New Taiwan Dollars)

Purchaser (Seller) of Goods	Related Party	Relationship	Transaction Details				Abnormal Transaction		Accounts/Other Receivables (Payables)	
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total
Far EasTone Telecommunications Co., Ltd.	ARCOA Communication Co., Ltd.	Subsidiary	Cost of telecommunications services, marketing expenses and cost of sales	\$ 3,884,099	16	Based on agreement	-	-	Accounts payable and other payables	\$ (1,200,330) (13)
	New Century InfoComm Tech Co., Ltd.	Subsidiary	Operating revenue	(126,332)	-	Based on agreement	-	-	Accounts receivable	122,697 2
			Operating revenue	(119,222)	-	Based on agreement	-	-	Accounts receivable	643 -
			Cost of telecommunications services and cost of sales	1,154,354	5	Based on agreement	-	-	Accounts payable and other payables (Note A)	(567,472) (6)
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating revenue	(1,154,354)	(22)	Based on agreement	-	-	Accounts receivable (Note B)	567,472 38
			Cost of telecommunications services	119,222	3	Based on agreement	-	-	Accounts payable	(643) -
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating revenue	(3,884,099)	(62)	Based on agreement	-	-	Accounts receivable	1,200,330 70
	Home Master Technology Ltd.	Subsidiary of DataExpress Infotech Co., Ltd.	Operating costs	126,332	2	Based on agreement	-	-	Accounts payable	(122,697) (11)
			Operating revenue	(510,666)	(8)	Based on agreement	-	-	Accounts receivable	275,615 16
DataExpress Infotech Co., Ltd.	Home Master Technology Ltd.	Subsidiary	Operating revenue	(182,375)	(9)	Based on agreement	-	-	Accounts receivable	7,151 2
Home Master Technology Ltd.	ARCOA Communication Co., Ltd.	Parent company	Operating costs	510,666	64	Based on agreement	-	-	Accounts payable	(275,615) (97)
	DataExpress Infotech Co., Ltd.	Parent company	Operating costs	182,375	23	Based on agreement	-	-	Accounts payable	(7,151) (3)

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

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

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
JUNE 30, 2019
(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	\$ 124,264	12.53	\$ -	-	\$ 104,612	\$ -
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd. Yuanshi Digital Technology Co., Ltd.	Parent company	622,360	(Note A)	-	-	281,697	-
		Subsidiary of Far EasTone Telecommunications Co., Ltd.	143,018	(Note B)	-	-	1,576	-
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd. Home Master Technology Ltd.	Parent company	1,200,330	8.43	-	-	695,315	-
		Subsidiary of DataExpress Infotech Co., Ltd.	275,843	3.59	-	-	101,949	-

Note A: All interconnection revenue, cost and collection of international direct dial revenue between Far EasTone and NCIC were settled at net amounts and were included in accounts receivable/payable - related parties. The turnover rate was unavailable as the receivables from related parties were due to the collection of telecommunications bills by Far EasTone for NCIC.

Note B: The turnover rate was unavailable as the receivables from related parties were mainly due to financing provided by NCIC to YSDT.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2019
(In Thousands of New Taiwan Dollars)**

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Assets/Revenue (Note C)
0	Far EasTone Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd.	1	Other receivables - related parties	\$ 23,976	Note F	-
				Refundable deposits	3,532	Note F	-
				Accounts payable - related parties	23,589	Note F	-
				Other payables - related parties	598,771	Note F	-
				Contract liabilities	8,790	Note F	-
				Telecommunications service revenue	119,222	Note F	-
				Cost of telecommunications services	1,154,354	Note F	3
				Operating expenses	29,202	Note F	-
				Nonoperating income and gains	29,016	Note F	-
				Nonoperating expenses	25,655	Note F	-
		ARCOA Communication Co., Ltd.	1	Accounts receivable - related parties	122,697	Note F	-
				Other receivables - related parties	1,567	Note F	-
				Accounts payable - related parties	1,140,921	Note F	1
				Other payables - related parties	59,409	Note F	-
				Contract liabilities	53,053	Note F	-
				Sales of inventories	124,609	Note F	-
				Telecommunications service revenue	1,723	Note F	-
				Cost of sales	3,618,610	Note F	9
				Cost of telecommunications services	26,596	Note F	-
				Operating expenses	249,092	Note F	1
		KGEx.com Co., Ltd.	1	Accounts receivable - related parties	9,518	Note F	-
				Other payables - related parties	17,187	Note F	-
				Lease liabilities	3,976	Note F	-
				Telecommunications service revenue	26,822	Note F	-
				Operating expenses	19,187	Note F	-
		Yuan Cing Co., Ltd.	1	Other receivables - related parties	2,944	Note F	-
				Other payables - related parties	7,691	Note F	-
				Operating expenses	12,737	Note F	-
		DataExpress Infotech Co., Ltd.	1	Other receivables - related parties	4,983	Note F	-
				Accounts payable - related parties	1,009	Note F	-
				Other payables - related parties	28,668	Note F	-
				Cost of telecommunications services	2,916	Note F	-
				Operating expenses	13,405	Note F	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Assets/Revenue (Note C)
		Omusic Co., Ltd. Linkwell Tech. Ltd.	1 1	Cost of telecommunications services Other payables - related parties	\$ 49,410 29,531	Note F Note F	- -
		Home Master Technology Ltd.	1	Operating expenses Other payables - related parties	10,519 23,056	Note F Note F	- -
		Information Security Service Digital United Inc.	1	Operating expenses Other receivables - related parties	16,843 3,368	Note F Note F	- -
				Accounts payable - related parties Other payables - related parties	16,880 4,245	Note F Note F	- -
				Cost of sales Other operating costs	19,876 5,716	Note F Note F	- -
		Yuanshi Digital Technology Co., Ltd.	1	Operating expenses Accounts receivable - related parties	1,864 18,633	Note F Note F	- -
				Other receivables - related parties Accounts payable - related parties	4,447 15,332	Note F Note F	- -
				Other payables - related parties Sales of inventories	3,140 58,349	Note F Note F	- -
		Sino Lead Enterprise Limited	1	Telecommunications service revenue	9,723	Note F	-
		Prime EcoPower Co., Ltd.	1	Other payables - related parties Other receivables - related parties	7,048 1,094	Note F Note F	- -
				Accounts payable - related parties Other operating costs	4,714 16,718	Note F Note F	- -
1	New Century InfoComm Tech Co., Ltd.	KGEx.com Co., Ltd.	3	Accounts receivable - related parties Accounts payable - related parties	1,761 15,088	Note F Note F	- -
				Other payables - related parties Lease liabilities	7,074 10,275	Note F Note F	- -
				Telecommunications service revenue Cost of telecommunications services	11,523 38,035	Note F Note F	- -
		Sino Lead Enterprise Limited	3	Accounts payable - related parties Cost of telecommunications services	10,306 56,533	Note F Note F	- -
		Yuan Cing Co., Ltd.	3	Operating expenses	2,208	Note F	-
		Information Security Service Digital United Inc.	3	Other receivables - related parties Accounts payable - related parties	1,206 32,805	Note F Note F	- -
				Cost of sales Other operating costs	8,475 16,925	Note F Note F	- -
		Yuanshi Digital Technology Co., Ltd.	3	Nonoperating income and gains Accounts receivable - related parties	2,688 1,116	Note F Note F	- -
				Other receivables - related parties Telecommunications service revenue	141,902 3,274	Note F Note F	- -
				Operating expenses Nonoperating income and gains	1,870 4,435	Note F Note F	- -
		DataExpress Infotech Co., Ltd.	3	Nonoperating income and gains	1,764	Note F	-
		Nextlink Technology Co., Ltd.	3	Accounts payable - related parties Cost of telecommunications services	1,940 3,541	Note F Note F	- -
		Microfusion Technology Co., Ltd.	3	Accounts payable - related parties Other operating costs	2,237 2,237	Note F Note F	- -

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Assets/Revenue (Note C)
2	ARCOA Communication Co., Ltd.	Yuanshi Digital Technology Co., Ltd.	3	Accounts receivable - related parties	\$ 2,936	Note F	-
				Sales of inventories	9,903	Note F	-
		DataExpress Infotech Co., Ltd.	3	Other receivables - related parties	1,127	Note F	-
				Other operating revenue	2,295	Note F	-
		Home Master Technology Ltd.	3	Accounts receivable - related parties	275,615	Note F	-
				Sales of inventories	510,372	Note F	1
3	Yuan Cing Co., Ltd. (Note E)	Yuanshi Digital Technology Co., Ltd.	3	Accounts receivable - related parties	3,659	Note F	-
				Other operating revenue	7,420	Note F	-
4	DataExpress Infotech Co., Ltd. (Note E)	Linkwell Tech. Ltd.	3	Accounts receivable - related parties	5,755	Note F	-
				Accounts payable - related parties	4,969	Note F	-
				Sales of inventories	31,250	Note F	-
				Cost of sales	66,659	Note F	-
				Nonoperating income and gains	2,563	Note F	-
				Nonoperating income and gains	2,563	Note F	-
		Home Master Technology Ltd.	3	Accounts receivable - related parties	7,151	Note F	-
				Other receivables - related parties	33,343	Note F	-
				Accounts payable - related parties	3,842	Note F	-
				Sales of inventories	182,375	Note F	-
				Cost of sales	47,299	Note F	-
				Nonoperating income and gains	5,655	Note F	-
5	Linkwell Tech. Ltd. (Note E)	Home Master Technology Ltd.	3	Sales of inventories	9,581	Note F	-
				Cost of sales	1,245	Note F	-
6	Yuanshi Digital Technology Co., Ltd. (Note E)	Information Security Service Digital United Inc.	3	Operating expenses	1,151	Note F	-
7	Nextlink Technology Co., Ltd. (Note E)	Microfusion Technology Co., Ltd.	3	Sales of inventories	2,702	Note F	-
				Cost of sales	1,748	Note F	-
				Other operating costs	2,519	Note F	-
		Nextlink (HK) Technology Co., Ltd.	3	Accounts receivable - related parties	3,376	Note F	-
				Other receivables - related parties	1,500	Note F	-
				Other operating revenue	9,366	Note F	-
8	Microfusion Technology Co., Ltd. (Note E)	Nextlink (HK) Technology Co., Ltd.	3	Accounts receivable - related parties	3,968	Note F	-
				Sales of inventories	3,516	Note F	-
				Other operating revenue	10,160	Note F	-
		Nextlink (Shanghai) Technology Co., Ltd.	3	Accounts receivable - related parties	3,341	Note F	-
				Other operating revenue	1,146	Note F	-

Note A: Parties to the intercompany transactions are identified and numbered as follows:

1. “0” for Far EasTone Telecommunications Co., Ltd. (“Far EasTone”).
2. “1” onward for subsidiaries.

(Continued)

Note B: The flow of related-party transactions is numbered 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, the amount is shown as a percentage of consolidated total assets as of June 30, 2019; while revenue, costs and expenses are shown as a percentage of consolidated total operating revenue for the six months ended June 30, 2019.

Note D: The information shown in the schedule represents the eliminated material intercompany transactions.

Note E: The information was based on the unreviewed financial statements as of June 30, 2019.

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

(Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE SIX MONTHS ENDED JUNE 30, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of June 30, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				June 30, 2019	December 31, 2018	Number of Shares	Percentage of Ownership (%)	Carrying Amount			
Far EasTone Telecommunications 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	\$ 25,233,504	\$ 226,355	\$ 174,726	Notes A and B
	ARCOA Communication Co., Ltd.	Taiwan	Sales of communications products and office equipment	1,305,802	1,305,802	82,762,221	61.63	818,861	92,208	(99,470)	Notes A and B
	KGEx.com Co., Ltd.	Taiwan	Type II telecommunications services	2,340,472	2,340,472	68,897,234	99.99	804,408	76,756	76,306	Notes A and D
	Yuanshi Digital Technology Co., Ltd.	Taiwan	Electronic information services	886,169	886,169	90,014,424	86.41	(502,605)	(112,939)	(97,594)	Notes A and D
	Yuan Cing Co., Ltd.	Taiwan	Call center services	-	-	2,000,000	100.00	27,093	3,389	3,389	Notes A, D and G
	Far Eastern Info Service (Holding) Ltd.	Bermuda	Investments	92,616	92,616	1,200	100.00	5,068	(10)	(10)	Notes A and D
	Omusic Co., Ltd.	Taiwan	Electronic information services	-	25,000	-	-	-	1,431	715	Notes A and D
	Far Eastern Electronic Toll Collection Co., Ltd.	Taiwan	Electronic information services and electronic toll collection services	2,542,396	2,542,396	118,250,967	39.42	961,182	213,729	82,908	Notes C and D
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	139,500	139,500	5,446,644	15.00	52,957	(10,319)	(1,169)	Notes C and D
	Yuan Hsin Digital Payment Co., Ltd.	Taiwan	Other financing and support services	600,000	600,000	30,626,472	30.00	200,911	(107,019)	(32,164)	Notes C and D
ARCOA Communication Co., Ltd.	DataExpress Infotech Co., Ltd.	Taiwan	Sale of communications products	141,750	141,750	12,866,353	70.00	195,676	47,070	-	Notes D and E
New Century InfoComm Tech Co., Ltd.	New Diligent Co., Ltd.	Taiwan	Investments	540,000	540,000	54,000,000	100.00	87,480	228	-	Notes D and E
	Information Security Service Digital United Inc.	Taiwan	Security and monitoring service via internet	148,777	148,777	10,249,047	100.00	108,383	2,349	-	Notes D and E
	Digital United (Cayman) Ltd.	Cayman Islands	Investments	317,446	317,446	10,320,000	100.00	201,104	712	-	Notes D and E
	Yuanshi Digital Technology Co., Ltd.	Taiwan	Electronic information services	20,000	20,000	2,499,617	2.40	(13,957)	(112,939)	-	Notes A and D
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	46,500	46,500	1,815,548	5.00	17,652	(10,319)	-	Notes C and D
	Prime EcoPower Co., Ltd.	Taiwan	Energy technology services	160,000	160,000	16,000,000	100.00	147,137	(8,178)	-	Notes D and E
	Drive Catalyst SPC-SP Tranche One	Cayman Islands	Investments	123,220	123,220	4,000	25.00	124,951	2,829	-	Notes C and D
	Nextlink Technology Co., Ltd.	Taiwan	Electronic information services	420,000	-	3,430,000	70.00	419,460	8,135	-	Notes D and E
New Diligent Co., Ltd.	Sino Lead Enterprise Limited	Hong Kong	Telecommunications services	125	125	30,000	100.00	278	37	-	Notes D and E
	Far Eastern New Diligent Company Ltd.	British Virgin Islands	Investments	330,598	330,598	-	100.00	25,140	46	-	Notes D and E
	New Diligent Hong Kong Co., Ltd.	Hong Kong	Investments	3,051	3,051	-	100.00	2,918	(17)	-	Notes D and E
DataExpress Infotech Co., Ltd.	Linkwell Tech. Ltd.	Taiwan	Sale of communications products	10,000	10,000	-	100.00	62,578	10,828	-	Notes D and E
	Home Master Technology Ltd.	Taiwan	Sale of communications products	10,000	10,000	-	100.00	28,948	12,617	-	Notes D and E
Nextlink Technology Co., Ltd.	Microfusion Technology Co., Ltd.	Taiwan	Electronic information services	17,000	17,000	2,600,000	100.00	9,416	2,047	-	Notes D and E
	Nextlink (HK) Technology Co., Ltd.	Hong Kong	Electronic information services	973	973	-	100.00	17,034	8,554	-	Notes D and E
Microfusion Technology Co., Ltd.	Microfusion (HK) Technology Co., Ltd.	Hong Kong	Electronic information services	-	-	-	-	-	-	-	Notes D, E and H

Note A: Subsidiary.

Note B: The calculation was based on the reviewed financial statements as of June 30, 2019.

Note C: Investee of the Group accounted for using the equity method.

Note D: The calculation was based on the unreviewed financial statements as of June 30, 2019.

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

Note F: Investments in mainland China are shown in Schedule H.

Note G: Yuan Cing Co., Ltd. reduced capital and remitted cash which exceeded the original investment amount. Thus, the investment amount is \$0.

Note H: Microfusion (HK) Technology Co., Ltd. was established on September 4, 2018. The investment amount had not been remitted to the investee as of June 30, 2019.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2019
(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, 2019	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of June 30, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of June 30, 2019	Accumulated Repatriation of Investment Income as of June 30, 2019
					Outward	Inward						
Digital United Information Technologies (Shanghai) Ltd. (Note F)	Design, research, installment and maintenance of computer software and systems	\$ 96,286 (US\$ 3,100,000)	2	\$ 96,286 (US\$ 3,100,000)	\$ -	\$ -	\$ 96,286 (US\$ 3,100,000)	\$ 400	100.00	\$ 400	\$ 2,292 (RMB 507,000)	\$ -
Far Eastern Tech-info Ltd. (Shanghai) (Note F)	Computer software, data processing and provision of network information	186,360 (US\$ 6,000,000)	2	201,326 (Note E)	-	-	201,326 (Note E)	(25)	100.00 (Note B)	(25) (Note B)	11,707 (RMB 2,589,000) (Note B)	-
Nextlink (Shanghai) Technologies Co., Ltd. (Note F)	Electronic information services	2,236 (US\$ 72,000)	2	2,236 (US\$ 72,000)	-	-	2,236 (US\$ 72,000)	821	70.00	522	2,965 (HK\$ 746,000)	-

Company Name	Accumulated Investments in Mainland China as of June 30, 2019	Investment Amounts Authorized by the Investment Commission, MOEA	Limit on Investments (Note C)
Far EasTone Telecommunications Co., Ltd.	\$ 92,616	\$ 92,616	\$ 39,246,741
New Century InfoComm Tech Co., Ltd.	96,286 (US\$ 3,100,000)	96,286 (US\$ 3,100,000)	13,554,484
New Diligent Co., Ltd.	463,633 (US\$14,927,000) (Notes D and E)	463,633 (US\$14,927,000) (Notes D and E)	52,488
Nextlink Technology Co., Ltd.	2,236 (US\$ 72,000)	2,236 (US\$ 72,000)	42,904

Note A: Method of investment is as follows:

- Far EasTone made the investment directly.
- Far EasTone made the investment indirectly 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, Far Eastern New Diligent Company Ltd. and Nextlink (HK) Technology Co., Ltd.
- Others.

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

Note C: The limit is up to 60% of the investor’s net worth as stated in the Principles Governing the Review of Investment or Technical Cooperation in Mainland China, which was issued on August 29, 2008 by the Investment Commission of the MOEA.

Note D: The amount includes US\$11,427,000 from an investee company which was dissolved, but the registration of the investment amount had not been written off with the Investment Commission of the MOEA. In addition, an investment amount of US\$73,000 registered with the Investment Commission of the MOEA was remitted back to Taiwan on June 27, 2012 and the same amount was written off on the same date.

Note E: The amount includes US\$3,500,000.

Note F: The calculation was based on the unreviewed financial statements as of June 30, 2019.