

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

**Consolidated Financial Statements for the
Three Months Ended March 31, 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 March 31, 2019 and 2018, the related consolidated statements of comprehensive income, the consolidated statements of changes in equity and cash flows for the three months then ended, and the related notes to the consolidated financial statements, 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 March 31, 2019 and 2018, combined total assets of these non-significant subsidiaries were NT\$4,071,806 thousand and NT\$3,296,369 thousand, respectively, representing 3.0% and 2.5%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT\$2,684,270 thousand and NT\$2,387,402 thousand, respectively, representing 4.7% and 4.4%, respectively, of the consolidated total liabilities; for the three months ended March 31, 2019 and 2018, the amounts of combined comprehensive income (loss) of these subsidiaries were NT\$11,938 thousand and NT\$(85,830) thousand, respectively, representing 0.5% and (3.5%), 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 March 31, 2019 and 2018 were NT\$1,339,084 thousand and NT\$1,199,637 thousand, respectively; and the related share of the investments' comprehensive loss for the three months ended March 31, 2019 and 2018 were NT\$(12,077) thousand and NT\$(5,378) thousand, respectively. The

aforementioned balance of investments accounted for using the equity method and the related share of the investments' comprehensive loss recognized, and the related information on the Group's investments disclosed in Note 34 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 the 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 March 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the three months then ended 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

May 8, 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)

ASSETS	March 31, 2019 (Reviewed)		December 31, 2018 (Audited)		March 31, 2018 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Notes 6 and 30)	\$ 6,410,368	5	\$ 4,248,345	3	\$ 4,638,682	4
Financial assets at fair value through profit or loss - current (Note 29)	756,345	1	732,898	1	575,507	-
Financial assets at amortized cost - current (Notes 8 and 30)	575,097	-	543,600	1	617,649	-
Financial assets for hedging - current (Notes 29 and 30)	-	-	1,868	-	1,035	-
Contract assets - current (Note 24)	3,813,569	3	3,762,170	3	3,698,728	3
Notes receivable, net (Note 9)	68,537	-	42,717	-	70,886	-
Accounts receivable, net (Note 9)	7,241,186	5	7,747,548	6	7,274,146	6
Accounts receivable - related parties (Notes 9 and 30)	218,074	-	259,108	-	180,350	-
Inventories (Note 10)	2,324,469	2	3,760,419	3	4,467,894	3
Prepaid expenses (Note 3)	720,866	1	996,001	1	867,176	1
Other financial assets - current (Notes 30 and 31)	1,734,562	1	1,730,485	1	2,857,307	2
Other current assets (Note 30)	<u>255,638</u>	<u>-</u>	<u>114,966</u>	<u>-</u>	<u>126,446</u>	<u>-</u>
Total current assets	<u>24,118,711</u>	<u>18</u>	<u>23,940,125</u>	<u>19</u>	<u>25,375,806</u>	<u>19</u>
NONCURRENT ASSETS						
Financial assets at fair value through other comprehensive income - noncurrent (Notes 7 and 29)	435,847	-	432,111	-	257,544	-
Investments accounted for using the equity method (Notes 3 and 12)	1,339,084	1	1,353,441	1	1,199,637	1
Contract assets - noncurrent (Note 24)	1,708,328	1	1,535,757	1	1,831,634	1
Property, plant and equipment, net (Notes 3, 4, 13 and 30)	39,683,909	30	41,843,053	33	44,777,184	34
Right-of-use assets (Notes 3, 4, 14 and 30)	8,317,677	6	-	-	-	-
Investment properties (Note 15)	992,546	1	992,546	1	1,082,453	1
Concessions, net (Notes 1 and 16)	37,979,282	28	38,688,253	30	41,037,446	31
Goodwill (Note 16)	11,179,426	8	10,806,128	9	10,808,901	8
Other intangible assets (Note 16)	3,684,834	3	3,628,304	3	3,477,470	2
Deferred income tax assets (Note 4)	847,116	1	854,022	1	866,707	1
Incremental costs of obtaining a contract - noncurrent (Note 24)	2,384,140	2	1,802,163	1	1,525,025	1
Other noncurrent assets (Notes 4, 9, 17, 29, 30 and 31)	<u>1,014,784</u>	<u>1</u>	<u>940,606</u>	<u>1</u>	<u>816,907</u>	<u>1</u>
Total noncurrent assets	<u>109,566,973</u>	<u>82</u>	<u>102,876,384</u>	<u>81</u>	<u>107,680,908</u>	<u>81</u>
TOTAL	<u>\$ 133,685,684</u>	<u>100</u>	<u>\$ 126,816,509</u>	<u>100</u>	<u>\$ 133,056,714</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 18)	\$ 610,000	1	\$ 2,120,000	2	\$ 440,000	-
Short-term bills payable (Note 18)	354,657	-	1,269,373	1	309,809	-
Contract liabilities - current (Note 24)	2,177,453	2	2,256,000	2	2,725,977	2
Notes payable	36,255	-	16,899	-	30,071	-
Accounts payable (Note 30)	5,136,706	4	4,438,923	3	5,466,539	4
Other payables (Notes 3 and 20)	5,416,083	4	6,860,347	5	6,062,487	5
Current tax liabilities (Notes 3 and 4)	3,928,493	3	3,362,323	3	3,807,266	3
Provisions - current (Note 21)	174,482	-	169,739	-	232,593	-
Lease liabilities - current (Notes 3, 4, 14 and 30)	2,886,472	2	-	-	-	-
Current portion of long-term borrowings (Notes 18 and 19)	3,199,339	2	3,199,112	3	8,999,061	7
Guarantee deposits received - current	191,359	-	191,666	-	240,773	-
Other current liabilities (Notes 3, 20 and 30)	<u>1,724,607</u>	<u>1</u>	<u>1,736,877</u>	<u>1</u>	<u>859,635</u>	<u>1</u>
Total current liabilities	<u>25,835,906</u>	<u>19</u>	<u>25,621,259</u>	<u>20</u>	<u>29,174,211</u>	<u>22</u>
NONCURRENT LIABILITIES						
Contract liabilities - noncurrent (Note 24)	229,418	-	208,272	-	226,799	-
Bonds payable (Note 19)	22,176,859	17	22,175,150	17	20,375,327	15
Long-term borrowings (Note 18)	-	-	700,000	1	-	-
Provisions - noncurrent (Note 21)	919,320	1	911,333	1	888,258	1
Deferred income tax liabilities (Note 4)	2,174,174	2	2,172,598	2	2,054,198	1
Lease liabilities - noncurrent (Notes 3, 4, 14 and 30)	5,035,641	4	-	-	-	-
Net defined benefit liabilities - noncurrent (Note 4)	654,757	-	661,240	1	724,808	1
Guarantee deposits received - noncurrent	278,886	-	283,214	-	293,913	-
Other noncurrent liabilities (Note 3)	<u>-</u>	<u>-</u>	<u>47,260</u>	<u>-</u>	<u>66,615</u>	<u>-</u>
Total noncurrent liabilities	<u>31,469,055</u>	<u>24</u>	<u>27,159,067</u>	<u>22</u>	<u>24,629,918</u>	<u>18</u>
Total liabilities	<u>57,304,961</u>	<u>43</u>	<u>52,780,326</u>	<u>42</u>	<u>53,804,129</u>	<u>40</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>25</u>
Capital surplus	<u>5,820,041</u>	<u>4</u>	<u>5,820,041</u>	<u>5</u>	<u>8,143,351</u>	<u>6</u>
Retained earnings						
Legal reserve	18,487,851	14	18,487,851	15	17,405,561	13
Special reserve	626,328	1	626,328	-	783,467	-
Unappropriated earnings	<u>17,943,670</u>	<u>13</u>	<u>15,766,913</u>	<u>12</u>	<u>19,640,364</u>	<u>15</u>
Total retained earnings	<u>37,057,849</u>	<u>28</u>	<u>34,881,092</u>	<u>27</u>	<u>37,829,392</u>	<u>28</u>
Other equity	<u>411</u>	<u>-</u>	<u>31,357</u>	<u>-</u>	<u>2,916</u>	<u>-</u>
Total equity attributable to owners of Far EasTone	75,463,309	56	73,317,498	58	78,560,667	59
NONCONTROLLING INTERESTS	<u>917,414</u>	<u>1</u>	<u>718,685</u>	<u>-</u>	<u>691,918</u>	<u>1</u>
Total equity	<u>76,380,723</u>	<u>57</u>	<u>74,036,183</u>	<u>58</u>	<u>79,252,585</u>	<u>60</u>
TOTAL	<u>\$ 133,685,684</u>	<u>100</u>	<u>\$ 126,816,509</u>	<u>100</u>	<u>\$ 133,056,714</u>	<u>100</u>

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

(With Deloitte & Touche review report dated May 8, 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 March 31			
	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 24 and 30)	\$ 20,819,459	100	\$ 21,666,560	100
OPERATING COSTS (Notes 10, 25 and 30)	<u>14,151,687</u>	<u>68</u>	<u>14,591,069</u>	<u>67</u>
GROSS PROFIT	<u>6,667,772</u>	<u>32</u>	<u>7,075,491</u>	<u>33</u>
OPERATING EXPENSES (Notes 25 and 30)				
Marketing	2,271,621	11	2,394,103	11
General and administrative	1,253,820	6	1,366,766	7
Expected credit losses	<u>74,116</u>	<u>-</u>	<u>63,310</u>	<u>-</u>
Total operating expenses	<u>3,599,557</u>	<u>17</u>	<u>3,824,179</u>	<u>18</u>
OPERATING INCOME	<u>3,068,215</u>	<u>15</u>	<u>3,251,312</u>	<u>15</u>
NONOPERATING INCOME AND EXPENSES (Notes 4, 25, 29 and 30)				
Other income	20,052	-	17,794	-
Other gains and losses	50,232	-	25,062	-
Financial costs	(108,698)	-	(106,977)	(1)
Share of the gain of associates	24,126	-	4,857	-
Loss on disposal of property, plant and equipment and intangible assets	<u>(191,905)</u>	<u>(1)</u>	<u>(100,642)</u>	<u>-</u>
Total nonoperating income and expenses	<u>(206,193)</u>	<u>(1)</u>	<u>(159,906)</u>	<u>(1)</u>
INCOME BEFORE INCOME TAX	2,862,022	14	3,091,406	14
INCOME TAX (Notes 4 and 26)	<u>611,025</u>	<u>3</u>	<u>633,738</u>	<u>3</u>
NET INCOME	<u>2,250,997</u>	<u>11</u>	<u>2,457,668</u>	<u>11</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Note 23)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized (loss) gain on investments in equity instruments designated as at fair value through other comprehensive income	(380)	-	5,969	-
Share of the other comprehensive loss of associates accounted for using the equity method	<u>(3)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(383)</u>	<u>-</u>	<u>5,969</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 March 31			
	2019		2018	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	\$ 5,531	-	\$ 790	-
Share of the other comprehensive loss of associates accounted for using the equity method	(36,260)	-	(10,235)	-
	(30,729)	-	(9,445)	-
Total other comprehensive loss, net of income tax	(31,112)	-	(3,476)	-
TOTAL COMPREHENSIVE INCOME	<u>\$ 2,219,885</u>	<u>11</u>	<u>\$ 2,454,192</u>	<u>11</u>
NET INCOME ATTRIBUTABLE TO:				
Owners of Far EasTone	\$ 2,231,542	11	\$ 2,453,198	11
Noncontrolling interests	19,455	-	4,470	-
	<u>\$ 2,250,997</u>	<u>11</u>	<u>\$ 2,457,668</u>	<u>11</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of Far EasTone	\$ 2,200,596	11	\$ 2,449,715	11
Noncontrolling interests	19,289	-	4,477	-
	<u>\$ 2,219,885</u>	<u>11</u>	<u>\$ 2,454,192</u>	<u>11</u>
EARNINGS PER SHARE, NEW TAIWAN DOLLARS (Note 27)				
Basic	<u>\$ 0.68</u>		<u>\$ 0.75</u>	
Diluted	<u>\$ 0.68</u>		<u>\$ 0.75</u>	

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

(With Deloitte & Touche review report dated May 8, 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						
	Capital Stock (Note 23)	Capital Surplus (Note 23)	Retained Earnings		Unappropriated Earnings (Notes 3 and 23)	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 and 28)	Total Equity
			Legal Reserve (Note 23)	Special Reserve (Note 23)								
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
Changes in equity from investments in associates accounted for using the equity method	-	6	-	-	(6)	-	-	-	-	-	-	-
Net income for the three months ended March 31, 2018	-	-	-	-	2,453,198	-	-	-	-	2,453,198	4,470	2,457,668
Other comprehensive income (loss) for the three months ended March 31, 2018, net of income tax	-	-	-	-	-	783	5,969	-	(10,235)	(3,483)	7	(3,476)
Return of cash capital due to subsidiary's liquidation	-	-	-	-	-	-	-	-	-	-	(360)	(360)
BALANCE AT MARCH 31, 2018	<u>\$ 32,585,008</u>	<u>\$ 8,143,351</u>	<u>\$ 17,405,561</u>	<u>\$ 783,467</u>	<u>\$ 19,640,364</u>	<u>\$ 4,905</u>	<u>\$ (5,764)</u>	<u>\$ -</u>	<u>\$ 3,775</u>	<u>\$ 78,560,667</u>	<u>\$ 691,918</u>	<u>\$ 79,252,585</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	-	-	-	-	(54,785)	-	-	-	-	(54,785)	(560)	(55,345)
BALANCE AT JANUARY 1, 2019 AS RESTATED	32,585,008	5,820,041	18,487,851	626,328	15,712,128	4,197	808	-	26,352	73,262,713	718,125	73,980,838
Net income for the three months ended March 31, 2019	-	-	-	-	2,231,542	-	-	-	-	2,231,542	19,455	2,250,997
Other comprehensive income (loss) for the three months ended March 31, 2019, net of income tax	-	-	-	-	-	5,355	(212)	-	(36,089)	(30,946)	(166)	(31,112)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	180,000	180,000
BALANCE AT MARCH 31, 2019	<u>\$ 32,585,008</u>	<u>\$ 5,820,041</u>	<u>\$ 18,487,851</u>	<u>\$ 626,328</u>	<u>\$ 17,943,670</u>	<u>\$ 9,552</u>	<u>\$ 596</u>	<u>\$ -</u>	<u>\$ (9,737)</u>	<u>\$ 75,463,309</u>	<u>\$ 917,414</u>	<u>\$ 76,380,723</u>

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

(With Deloitte & Touche review report dated May 8, 2019)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 2,862,022	\$ 3,091,406
Adjustments for:		
Depreciation	3,450,402	2,561,974
Amortization	243,278	213,570
Amortization of concessions	708,971	783,064
Expected credit losses	74,116	63,310
Net (gain) loss on fair value changes of financial assets at fair value through profit or loss	(23,447)	19,693
Financial costs	108,698	106,977
Interest income	(9,380)	(9,781)
Share of the gain of associates	(24,126)	(4,857)
Loss on disposal of property, plant and equipment and intangible assets	191,905	100,642
Write-down of inventories	6,517	11,907
Gain on modifications of lease arrangements	(859)	-
Net changes in operating assets and liabilities		
Financial assets for hedging	1,868	665
Contract assets	(223,970)	321,475
Notes receivable	(13,796)	(565)
Accounts receivable	597,640	523,771
Accounts receivable - related parties	41,034	71,560
Inventories	1,470,819	296,746
Prepaid expenses	(108,247)	(7,664)
Other current assets	(122,778)	10,033
Incremental costs of obtaining a contract	(581,977)	41,165
Contract liabilities	(110,334)	111,664
Notes payable	12,215	(15,566)
Accounts payable	532,528	(1,048,513)
Other payables	(985,142)	(1,183,672)
Provisions	(3,575)	(9,734)
Other current liabilities	18,182	32,922
Net defined benefit liabilities	(6,504)	(3,392)
Cash generated from operations	8,106,060	6,078,800
Interest received	8,876	7,051
Interest paid	(89,686)	(75,549)
Income taxes paid	(17,528)	(3,942)
Net cash generated from operating activities	<u>8,007,722</u>	<u>6,006,360</u>

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FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at amortized cost	\$ (31,497)	\$ -
Proceeds from the disposal of financial assets at amortized cost	-	41,116
Increase in prepayments for investment	(100,000)	-
Net cash outflow on acquisition of a subsidiary	(351,804)	-
Acquisition of property, plant and equipment	(1,245,391)	(1,503,625)
Proceeds from the disposal of property, plant and equipment	5,084	31,505
Increase in refundable deposits	(76,378)	(122,164)
Decrease in refundable deposits	100,679	72,286
Acquisition of intangible assets	(139,889)	(211,648)
Increase in other financial assets	<u>(4,077)</u>	<u>(614)</u>
Net cash used in investing activities	<u>(1,843,273)</u>	<u>(1,693,144)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(1,510,000)	(424,000)
(Decrease) increase in short-term bills payable	(914,716)	10,128
Repayment of long-term borrowings	(700,000)	(7,600,000)
Increase in guarantee deposits received	11,963	20,613
Decrease in guarantee deposits received	(17,775)	(29,009)
Repayment of the principal portion of lease liabilities	(873,706)	-
Net changes in noncontrolling interests	<u>-</u>	<u>(360)</u>
Net cash used in financing activities	<u>(4,004,234)</u>	<u>(8,022,628)</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>1,808</u>	<u>790</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,162,023	(3,708,622)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>4,248,345</u>	<u>8,347,304</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 6,410,368</u>	<u>\$ 4,638,682</u>

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

(With Deloitte & Touche review report dated May 8, 2019)

(Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 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 (the TWSE) on August 24, 2005. Far EasTone provides wireless communications, leased circuit, Internet and international simple resale (ISR) services and also sells cellular phone equipment and accessories. As of March 31, 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 and a license to provide local/domestic long-distance land cable leased circuit services from January 2003 until December 2017.

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 May 8, 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 amounts on January 1, 2019	<u>\$ 8,205,789</u>
Discounted amounts 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	(2,280)	1,351,161
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	7,982,011	134,798,520
<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	\$ (54,785)	\$ 34,826,307
Noncontrolling interests	718,685	(560)	718,125
Total equity	74,036,183	(55,345)	73,980,838 (Concluded)

- b. 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 1)</u>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 2)
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
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

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

Note 2: The 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 3: 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.

4. 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 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 or 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 occur.

6. CASH AND CASH EQUIVALENTS

	March 31, 2019	December 31, 2018	March 31, 2018
Cash on hand	\$ 10,672	\$ 11,212	\$ 12,663
Checking and demand deposits	3,513,062	2,619,064	2,978,721
Cash equivalents			
Commercial paper purchased under resale agreements	1,858,870	953,606	1,552,936
Certificates of deposits	<u>1,027,764</u>	<u>664,463</u>	<u>94,362</u>
	<u>\$ 6,410,368</u>	<u>\$ 4,248,345</u>	<u>\$ 4,638,682</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Noncurrent</u>			
Investments in equity instruments at FVTOCI	<u>\$ 435,847</u>	<u>\$ 432,111</u>	<u>\$ 257,544</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

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Current</u>			
Certificates of deposits with original maturities of more than 3 months	<u>\$ 575,097</u>	<u>\$ 543,600</u>	<u>\$ 617,649</u>

9. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Notes receivable</u>			
At amortized cost			
Gross carrying amount	\$ 68,537	\$ 42,717	\$ 70,886
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 68,537</u>	<u>\$ 42,717</u>	<u>\$ 70,886</u>
Notes receivable - operating	<u>\$ 68,537</u>	<u>\$ 42,717</u>	<u>\$ 70,886</u>
<u>Accounts receivable (including other noncurrent assets and related parties)</u>			
At amortized cost			
Gross carrying amount	\$ 8,199,439	\$ 8,719,407	\$ 8,279,647
Less: Allowance for impairment loss	(663,719)	(632,681)	(772,075)
Less: Unrealized interest income	<u>(4,866)</u>	<u>(5,210)</u>	<u>(3,133)</u>
	<u>\$ 7,530,854</u>	<u>\$ 8,081,516</u>	<u>\$ 7,504,439</u>

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

	March 31, 2019	December 31, 2018	March 31, 2018
Gross amounts of accounts receivable	\$ 88,765	\$ 92,104	\$ 61,695
Unrealized interest income	<u>(4,866)</u>	<u>(5,210)</u>	<u>(3,133)</u>
	<u>\$ 83,899</u>	<u>\$ 86,894</u>	<u>\$ 58,562</u>

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 applies the simplified approach to allowances for expected credit losses prescribed by IFRS 9, which permits the use of a lifetime expected loss allowance for all notes receivable and accounts receivable. 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 5.57%-100%, respectively.

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

March 31, 2019

	Not Overdue	Overdue Less than 60 Days	Overdue 60 Days or More	Total
Gross carrying amount	\$ 7,250,606	\$ 667,669	\$ 344,835	\$ 8,263,110
Loss allowance (lifetime ECLs)	<u>(409,287)</u>	<u>(59,975)</u>	<u>(194,457)</u>	<u>(663,719)</u>
Amortized cost	<u>\$ 6,841,319</u>	<u>\$ 607,694</u>	<u>\$ 150,378</u>	<u>\$ 7,599,391</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>

March 31, 2018

	Not Overdue	Overdue Less than 60 Days	Overdue 60 Days or More	Total
Gross carrying amount	\$ 7,370,950	\$ 357,261	\$ 548,303	\$ 8,276,514
Loss allowance (lifetime ECLs)	<u>(345,426)</u>	<u>(48,858)</u>	<u>(377,791)</u>	<u>(772,075)</u>
Amortized cost	<u>\$ 7,025,524</u>	<u>\$ 308,403</u>	<u>\$ 170,512</u>	<u>\$ 7,504,439</u>

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

	For the Three Months Ended March 31	
	2019	2018
Balance at January 1, 2019	\$ 632,681	\$ 952,244
Add: Acquisitions through business combinations	5,205	
Add: Amounts recovered	55,700	81,633
Add: Net remeasurement of loss allowance	74,116	(89,397)
Less: Amounts written off	(103,990)	(172,405)
Foreign exchange gains and losses	<u>7</u>	<u>-</u>
Balance at March 31, 2019	<u>\$ 663,719</u>	<u>\$ 772,075</u>

10. INVENTORIES

	March 31, 2019	December 31, 2018	March 31, 2018
Cellular phone equipment and accessories	\$ 1,887,904	\$ 3,315,350	\$ 3,806,262
Others	<u>436,565</u>	<u>445,069</u>	<u>661,632</u>
	<u>\$ 2,324,469</u>	<u>\$ 3,760,419</u>	<u>\$ 4,467,894</u>

Costs of inventories sold were \$7,444,531 thousand and \$7,669,891 thousand, respectively, for the three months ended March 31, 2019 and 2018.

Inventory write-downs amounting to \$6,517 thousand and \$11,907 thousand were included in the cost of sales for the three months ended March 31, 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
			March 31, 2019	December 31, 2018	March 31, 2018	
Far EasTone	NCIC	Type I, II telecommunications services	100.00	100.00	100.00	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	50.00	
	Qware	Type II telecommunications services	-	-	81.63	
FEIS	FETI	Computer software, data processing and network information services	41.67	41.67	41.67	

(Continued)

Investor Company	Investee Company	Main Businesses and Products	Percentage of Ownership (%)			Note
			March 31, 2019	December 31, 2018	March 31, 2018	
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	
	Home Master	Sale of communications products	100.00	100.00	100.00	
Nextlink Technology	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 March 31, 2019.
Nextlink (HK) Technology	Nextlink (SH) Technology	Electronic information services	100.00	-	-	

(Concluded)

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 three months ended March 31, 2019 and 2018, the financial statements of all other investees were unreviewed.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	March 31, 2019	December 31, 2018	March 31, 2018
Material associate			
Far Eastern Electronic Toll Collection Co., Ltd.	\$ 926,245	\$ 924,758	\$ 828,687
Associates that are not individually material	<u>412,839</u>	<u>428,683</u>	<u>370,950</u>
	<u>\$ 1,339,084</u>	<u>\$ 1,353,441</u>	<u>\$ 1,199,637</u>

Material associates:

Company	Nature of Activities	Main Place of Business	Interests and the Voting Rights		
			March 31, 2019	December 31, 2018	March 31, 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 as 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 on October 19, 2018, the Taipei District Court pronounced the judgment in FETC's favor. The TANFB filed an appeal on November 9, 2018.

FETC failed to complete the taximeter system infrastructure within a 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 had 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	Building	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	-	6,772	-	4,597	9,452	764,846	785,667
Disposals	-	(23,645)	(467,334)	(496,665)	(186,585)	(7,710)	(1,181,939)
Acquisition through business combinations	-	-	-	1,192	6,269	-	7,461
Adjustments and reclassification	-	7,138	1,091,239	163,494	22,601	(1,284,472)	-
Balance at March 31, 2019	<u>\$ 7,023,832</u>	<u>\$ 7,974,407</u>	<u>\$ 80,990,490</u>	<u>\$ 14,265,333</u>	<u>\$ 6,499,094</u>	<u>\$ 1,254,768</u>	<u>\$ 118,007,924</u>
<u>Accumulated depreciation and impairment</u>							
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	-	(54,218)	(2,146,720)	(239,070)	(93,655)	-	(2,533,663)
Disposals	-	23,554	294,930	496,582	170,048	-	985,114
Acquisition through business combinations	-	-	-	(908)	(2,208)	-	(3,116)
Adjustments and reclassification	-	-	-	(697)	697	-	-
Balance at March 31, 2019	<u>\$ (95,894)</u>	<u>\$ (4,123,276)</u>	<u>\$ (55,353,916)</u>	<u>\$ (12,916,449)</u>	<u>\$ (5,834,480)</u>	<u>\$ -</u>	<u>\$ (78,324,015)</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 March 31, 2019	<u>\$ 6,927,938</u>	<u>\$ 3,851,131</u>	<u>\$ 25,636,574</u>	<u>\$ 1,348,884</u>	<u>\$ 664,614</u>	<u>\$ 1,254,768</u>	<u>\$ 39,683,909</u>
<u>Cost</u>							
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	-	972	11,655	1,123	15,940	1,179,316	1,209,006
Disposals	-	(623)	(2,082,628)	(13,620)	(49,734)	(7,714)	(2,154,319)
Adjustments and reclassification	-	42,287	1,083,942	169,580	42,229	(1,338,038)	-
Balance at March 31, 2018	<u>\$ 5,250,776</u>	<u>\$ 7,953,607</u>	<u>\$ 84,224,622</u>	<u>\$ 14,785,693</u>	<u>\$ 7,289,464</u>	<u>\$ 2,456,821</u>	<u>\$ 121,960,983</u>

(Continued)

	Freehold Land	Building	Operating Equipment	Computer Equipment	Other Equipment	Construction-in-progress	Total
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	-	(58,361)	(2,063,379)	(315,683)	(124,551)	-	(2,561,974)
Disposals	-	623	2,001,119	13,601	35,421	-	2,050,764
Adjustments and reclassification	-	-	-	-	-	-	-
Balance at March 31, 2018	<u>\$ (95,894)</u>	<u>\$ (3,962,915)</u>	<u>\$ (54,010,722)</u>	<u>\$ (12,801,256)</u>	<u>\$ (6,313,012)</u>	<u>\$ -</u>	<u>\$ (77,183,799)</u>
Carrying amount at March 31, 2018	<u>\$ 5,154,882</u>	<u>\$ 3,990,692</u>	<u>\$ 30,213,900</u>	<u>\$ 1,984,437</u>	<u>\$ 976,452</u>	<u>\$ 2,456,821</u>	<u>\$ 44,777,184</u>

(Concluded)

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated 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

March 31, 2019

Carrying amounts

Buildings \$ 8,130,935
Other equipment 186,742

\$ 8,317,677

For the Three Months Ended March 31, 2019

Additions to right-of-use assets \$ 750,415

Depreciation charge for right-of-use assets
Buildings \$ 882,274
Other equipment 34,465

\$ 916,739

b. Lease liabilities - 2019

March 31, 2019

Carrying amounts

Current \$ 2,886,472
Non-current \$ 5,035,641

Discount rate ranges for lease liabilities were as follows:

	March 31, 2019
Buildings	0.73%-1.44%
Other equipment	0.73%-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 2 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 March 31, 2019
Expenses relating to short-term leases	\$ 14,049
Total cash outflow for leases	\$ (893,182)

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	March 31, 2018
Not later than 1 year	\$ 2,918,074	\$ 3,170,447
Later than 1 year and not later than 5 years	5,294,309	5,262,916
Later than 5 years	<u>15,635</u>	<u>35,180</u>
	<u>\$ 8,228,018</u>	<u>\$ 8,468,543</u>

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

	For the Three Months Ended March 31, 2018
Minimum lease payments	\$ <u>966,578</u>

15. INVESTMENT PROPERTIES

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

The lease terms of investments properties were 3-6 years. The rights of lease term extension contain clauses for market rental reviews. The lessee does not have a bargain purchase option to acquire the investment property at the expiry of the lease period.

The maturity analysis of lease payments receivable under operating leases of investment properties as of March 31, 2019 is as follows:

	March 31, 2019
Year 1	\$ 22,485
Year 2	20,198
Year 3	12,824
Year 4	7,337
Year 5	2,168
Year 6 onwards	<u>-</u>
	<u>\$ 65,012</u>

The future minimum lease payments of noncancellable operating lease commitments as of December 31 and March 31, 2018 were as follows:

	December 31, 2018	March 31, 2018
Not later than 1 year	\$ 21,539	\$ 23,729
Later than 1 year and not later than 5 years	47,564	59,553
Later than 5 years	<u>75</u>	<u>800</u>
	<u>\$ 69,178</u>	<u>\$ 84,082</u>

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

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

The fair value of the investment properties as of December 31, 2018 and 2017 was 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 value reported at December 31, 2018 and 2017 were still valid as of March 31, 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.

	March 31, 2019	December 31, 2018	March 31, 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 for the three months ended March 31, 2019 and 2018 were \$6,065 thousand and \$6,436 thousand, respectively.

The expected future cash inflows generated by investment properties referred to rental income, interest income on rental deposits, and loss on vacancy rate of space and disposal value. The rental income was extrapolated using the comparative market rentals covering 10 years, excluding 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. The expenditure is 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	-	-	139,889	-	139,889
Disposals	(10,169,000)	-	(107,193)	-	(10,276,193)
Acquisition through business combinations	<u>-</u>	<u>373,298</u>	<u>1,000</u>	<u>159,985</u>	<u>534,283</u>
Balance at March 31, 2019	<u>\$ 46,960,000</u>	<u>\$ 11,196,699</u>	<u>\$ 17,834,235</u>	<u>\$ 898,712</u>	<u>\$ 76,889,646</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	(708,971)	-	(229,930)	(13,348)	(952,249)
Disposals	10,169,000	-	106,721	-	10,275,721
Acquisition through business combinations	<u>-</u>	<u>-</u>	<u>(594)</u>	<u>-</u>	<u>(594)</u>
Balance at March 31, 2019	<u>\$ (8,980,718)</u>	<u>\$ (17,273)</u>	<u>\$(14,600,467)</u>	<u>\$(447,646)</u>	<u>\$(24,046,104)</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 March 31, 2019	<u>\$ 37,979,282</u>	<u>\$ 11,179,426</u>	<u>\$ 3,233,768</u>	<u>\$ 451,066</u>	<u>\$ 52,843,542</u>
<u>Cost</u>					
Balance at January 1, 2018	\$ 57,129,000	\$ 10,883,789	\$ 17,173,627	\$ 871,368	\$ 86,057,784
Additions	-	-	211,648	-	211,648
Disposals	<u>-</u>	<u>(57,615)</u>	<u>(396,862)</u>	<u>(132,641)</u>	<u>(587,118)</u>
Balance at March 31, 2018	<u>\$ 57,129,000</u>	<u>\$ 10,826,174</u>	<u>\$ 16,988,413</u>	<u>\$ 738,727</u>	<u>\$ 85,682,314</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	(783,064)	-	(202,888)	(10,682)	(996,634)
Disposals	<u>-</u>	<u>57,615</u>	<u>396,294</u>	<u>132,641</u>	<u>586,550</u>
Balance at March 31, 2018	<u>\$(16,091,554)</u>	<u>\$ (17,273)</u>	<u>\$(13,847,417)</u>	<u>\$ (402,253)</u>	<u>\$(30,358,497)</u>
Carrying amount at March 31, 2018	<u>\$ 41,037,446</u>	<u>\$ 10,808,901</u>	<u>\$ 3,140,996</u>	<u>\$ 336,474</u>	<u>\$ 55,323,817</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 statement for the year ended December 31, 2018 for the related information of goodwill.

17. OTHER NONCURRENT ASSETS

	March 31, 2019	December 31, 2018	March 31, 2018
Refundable deposits	\$ 829,318	\$ 851,895	\$ 749,983
Others	<u>185,466</u>	<u>88,711</u>	<u>66,924</u>
	<u>\$ 1,014,784</u>	<u>\$ 940,606</u>	<u>\$ 816,907</u>

18. BORROWINGS

a. Short-term borrowings

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Unsecured bank loans</u>			
Credit loans	<u>\$ 610,000</u>	<u>\$ 2,120,000</u>	<u>\$ 440,000</u>
Interest rate	1.12%-2.20%	0.73%-2.20%	1.11%-1.80%

b. Short-term bills payable

	March 31, 2019	December 31, 2018	March 31, 2018
Commercial paper payable	\$ 355,000	\$ 1,270,000	\$ 310,000
Less: Unamortized discount	<u>343</u>	<u>627</u>	<u>191</u>
	<u>\$ 354,657</u>	<u>\$ 1,269,373</u>	<u>\$ 309,809</u>
Interest rate	1.148%-1.538%	0.818%-1.538%	1.15%-1.50%

c. Long-term borrowings

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Unsecured bank loans</u>			
Credit loans	\$ -	\$ 700,000	\$ 2,500,000
Less: Current portion	<u>-</u>	<u>-</u>	<u>2,500,000</u>
Long-term borrowings	<u>\$ -</u>	<u>\$ 700,000</u>	<u>\$ -</u>
Interest rate	-	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 January 2020.

19. BONDS PAYABLE

	March 31, 2019	December 31, 2018	March 31, 2018
4th unsecured domestic bonds	\$ 2,498,369	\$ 2,498,040	\$ 4,997,052
5th unsecured domestic bonds	-	-	3,999,218
6th unsecured domestic bonds	3,199,339	3,199,112	3,198,432
2016 1st unsecured domestic bonds	5,195,368	5,194,949	5,193,690
2017 1st unsecured domestic bonds	4,495,524	4,495,159	4,494,066
2017 2nd unsecured domestic bonds	1,997,247	1,997,120	1,996,739
2017 3rd unsecured domestic bonds	2,996,009	2,995,805	2,995,191
2018 1st unsecured domestic bonds	<u>4,994,342</u>	<u>4,994,077</u>	<u>-</u>
	25,376,198	25,374,262	26,874,388
Less: Current portion	<u>3,199,339</u>	<u>3,199,112</u>	<u>6,499,061</u>
	<u>\$ 22,176,859</u>	<u>\$ 22,175,150</u>	<u>\$ 20,375,327</u>

Far EasTone had no issuance or repayment of the bonds during the three months ended March 31, 2019 and 2018.

20. OTHER LIABILITIES

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Current</u>			
Other payables			
Commission	\$ 1,176,790	\$ 1,083,592	\$ 1,774,241
Salary and bonus	735,974	1,608,723	742,165
Acquisition of properties	729,874	1,190,517	681,145
Maintenance fee	587,215	609,949	498,203
Employees' compensation and remuneration of directors	183,452	335,911	196,736
Other	<u>2,002,778</u>	<u>2,031,655</u>	<u>2,169,997</u>
	<u>\$ 5,416,083</u>	<u>\$ 6,860,347</u>	<u>\$ 6,062,487</u>
Other current liabilities			
Temporary receipts due to litigation	\$ 791,867	\$ 791,867	\$ -
Other payables - related parties	121,751	112,635	126,952
Lease liabilities	-	49,585	53,363
Others	<u>810,989</u>	<u>782,790</u>	<u>679,320</u>
	<u>\$ 1,724,607</u>	<u>\$ 1,736,877</u>	<u>\$ 859,635</u>

Far EasTone received a security deposit of \$791,867 thousand from Taiwan Mobile Co., Ltd., which was included in temporary receipts since the court decision has not been declared.

21. PROVISIONS

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Current</u>			
Dismantling obligation	\$ 127,203	\$ 125,211	\$ 136,639
Product warranty	<u>47,279</u>	<u>44,528</u>	<u>95,954</u>
	<u>\$ 174,482</u>	<u>\$ 169,739</u>	<u>\$ 232,593</u>
<u>Noncurrent</u>			
Dismantling obligation	<u>\$ 919,320</u>	<u>\$ 911,333</u>	<u>\$ 888,258</u>
		Dismantling Obligation	Product Warranty
Balance at January 1, 2019		\$ 1,036,544	\$ 44,528
Additional provisions recognized		16,305	6,069
Reductions arising from payments		<u>(6,326)</u>	<u>(3,318)</u>
Balance at March 31, 2019		<u>\$ 1,046,523</u>	<u>\$ 47,279</u>
Balance at January 1, 2018		\$ 1,022,012	\$ 92,965
Additional provisions recognized		15,608	8,307
Reductions arising from payments		<u>(12,723)</u>	<u>(5,318)</u>
Balance at March 31, 2018		<u>\$ 1,024,897</u>	<u>\$ 95,954</u>

22. RETIREMENT BENEFIT PLANS

For defined benefit plans, employee benefit expenses as of and for the three months ended March 31, 2019 and 2018 were calculated as \$2,471 thousand and \$5,269 thousand by the actuarially determined pension cost discount rate as of December 31, 2018 and 2017, respectively.

23. EQUITY

a. Share capital

1) Common stock

	March 31, 2019	December 31, 2018	March 31, 2018
Stock authorized (in thousands)	<u>4,200,000</u>	<u>4,200,000</u>	<u>4,200,000</u>
Capital authorized	<u>\$ 42,000,000</u>	<u>\$ 42,000,000</u>	<u>\$ 42,000,000</u>
Issued and fully paid stock (in thousands)	<u>3,258,501</u>	<u>3,258,501</u>	<u>3,258,501</u>
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 dividend.

2) Global depositary receipts (GDRs)

Since 2004, part of Far EasTone's issued common stock have been trading on the Luxembourg Stock Exchange in the form of GDRs. One GDR unit represents 15 shares of Far EasTone's common stock. As of March 31, 2019, December 31, 2018 and March 31, 2018, there were 195 thousand, 195 thousand and 421 thousand units of GDRs outstanding, representing 2,921 thousand, 2,921 thousand and 6,322 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

	March 31, 2019	December 31, 2018	March 31, 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	\$ 8,143,345
<u>May be used to offset a deficit only</u>			
Share of changes in equities of associates	<u>7</u>	<u>7</u>	<u>6</u>
	<u>\$ 5,820,041</u>	<u>\$ 5,820,041</u>	<u>\$ 8,143,351</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 distribution of dividends and bonuses to stockholders. For the policies on distribution of employees' compensation and remuneration to directors, refer to Note 25, d. on employees' compensation and remuneration to 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 the financial structure.

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 proposed by the board of directors on February 20, 2019 and approved in the stockholders' meeting on June 14, 2018, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended 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.

The appropriation of earnings for 2018 is subject to the resolution of the stockholders in the stockholders' meeting to be held on June 18, 2019.

d. Other equity items

Adjustments to other equity items for the three months ended March 31, 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 Heading Instruments	Total
For the three months ended March 31, 2019					
Beginning balance	\$ 4,197	\$ 808	\$ -	\$ 26,352	\$ 31,357
Recorded as adjustments to stockholders' equity	5,526	(209)	-	-	5,317
Share of other comprehensive income of associates	(171)	(3)	-	(36,089)	(36,263)
Ending balance	<u>\$ 9,552</u>	<u>\$ 596</u>	<u>\$ -</u>	<u>\$ (9,737)</u>	<u>\$ 411</u>

(Continued)

	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gains and Losses on Financial Assets at Fair Value through Other Comprehensive Income	Unrealized Gains and Losses on Cash Flow Hedges	Gains and Losses on Hedging Instruments	Total
For the three months ended March 31, 2018					
Beginning balance (IAS 39)	\$ 4,122	\$ -	\$ 14,010	\$ -	\$ 18,132
Effects of retrospective application in IFRS 9	-	(11,733)	(14,010)	14,010	(11,733)
Beginning balance (IFRS 9)	4,122	(11,733)	-	14,010	6,399
Recorded as adjustments to stockholders' equity	783	5,969	-	-	6,752
Share of other comprehensive income of associates	-	-	-	(10,235)	(10,235)
Ending balance	<u>\$ 4,905</u>	<u>\$ (5,764)</u>	<u>\$ -</u>	<u>\$ 3,775</u>	<u>\$ 2,916</u>
					(Concluded)

e. Noncontrolling interests

	For the Three Months Ended March 31	
	2019	2018
Beginning balance	\$ 718,685	\$ 687,801
Effects of retrospective application in IFRS 16	(560)	-
Beginning balance (IFRS 16)	718,125	687,801
Share of profit	19,455	4,470
Other comprehensive income during the period		
Exchange differences on translating the financial statements of foreign operations	5	7
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	(171)	-
Noncontrolling interests arising from acquisition of a subsidiary	180,000	-
Remittance of cash due to liquidation of subsidiary	-	(360)
Ending balance	<u>\$ 917,414</u>	<u>\$ 691,918</u>

24. REVENUE

	For the Three Months Ended March 31	
	2019	2018
Contract revenue		
Sales of inventories	\$ 7,437,387	\$ 7,136,815
Telecommunications service revenue	11,937,309	13,195,626
	19,374,696	20,332,441
Other operating revenue	1,444,763	1,334,119
	<u>\$ 20,819,459</u>	<u>\$ 21,666,560</u>

a. Contract balances

	March 31, 2019	December 31, 2018	March 31, 2018	January 1, 2018
Contract assets				
Bundle sale of goods	\$ 5,657,822	\$ 5,433,852	\$ 5,683,069	\$ 6,004,544
Less: Allowance for impairment loss	<u>(135,925)</u>	<u>(135,925)</u>	<u>(152,707)</u>	<u>-</u>
	<u>\$ 5,521,897</u>	<u>\$ 5,297,927</u>	<u>\$ 5,530,362</u>	<u>\$ 6,004,544</u>
Contract assets - current	\$ 3,813,569	\$ 3,762,170	\$ 3,698,728	\$ 4,006,717
Contract assets - noncurrent	<u>1,708,328</u>	<u>1,535,757</u>	<u>1,831,634</u>	<u>1,997,827</u>
	<u>\$ 5,521,897</u>	<u>\$ 5,297,927</u>	<u>\$ 5,530,362</u>	<u>\$ 6,004,544</u>
Contract liabilities				
Goods	\$ 277,346	\$ 312,797	\$ 626,833	\$ 573,974
Services	<u>2,129,525</u>	<u>2,151,475</u>	<u>2,325,943</u>	<u>2,267,138</u>
	<u>\$ 2,406,871</u>	<u>\$ 2,464,272</u>	<u>\$ 2,952,776</u>	<u>\$ 2,841,112</u>
Contract liabilities - current	\$ 2,177,453	\$ 2,256,000	\$ 2,725,977	\$ 2,655,346
Contract liabilities - noncurrent	<u>229,418</u>	<u>208,272</u>	<u>226,799</u>	<u>185,766</u>
	<u>\$ 2,406,871</u>	<u>\$ 2,464,272</u>	<u>\$ 2,952,776</u>	<u>\$ 2,841,112</u>

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

For the three months ended March 31, 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

	March 31, 2019	December 31, 2018	March 31, 2018
Noncurrent			
Incremental costs of obtaining a contract	<u>\$ 2,384,140</u>	<u>\$ 1,802,163</u>	<u>\$ 1,525,025</u>

The Group considered its past experience and believes the commission and subsidies paid for obtaining contracts are wholly recoverable. Total expenses recognized for the three months ended March 31, 2019 and 2018 were \$532,932 thousand and \$460,482 thousand, respectively.

c. Disaggregation of revenue

Refer to Note 35 for information about the disaggregation of revenue.

25. CONSOLIDATED NET INCOME

a. Financial costs

	For the Three Months Ended March 31	
	2019	2018
Interest on financial liabilities measured at amortized cost	\$ 76,786	\$ 88,973
Interest on lease liabilities	20,164	-
Interest expense on bank loans and commercial paper	6,755	12,148
Other financial costs	<u>4,993</u>	<u>5,856</u>
	<u>\$ 108,698</u>	<u>\$ 106,977</u>

b. Depreciation and amortization

	For the Three Months Ended March 31	
	2019	2018
Property, plant and equipment	\$ 2,533,663	\$ 2,561,974
Right-of-use assets	916,739	-
Intangible assets	<u>243,278</u>	<u>213,570</u>
	<u>\$ 3,693,680</u>	<u>\$ 2,775,544</u>
Depreciation expense categorized by function		
Operating costs	\$ 3,036,114	\$ 2,267,166
Operating expenses	<u>414,288</u>	<u>294,808</u>
	<u>\$ 3,450,402</u>	<u>\$ 2,561,974</u>
Amortization expense categorized by function		
Operating costs	\$ 66,841	\$ 73,395
Operating expenses	<u>176,437</u>	<u>140,175</u>
	<u>\$ 243,278</u>	<u>\$ 213,570</u>

c. Employee benefits expense

	For the Three Months Ended March 31	
	2019	2018
Retirement benefits		
Defined contribution plans	\$ 47,634	\$ 63,533
Defined benefit plans	<u>2,471</u>	<u>5,269</u>
	<u>50,105</u>	<u>68,802</u>
Other employee benefits		
Salary	1,419,574	1,471,733
Insurance	130,868	137,999
Others	<u>83,397</u>	<u>89,761</u>
	<u>1,633,839</u>	<u>1,699,493</u>
	<u>\$ 1,683,944</u>	<u>\$ 1,768,295</u>

(Continued)

	For the Three Months Ended March 31	
	2019	2018
Categorized by function		
Operating costs	\$ 284,849	\$ 307,921
Operating expenses	<u>1,399,095</u>	<u>1,460,374</u>
	<u>\$ 1,683,944</u>	<u>\$ 1,768,295</u> (Concluded)

d. Employees' compensation and remuneration of directors

Far EasTone decides the distribution of 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 ended March 31, 2019 and 2018, the employees' compensation and the remuneration of directors represented 2% and 0.72%, respectively, of net profit before income tax, employee's compensation and remuneration of directors.

The accrued employees' compensation and remuneration of directors for the three months ended March 31, 2019 and 2018 were as follows:

	For the Three Months Ended March 31	
	2019	2018
Employees' compensation	<u>\$ 56,136</u>	<u>\$ 62,205</u>
Remuneration of directors	<u>\$ 20,209</u>	<u>\$ 22,394</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	Stocks	Cash Bonus	Stock Bonus
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 is 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 March 31	
	2019	2018
Current tax	\$ 602,989	\$ 416,790
Deferred tax	<u>8,036</u>	<u>216,948</u>
Income tax recognized in profit or loss	<u>\$ 611,025</u>	<u>\$ 633,738</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 will be reduced from 10% to 5%.

b. Income tax recognized in other comprehensive income

	For the Three Months Ended March 31	
	2019	2018
<u>Deferred tax</u>		
In respect of the current period		
Fair value changes of financial assets at fair value through other comprehensive income	\$ (466)	\$ -
Income tax recognized in other comprehensive income	<u>\$ (466)</u>	<u>\$ -</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 return and thus applied for administrative remedies. Nevertheless, NCIC accrued the related tax. Income tax return of KGEx.com, Data Express, Home Master and Yuan Cing through 2016 had been assessed by the tax authorities. Income tax return of ARCOA, Qware, ISSDU, Linkwell, YSDT, Omusic, 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 March 31	
	2019	2018
Net income for the period attributable to Far EasTone	\$ 2,231,542	\$ 2,453,198
Effect of potentially dilutive common stock:		
Employees' compensation	<u>-</u>	<u>-</u>
Earnings used in the calculation of diluted earnings per share	<u>\$ 2,231,542</u>	<u>\$ 2,453,198</u>

Weighted Average Number of Common Stock Outstanding

	(In Thousand Shares)	
	For the Three Months Ended March 31	
	2019	2018
Weighted average number of common stock used in the calculation of basic earnings per share	3,258,501	3,258,501
Effect of potentially dilutive common stock:		
Employees' compensation	<u>2,608</u>	<u>2,936</u>
Weighted average number of common stock used in the calculation of diluted earnings per share	<u>3,261,109</u>	<u>3,261,437</u>

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	190,957
Current liabilities	(267,471)
Noncurrent liabilities	<u>(10,884)</u>
	<u>\$ 226,702</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 \$180,000 thousand.

e. Goodwill recognized on acquisitions

	Nextlink Technology
Consideration transferred	\$ 420,000
Plus: Noncontrolling interests (30% in Nextlink Technology)	180,000
Less: Fair value of identifiable net assets acquired	<u>(226,702)</u>
Goodwill recognized on acquisitions	<u>\$ 373,298</u>

The goodwill generated from the acquisition of Nextlink Technology mainly represents 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 subsidiaries

	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>\$ 109,324</u>
Net income	<u>\$ 1,882</u>

Had the business combination been in effect at the beginning of the reporting period, the Group's operating revenue and net income for the three months ended March 31, 2019 would have been \$20,985,500 thousand and \$2,254,511 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. 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.

	March 31, 2019		December 31, 2018		March 31, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>						
Refundable deposits	\$ 829,318	\$ 827,028	\$ 851,895	\$ 849,135	\$ 762,445	\$ 760,634
<u>Financial liabilities</u>						
Bonds payable	25,376,198	25,562,439	25,374,262	25,583,418	26,874,388	27,085,572

2) Fair value hierarchy

	March 31, 2019			
	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Refundable deposits	\$ -	\$ -	\$ 827,028	\$ 827,028
<u>Financial liabilities</u>				
Bonds payable	\$ 25,562,439	\$ -	\$ -	\$ 25,562,439
	December 31, 2018			
	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Refundable deposits	\$ -	\$ -	\$ 849,135	\$ 849,135
<u>Financial liabilities</u>				
Bonds payable	\$ 25,583,418	\$ -	\$ -	\$ 25,583,418

	March 31, 2018			
	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Refundable deposits	\$ <u>-</u>	\$ <u>-</u>	\$ <u>760,634</u>	\$ <u>760,634</u>
<u>Financial liabilities</u>				
Bonds payable	\$ <u>27,085,572</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>27,085,572</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 March 31, 2019 and December 31, 2018, and based on the average discount rate of commercial papers on March 31, 2018.

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

1) Fair value hierarchy

	March 31, 2019			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit or loss</u>				
Mutual funds	\$ <u>150,607</u>	\$ <u>605,738</u>	\$ <u>-</u>	\$ <u>756,345</u>
<u>Financial assets at fair value through other comprehensive income</u>				
Domestic/foreign unlisted common stock	\$ <u>-</u>	\$ <u>-</u>	\$ <u>435,847</u>	\$ <u>435,847</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>

	March 31, 2018			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit or loss</u>				
Mutual funds	\$ -	\$ 575,507	\$ -	\$ 575,507
<u>Financial assets for hedging</u>				
Fair value hedges - foreign exchange swap contracts	\$ -	\$ -	\$ 1,035	\$ 1,035
<u>Financial assets measured at fair value through other comprehensive income</u>				
Domestic unlisted common stock	\$ -	\$ -	\$ 257,544	\$ 257,544

There were no transfers of financial assets and liabilities between Level 1 and Level 2 for the three months ended March 31, 2019 and 2018.

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

	For the Three Months Ended March 31, 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	-	66
Effects of foreign currency exchange differences	-	3,670
Ending balance	\$ -	\$ 435,847
	For the Three Months Ended March 31, 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)	(665)	-
Recognized in other comprehensive income	-	5,969
Ending balance	\$ 1,035	\$ 257,544

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

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Financial assets</u>			
Financial assets for hedging	\$ -	\$ 1,868	\$ 1,035
Financial assets at fair value through profit or loss	756,345	732,898	575,507
Financial assets at amortized cost (Note 1)	17,173,222	15,520,633	16,469,511
Financial assets at fair value through other comprehensive income	435,847	432,111	257,544
<u>Financial liabilities</u>			
Financial liabilities at amortized cost (Note 2)	37,521,895	41,464,164	42,464,910

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 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 managing on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and nonderivative financial instruments, and the investment of excess liquidity. The compliance with policies and exposure limits 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 internal control system. The Group should implement the overall financial management objective as well as observe the levels of delegated authority and ensure that those with delegated authority carry out their duties.

1) Market risk

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

a) Foreign currency risk

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

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 Three Months Ended	
	March 31	
	2019	2018
5% change in profit or loss		
USD	<u>\$ (32,580)</u>	<u>\$ (30,628)</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					
Fair value hedge								
Overseas mutual funds		\$ 291,245	\$ -	\$ 7,850	\$ -	\$ -	\$ -	\$ -

March 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	2018.4.16-2018.5.29	\$29.114/29.169	Financial assets (liabilities) for hedging	\$ 1,035	\$ -	\$ -

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	\$ 287,754	\$ -	\$ (8,250)	\$ -	\$ -	\$ -

The Group invested in overseas mutual funds, whose fair values 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:

	March 31, 2019	December 31, 2018	March 31, 2018
Fair value risk			
Financial assets	\$ 5,428,934	\$ 4,153,111	\$ 5,309,626
Financial liabilities	34,393,213	29,295,360	30,738,860
Cash flow risk			
Financial assets	4,049,550	3,125,240	3,487,256
Financial liabilities	340,000	740,000	40,000

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 the financial assets and financial liabilities with floating interest rate, their effective interest rates will change as the market interest rates change.

Had interest rates been 25 basis points higher/lower and all other variables been held constant, the income before income tax for the three months ended March 31, 2019 and 2018 would have increased (decreased) by \$2,318 thousand and \$2,155 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 beneficial certificates and domestic/foreign unlisted common stock. The Group managed the risk by holding a portfolio of investments with different risk. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should need arise.

Sensitivity analysis

The following sensitivity analysis was based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% higher/lower, pre-tax profit for the three months ended March 31, 2019 and 2018 would have increased/decreased by \$37,817 thousand and \$28,775 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 three months ended March 31, 2019 and 2018 would have increased/decreased by \$21,792 thousand and \$12,877 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 lines of those counterparties were granted through credit analysis and investigation based on the information supplied by independent rating agencies. The counterparties' transaction type, financial position and collateral are also taken into consideration. All credit lines have expiration dates and are subject to reexamination before any granting of extensions.

The 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 \$42,201,888 thousand, \$38,972,514 thousand and \$41,933,975 thousand as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively.

The table below summarizes the maturity profile of the Group's financial liabilities based on undiscounted contractual payments but does 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>March 31, 2019</u>					
Short-term borrowings	\$ 610,000	\$ 612,360	\$ 612,360	\$ -	\$ -
Short-term bills payable	354,657	355,000	355,000	-	-
Bonds payable	25,376,198	26,524,005	3,499,400	15,914,155	7,110,450
Lease liabilities	<u>7,922,113</u>	<u>8,033,794</u>	<u>2,913,852</u>	<u>5,105,747</u>	<u>14,195</u>
	<u>\$ 34,262,968</u>	<u>\$ 35,525,159</u>	<u>\$ 7,380,612</u>	<u>\$ 21,019,902</u>	<u>\$ 7,124,645</u>

(Continued)

	Carrying Amount	Contractual Cash Flows	Within 1 Year	1-5 Years	More than 5 Years
<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>March 31, 2018</u>					
Short-term borrowings	\$ 440,000	\$ 441,997	\$ 441,997	\$ -	\$ -
Short-term bills payable	309,809	310,000	310,000	-	-
Long-term borrowings	2,500,000	2,521,129	2,521,129	-	-
Bonds payable	<u>26,874,388</u>	<u>28,060,555</u>	<u>6,847,750</u>	<u>16,126,180</u>	<u>5,086,625</u>
	<u>\$ 30,124,197</u>	<u>\$ 31,333,681</u>	<u>\$ 10,120,876</u>	<u>\$ 16,126,180</u>	<u>\$ 5,086,625</u> (Concluded)

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years
Lease liabilities	<u>\$ 2,913,852</u>	<u>\$ 5,105,747</u>	<u>\$ 14,195</u>

30. 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. (FCHRC)	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)

(Continued)

Related Party	Relationship with the Group
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
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)
Asia Cement Co., Ltd.	Other related party (same chairman as Far EasTone)
Oriental Union Chemical Corporation	Other related party (same chairman as Far EasTone)
Far Eastern Ai Mai CO., Ltd. (Ai Mai)	Other related party (same chairman as Far EasTone)
Far Eastern Hospital	Other related party (same chairman as Far EasTone)
Oriental Institute of Technology	Other related party (same chairman as Far EasTone)
Far Eastern Plaza Hotel	Subsidiaries of FENC
Yuan-Ze University	Other related party (same chairman as Far EasTone)
U-Ming Marine Transport Corporation	Other related party (same chairman as Far EasTone)
Chiahui Power Corporation	Other related party (same chairman as Far EasTone)
Far Eastern Medical Foundation	Other related party (same chairman as Far EasTone)
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)
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)

(Continued)

Related Party	Relationship with the Group
Deutsche Far Eastern Asset Management Co., Ltd.	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)
System Corporation	Other related party (legal person director of associate)
	(Concluded)

b. Operating revenue

	For the Three Months Ended March 31	
	2019	2018
FENC	\$ 9,155	\$ 8,889
Subsidiaries of FENC	23,966	47,610
Other related parties	<u>60,814</u>	<u>52,605</u>
	<u>\$ 93,935</u>	<u>\$ 109,104</u>

Operating revenues from related parties include revenue from sales of inventories, telecommunications services, leased circuit, 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 March 31	
	2019	2018
Operating cost		
Subsidiaries of FENC	\$ 2,209	\$ 13,208
Other related parties	<u>15,542</u>	<u>13,754</u>
	<u>\$ 17,751</u>	<u>\$ 26,962</u>
Marketing expenses		
Subsidiaries of FENC	\$ 7,282	\$ 8,700
Other related parties	<u>1,712</u>	<u>3,079</u>
	<u>\$ 8,994</u>	<u>\$ 11,779</u>
Service fees		
FENC	\$ 149	\$ 144
Subsidiaries of FENC		
FCHRC	36,827	37,883
Other related parties	<u>71</u>	<u>40</u>
	<u>\$ 37,047</u>	<u>\$ 38,067</u>

	For the Three Months Ended March 31	
	2019	2018
Other expenses		
FENC	\$ 34,603	\$ 31,374
Subsidiaries of FENC	563	789
Other related parties	<u>19,910</u>	<u>2,148</u>
	<u>\$ 55,076</u>	<u>\$ 34,311</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 March 31	
	2019	2018
Acquisition of property, plant and equipment		
Subsidiaries of FENC		
FERD	\$ -	\$ 382,678
Other	<u>2,945</u>	<u>-</u>
	<u>2,945</u>	<u>382,678</u>
Other related parties	<u>905</u>	<u>-</u>
	<u>\$ 3,850</u>	<u>\$ 382,678</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, \$382,678 thousand has been paid during the three months ended March 31, 2018.

e. Lease arrangements - Group is lessee

	For the Three Months Ended March 31, 2019
Acquisition of right-of-use assets	
Other related parties	<u>\$ 4,420</u>

March 31, 2019

Lease liabilities - current	
FENC	\$ 3,448
Subsidiaries of FENC	54,619
Other related parties	<u>33,445</u>
	<u>\$ 91,512</u>
Lease liabilities - noncurrent	
FENC	\$ 7,070
Subsidiaries of FENC	72,519
Other related parties	<u>36,577</u>
	<u>\$ 116,166</u>

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

	For the Three Months Ended March 31	
	2019	2018
Financial costs		
FENC	\$ 27	\$ -
Subsidiaries of FENC	330	-
Other related parties	<u>109</u>	<u>-</u>
	<u>\$ 466</u>	<u>\$ -</u>
Lease expense (including in operating costs)		
FENC	\$ -	\$ 340
Subsidiaries of FENC	-	2,064
Other related parties	<u>244</u>	<u>5,102</u>
	<u>\$ 244</u>	<u>\$ 7,506</u>
Lease expense (including in operating expenses)		
FENC	<u>\$ -</u>	<u>\$ 741</u>
Subsidiaries of FENC		
FERD	343	13,217
Other	<u>-</u>	<u>1,745</u>
	<u>343</u>	<u>14,962</u>
Other related parties	<u>-</u>	<u>26,765</u>
	<u>\$ 343</u>	<u>\$ 42,468</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, the Group wrote off the right-of-use assets acquired from other related parties with a carrying amount of \$1,913 thousand. The related unpaid lease liabilities was \$1,923 thousand, and the gain on lease modification was \$10 thousand.

f. Lease arrangements - Group is lessor

Lease arrangements - Group is lessor arrangements under operating leases

	March 31, 2019	December 31, 2018	March 31, 2018
Operating lease receivables			
Subsidiaries of FENC	<u>\$ 29</u>	<u>\$ 42</u>	<u>\$ 42</u>
Gross lease payments to be received			
Subsidiaries of FENC	<u>\$ 160</u>	<u>\$ 28</u>	<u>\$ 164</u>
		For the Three Months Ended March 31	
		2019	2018
Lease income			
Subsidiaries of FENC		<u>\$ 60</u>	<u>\$ 64</u>

The Group leases out part of its offices to subsidiaries of FENC under operating leases with lease terms of one year.

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

g. Bank deposits, financial assets at amortized cost and other financial assets

	March 31, 2019	December 31, 2018	March 31, 2018
Other related parties			
FEIB	<u>\$ 3,561,665</u>	<u>\$ 3,117,050</u>	<u>\$ 4,165,259</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.

h. Financial assets for hedging - current

	March 31, 2019	December 31, 2018	March 31, 2018
Other related parties			
FEIB	<u>\$ -</u>	<u>\$ 1,868</u>	<u>\$ 1,035</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 March 31, 2018. Related expenses were treated as financial costs.

i. Receivables and payables - related parties

	March 31, 2019	December 31, 2018	March 31, 2018
Accounts receivable - related parties			
FENC	\$ 2,622	\$ 7,486	\$ 3,626
Subsidiaries of FENC	21,461	55,377	37,906
Associates	-	10	-
Other related parties	<u>193,991</u>	<u>196,235</u>	<u>138,818</u>
	<u>\$ 218,074</u>	<u>\$ 259,108</u>	<u>\$ 180,350</u>
Other receivables - related parties (included in other current assets)			
Subsidiaries of FENC	<u>\$ 10,775</u>	<u>\$ 3,848</u>	<u>\$ 3,342</u>
Other related parties			
Ai Mai	5,378	7,071	8,265
FEIB	5,232	5,007	10,742
Other	<u>25</u>	<u>-</u>	<u>-</u>
	<u>10,635</u>	<u>12,078</u>	<u>19,007</u>
	<u>\$ 21,410</u>	<u>\$ 15,926</u>	<u>\$ 22,349</u>
Accounts payable - related parties (included in accounts payable)			
FENC	\$ 73	\$ -	\$ -
Subsidiaries of FENC	2,487	1,115	5,437
Other related parties	<u>8,917</u>	<u>8,080</u>	<u>7,504</u>
	<u>\$ 11,477</u>	<u>\$ 9,195</u>	<u>\$ 12,941</u>
Other payables - related parties (included in other current liabilities)			
FENC	\$ 30,093	\$ 23,204	\$ 31,401
Subsidiaries of FENC	82,407	84,809	88,808
Other related parties	<u>9,251</u>	<u>4,622</u>	<u>6,743</u>
	<u>\$ 121,751</u>	<u>\$ 112,635</u>	<u>\$ 126,952</u>

j. Refundable deposits

	March 31, 2019	December 31, 2018	March 31, 2018
Subsidiaries of FENC	\$ 61,697	\$ 69,003	\$ 64,879
Other related parties	<u>1,451</u>	<u>1,486</u>	<u>1,466</u>
	<u>\$ 63,148</u>	<u>\$ 70,489</u>	<u>\$ 66,345</u>

k. Others

	For the Three Months Ended March 31	
	2019	2018
Interest income		
Subsidiaries of FENC	\$ 6	\$ 6
Other related parties		
FEIB	5,873	8,192
Others	<u>-</u>	<u>9</u>
	<u>5,873</u>	<u>8,201</u>
	<u>\$ 5,879</u>	<u>\$ 8,207</u>
Financial costs		
Other related parties	\$ 728	\$ 1,845

l. Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the three months ended March 31, 2019 and 2018 were as follows:

	For the Three Months Ended March 31	
	2019	2018
Short-term benefits	\$ 98,975	\$ 116,458
Post-employment benefits	<u>821</u>	<u>1,009</u>
	<u>\$ 99,796</u>	<u>\$ 117,467</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.

31. 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 government projects, were as follows:

	March 31, 2019	December 31, 2018	March 31, 2018
Other financial assets - current	\$ 642,094	\$ 641,094	\$ 1,776,401
Other noncurrent assets	<u>-</u>	<u>-</u>	<u>2,300</u>
	<u>\$ 642,094</u>	<u>\$ 641,094</u>	<u>\$ 1,778,701</u>

32. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

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

a.

	March 31, 2019	December 31, 2018	March 31, 2018
Acquisition of property, plant and equipment under contracts	\$ 3,986,078	\$ 4,879,774	\$ 6,399,247
Less: Payments for acquisition of property, plant and equipment	<u>1,173,819</u>	<u>1,245,097</u>	<u>2,672,616</u>
	<u>\$ 2,812,259</u>	<u>\$ 3,634,677</u>	<u>\$ 3,726,631</u>
Acquisition of inventories under contracts	\$ 10,076,579	\$ 10,855,083	\$ 12,283,604
Less: Payments for acquisition of inventories	<u>5,094,353</u>	<u>5,495,652</u>	<u>5,196,348</u>
	<u>\$ 4,982,226</u>	<u>\$ 5,359,431</u>	<u>\$ 7,087,256</u>

b. The Group provided \$100,000 thousand as bank guarantee for its purchases as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively.

33. 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)

	March 31, 2019		
	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 33,849	30.82 (USD:NTD)	\$ 1,043,232
Nonmonetary items			
USD	24,659	30.82 (USD:NTD)	759,983
USD	5,000	6.729 (USD:RMB)	154,100
<u>Financial liabilities</u>			
Monetary items			
USD	12,707	30.82 (USD:NTD)	391,637

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
March 31, 2018			
	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 29,716	29.105 (USD:NTD)	\$ 864,875
Nonmonetary items			
USD	19,773	29.105 (USD:NTD)	575,507
<u>Financial liabilities</u>			
Monetary items			
USD	8,669	29.105 (USD:NTD)	252,309

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 respective functional currencies and the presentation currency. The significant realized and unrealized foreign exchange gains (losses) were as follows:

For the Three Months Ended March 31				
2019			2018	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
NTD	1 (NTD:NTD)	\$ (249)	1 (NTD:NTD)	\$ 7,384
RMB	4.565 (RMB:NTD)	(1,177)	4.611 (RMB:NTD)	(1,050)
HKD	3.897 (HKD:NTD)	<u>(325)</u>	-	<u>-</u>
		<u>\$ (1,751)</u>		<u>\$ 6,334</u>

34. 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 investment 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 29
- 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 the financing of funds.
- f) Other transactions that have material effect on profit or loss for the period or on the financial position, such as rendering or receipt of services.

35. SEGMENT INFORMATION

Products and services from which reportable segments derive revenues:

The information provided to the Group's chief operating decision maker in order to allocate resources to the segments and assess their performance focuses on the type of goods or services delivered or provided. As required by IFRS 8 "Operating Segments," the Group defined its operating segments as follows:

- 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 losses, financial costs, other expenses and general and administrative expenses. The profits were the measures 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 Three Months Ended March 31, 2019				
	Mobile Services Business	Fixed-line Services Business	Sales Business	Adjustment and Elimination	Consolidation
Revenue generated from external customers	\$ 11,283,170	\$ 1,933,824	\$ 7,602,465	\$ -	\$ 20,819,459
Revenue generated within the Group (Note)	<u>72,887</u>	<u>625,211</u>	<u>22,079</u>	<u>(720,177)</u>	<u>-</u>
Total revenue	<u>\$ 11,356,057</u>	<u>\$ 2,559,035</u>	<u>\$ 7,624,544</u>	<u>\$ (720,177)</u>	<u>\$ 20,819,459</u>
Segment operating income	<u>\$ 1,897,874</u>	<u>\$ 471,363</u>	<u>\$ 887,578</u>	<u>\$ (394,793)</u>	<u>\$ 2,862,022</u>
	For the Three Months Ended March 31, 2018				
	Mobile Services Business	Fixed-line Services Business	Sales Business	Adjustment and Elimination	Consolidation
Revenue generated from external customers	\$ 12,479,788	\$ 1,861,014	\$ 7,325,758	\$ -	\$ 21,666,560
Revenue generated within the Group (Note)	<u>101,291</u>	<u>731,461</u>	<u>1,031</u>	<u>(833,783)</u>	<u>-</u>
Total revenue	<u>\$ 12,581,079</u>	<u>\$ 2,592,475</u>	<u>\$ 7,326,789</u>	<u>\$ (833,783)</u>	<u>\$ 21,666,560</u>
Segment operating income	<u>\$ 2,560,801</u>	<u>\$ 471,147</u>	<u>\$ 446,069</u>	<u>\$ (386,611)</u>	<u>\$ 3,091,406</u>

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE THREE MONTHS ENDED MARCH 31, 2019
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes A)	Aggregate Financing Limits (Notes A)
													Item	Value		
1	New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Other receivables - related parties	Yes	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000	0.83%	Transaction	\$ 2,525,195	-	\$ -	-	\$ -	2,525,195	\$ 12,364,515
		Far EasTone Telecommunications Co., Ltd.	Other receivables - related parties	Yes	7,500,000	7,500,000	5,000,000	0.83%	Short-term financing	-	For business operations	-	-	-	8,655,160	12,364,515

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 amount of business transaction amount between 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
MARCH 31, 2019
(In Thousands of New Taiwan Dollars)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2019				Note
				Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Far EasTone Telecommunications Co., Ltd.	<u>Stocks</u> App Works Fund II Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	8,850,000	\$ 101,356	11.11	\$ 101,356	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>Stocks</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>Stocks</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	30,715	2.50	30,715	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	150,607	-	150,607	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	450,315	-	450,315	Note A
	Opas Fund Segregated Portfolio Tranche B	Other related party	Financial assets at fair value through profit or loss - current	5,000.000	155,423	-	155,423	Note A
Digital United (Cayman) Ltd.	<u>Stock certificate</u> TBCASoft, Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	980,435	154,100	6.77	154,100	Note B

Note A: The market values of open-ended mutual funds were calculated at their net asset values as of March 31, 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 YEAR ENDED MARCH 31, 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 (Note B)				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>Stocks</u> Nextlink Technology Co., Ltd.	Investments accounted for using the equity method	Nextlink Inc.	Subsidiary	-	\$ -	3,430,000	\$ 420,000	-	\$ -	\$ -	\$ -	3,430,000	\$ 419,462 (Note A)

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

Note B: The amounts was 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 THREE MONTHS ENDED MARCH 31, 2019
(In Thousands of New Taiwan Dollars)

Purchaser (Seller) of Goods	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)	
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total
Far EasTone Telecommunications Co., Ltd.	ARCOA Communication Co., Ltd.	Subsidiary	Cost of telecommunications services, marketing expenses and cost of sales	\$ 1,671,267	13	Based on agreement	\$ -	-	Accounts payable and other payables	\$ (950,031) (6)
	New Century InfoComm Tech Co., Ltd.	Subsidiary	Cost of telecommunications services and cost of sales	572,432	5	Based on agreement	-	-	Accounts payable and other payables (Note A)	(560,924) (3)
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating revenue	(572,432)	(23)	Based on agreement	-	-	Accounts receivable (Note B)	560,924 40
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd. Home Master Technology Ltd.	Parent company	Operating revenue	(1,671,267)	(53)	Based on agreement	-	-	Accounts receivable	950,031 56
		Subsidiary of DataExpress Infotech Co., Ltd.	Operating revenue	(244,648)	(8)	Based on agreement	-	-	Accounts receivable	264,358 16
DataExpress Infotech Co., Ltd.	Home Master Technology Ltd.	Subsidiary	Operating revenue	(119,036)	(11)	Based on agreement	-	-	Accounts receivable	23,062 7
Home Master Technology Ltd.	ARCOA Communication Co., Ltd. DataExpress Infotech Co., Ltd.	Parent company	Operating costs	244,648	53	Based on agreement	-	-	Accounts payable	(264,358) (80)
		Parent company	Operating costs	119,036	26	Based on agreement	-	-	Accounts payable	(23,062) (7)

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
MARCH 31, 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.	New Century InfoComm Tech Co., Ltd. ARCOA Communication Co., Ltd.	Subsidiary	\$ 101,843	(Note A)	\$ -	-	\$ 86,229	\$ -
		Subsidiary	116,995	13.51	-	-	88,526	-
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	8,126,995	(Note B)	-	-	275,532	-
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd. Home Master Technology Ltd.	Parent company	950,031	8.39	-	-	395,335	-
		Subsidiary of DataExpress Infotech Co., Ltd.	264,568	3.51	-	-	104,671	-

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 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	% to Consolidated Assets/Revenue (Note C)
0	Far EasTone Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd.	1	Other receivables - related parties	\$ 100,856	Note F	-
				Refundable deposits	3,532	Note F	-
				Accounts payable - related parties	28,244	Note F	-
				Other payables - related parties	8,098,751	Note F	6
				Contracts liabilities	10,485	Note F	-
				Telecommunications service revenue	58,866	Note F	-
				Cost of telecommunications services	572,432	Note F	3
				Operating expenses	14,364	Note F	-
				Nonoperating income and gains	14,832	Note F	-
				Nonoperating expenses	15,352	Note F	-
		ARCOA Communication Co., Ltd.	1	Accounts receivable - related parties	115,452	Note F	-
				Other receivables - related parties	1,543	Note F	-
				Accounts payable - related parties	884,120	Note F	1
				Other payables - related parties	65,911	Note F	-
				Contracts liabilities	31,227	Note F	-
				Sales of inventories	70,531	Note F	-
				Cost of sales	1,537,921	Note F	7
				Cost of telecommunications services	13,240	Note F	-
				Operating expenses	125,405	Note F	1
		KGEx.com Co., Ltd.	1	Accounts receivable - related parties	7,730	Note F	-
				Other payables - related parties	13,290	Note F	-
				Lease liabilities	45,415	Note F	-
				Telecommunications service revenue	12,569	Note F	-
		Yuan Cing Co., Ltd.	1	Operating expenses	3,444	Note F	-
				Other receivables - related parties	2,985	Note F	-
				Other payables - related parties	10,332	Note F	-
		DataExpress Infotech Co., Ltd.	1	Operating expenses	6,394	Note F	-
				Other receivables - related parties	2,566	Note F	-
				Other payables - related parties	18,903	Note F	-
				Cost of telecommunications services	1,484	Note F	-
		Omusic Co., Ltd.	1	Operating expenses	6,155	Note F	-
				Accounts payable - related parties	30,094	Note F	-
				Cost of telecommunications services	37,353	Note F	-
		Linkwell Tech. Ltd.	1	Other payables - related parties	16,303	Note F	-
				Operating expenses	4,016	Note F	-
		Home Master Technology Ltd.	1	Other payables - related parties	13,189	Note F	-
				Operating expenses	7,547	Note F	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		Information Security Services Digital United Inc.	1	Other receivables - related parties	\$ 2,711	Note F	-
				Accounts payable - related parties	28,959	Note F	-
				Other payables - related parties	7,492	Note F	-
				Cost of telecommunications services	4,903	Note F	-
				Cost of sales	18,574	Note F	-
		Yuanshi Digital Technology Co., Ltd.	1	Accounts receivable - related parties	40,196	Note F	-
				Other receivables - related parties	8,014	Note F	-
				Accounts payable - related parties	14,753	Note F	-
				Other payables - related parties	3,250	Note F	-
				Sales of inventories	30,201	Note F	-
				Telecommunications service revenue	1,837	Note F	-
		Sino Lead Enterprise Limited	1	Other payables - related parties	7,658	Note F	-
		Prime Ecopower Co., Ltd.	1	Other receivables - related parties	1,433	Note F	-
				Accounts payable - related parties	4,385	Note F	-
				Cost of telecommunications services	9,623	Note F	-
1	New Century InfoComm Tech Co., Ltd.	KGEx.com Co., Ltd.	3	Accounts receivable - related parties	1,780	Note F	-
				Accounts payable - related parties	14,541	Note F	-
				Other payables - related parties	13,102	Note F	-
				Lease liabilities	20,422	Note F	-
				Telecommunications service revenue	5,443	Note F	-
				Cost of telecommunications services	18,718	Note F	-
		Sino Lead Enterprise Limited	3	Accounts payable - related parties	12,745	Note F	-
				Cost of telecommunications services	28,123	Note F	-
		Yuan Cing Co., Ltd.	3	Other payables - related parties	1,162	Note F	-
				Operating expenses	1,175	Note F	-
		Information Security Services Digital United Inc.	3	Other receivables - related parties	1,737	Note F	-
				Accounts payable - related parties	20,254	Note F	-
				Cost of sales	2,660	Note F	-
				Other operating costs	7,756	Note F	-
				Nonoperating income and gains	1,343	Note F	-
		Yuanshi Digital Technology Co., Ltd.	3	Accounts receivable - related parties	1,047	Note F	-
				Other receivables - related parties	3,153	Note F	-
				Telecommunications service revenue	1,536	Note F	-
				Nonoperating income and gains	2,097	Note F	-
		DataExpress Infotech Co., Ltd.	3	Other receivables - related parties	1,076	Note F	-
2	ARCOA Communication Co., Ltd.	Yuanshi Digital Technology Co., Ltd.	3	Accounts receivable - related parties	9,566	Note F	-
				Sales of inventories	5,724	Note F	-
		DataExpress Infotech Co., Ltd.	3	Other receivables - related parties	1,041	Note F	-
				Other operating revenue	1,205	Note F	-
		Home Master Technology Ltd.	3	Accounts receivable - related parties	264,358	Note F	-
				Sales of inventories	244,476	Note F	1
3	Yuan Cing Co., Ltd. (Note E)	Yuanshi Digital Technology Co., Ltd.	3	Accounts receivable - related parties	3,948	Note F	-
				Other operating revenue	3,821	Note F	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
4	DataExpress Infotech Co., Ltd. (Note E)	Linkwell Tech. Ltd.	3	Accounts receivable - related parties	\$ 5,409	Note F	-
				Other receivables - related parties	4,423	Note F	-
				Accounts payable - related parties	10,847	Note F	-
				Sales of inventories	12,596	Note F	-
				Cost of sales	34,007	Note F	-
				Nonoperating income and gains	1,281	Note F	-
		Home Master Technology Ltd.	3	Accounts receivable - related parties	23,062	Note F	-
				Other receivables - related parties	5,016	Note F	-
				Accounts payable - related parties	24,905	Note F	-
				Sales of inventories	119,036	Note F	1
				Cost of sales	30,289	Note F	-
				Nonoperating income and gains	2,828	Note F	-
5	Linkwell Tech. Ltd. (Note E)	Home Master Technology Ltd.	3	Sales of inventories	2,374	Note F	-
6	Yuanshi Digital Technology Co., Ltd. (Note E)	Information Security Services Digital United Inc.	3	Other payables - related parties	1,190	Note F	-
7	Nextlink Technology Co., Ltd. (Note E)	Microfusion Technology Co., Ltd.	3	Other receivables - related parties	3,200	Note F	-
		Nextlink (HK) Technology Co., Ltd.	3	Accounts payable - related parties	2,449	Note F	-
				Accounts receivable - related parties	11,142	Note F	-
				Other receivables - related parties	5,900	Note F	-
8	Microfusion Technology Co., Ltd. (Note E)	Nextlink (HK) Technology Co., Ltd.	3	Accounts receivable - related parties	4,470	Note F	-
		Nextlink (Shanghai) Technology Co., Ltd.	3	Sales of inventories	3,516	Note F	-
				Accounts receivable - related parties	1,704	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.

Note B: The flow of related-party transactions is as follows:

1. From the parent company to its subsidiary.
2. From a subsidiary to its parent company.
3. Between subsidiaries.

Note C: For assets and liabilities, amount is shown as a percentage to consolidated total assets as of March 31, 2019; while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the three months ended March 31, 2019.

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

Note E: The information was based on unreviewed financial statements as of March 31, 2019.

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

(Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

**INFORMATION ON INVESTEEES
FOR THE THREE MONTHS ENDED MARCH 31, 2019
(In Thousands of New Taiwan Dollar)**

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of March 31, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				March 31, 2019	December 31, 2018	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	\$ 27,397,533	\$ 350,198	\$ 324,375	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	957,627	46,833	(36,845)	Notes A and B
	KGEx.com. Co., Ltd.	Taiwan	Type II telecommunications services	2,340,472	2,340,472	68,897,234	99.99	903,499	39,629	39,393	Notes A and D
	Yuanshi Digital Technology Co., Ltd.	Taiwan	Electronic information services	886,169	886,169	90,014,424	86.41	(455,944)	(58,942)	(50,934)	Notes A and D
	Yuan Cing Co., Ltd.	Taiwan	Call center services	-	-	2,000,000	100.00	36,934	1,690	1,690	Notes A, D and G
	Far Eastern Info Service (Holding) Ltd.	Bermuda	Investments	92,616	92,616	1,200	100.00	5,129	(15)	(15)	Notes A and D
	Omusic Co., Ltd.	Taiwan	Electronic information services	25,000	25,000	2,500,000	50.00	11,175	1,232	616	Notes A and D
	Far Eastern Electronic Toll Collection Co., Ltd.	Taiwan	Electronic information services and electronic toll collection service	2,542,396	2,542,396	118,250,967	39.42	926,245	100,993	39,809	Notes C and D
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	139,500	139,500	5,098,200	15.00	54,185	(2,131)	59	Notes C and D
	Yuan Hsin Digital Payment Co., Ltd.	Taiwan	Other financing and supporting services	600,000	600,000	30,626,472	30.00	217,063	(53,177)	(16,012)	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	232,896	24,913	-	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	87,340	(238)	-	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	123,455	4,497	-	Notes D and E
	Digital United (Cayman) Ltd.	Cayman Islands	Investments	317,446	317,446	10,320,000	100.00	198,969	(821)	-	Notes D and E
	Yuanshi Digital Technology Co., Ltd.	Taiwan	Electronic information services	20,000	20,000	2,499,617	2.40	(12,661)	(58,942)	-	Notes A and D
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	46,500	46,500	1,699,400	5.00	18,061	(2,131)	-	Notes C and D
	Prime Ecopower Co., Ltd.	Taiwan	Energy technology services	160,000	160,000	16,000,000	100.00	151,101	(4,215)	-	Notes D and E
	Catalyst_207 SPC-SP Tranche One	Cayman Island	Investments	123,220	123,220	4,000	25.00	123,530	991	-	Notes C and D
	Nextlink Technology Co., Ltd.	Taiwan	Electronic information services	420,000	-	3,430,000	70.00	419,462	5,396	-	Notes D and E
New Diligent Co., Ltd.	Sino Lead Enterprise Limited	Hong Kong	Telecommunications services	125	125	30,000	100.00	261	20	-	Notes D and E
	Far Eastern New Diligent Company Ltd.	British Virgin Islands	Investments	330,598	330,598	-	100.00	25,126	(293)	-	Notes D and E
	New Diligent Hong Kong Co., Ltd.	Hong Kong	Investments	3,051	3,051	-	100.00	2,887	(48)	-	Notes D and E
DataExpress Infotech Co., Ltd.	Linkwell Tech. Ltd.	Taiwan	Sale of communications products	10,000	10,000	-	100.00	59,483	7,732	-	Notes D and E
	Home Master Technology Ltd.	Taiwan	Sale of communications products	10,000	10,000	-	100.00	57,621	8,890	-	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	9,618	1,800		Notes D and E
	Nextlink (HK) Technology Co., Ltd.	Hong Kong	Electronic information services	973	973	-	100.00	12,692	4,363		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 reviewed financial statements as of March 31, 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 March 31, 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 March 31, 2019.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 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	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of March 31, 2019	Accumulated Repatriation of Investment Income as of March 31, 2019
					Outflow	Inflow						
Digital United Information Technologies (Shanghai) Ltd. (Note F)	Design, research, installment and maintenance of computer software and system	\$ 95,542 (US\$ 3,100,000)	2	\$ 95,542 (US\$ 3,100,000)	\$ -	\$ -	\$ 95,542 (US\$ 3,100,000)	\$ (69)	100.00	\$ (69)	\$ 1,859 (RMB 406,000)	\$ -
Far Eastern Tech-info Ltd. (Shanghai) (Note F)	Computer software, data processing and provision of network information	184,920 (US\$ 6,000,000)	2	200,486 (Note E)	-	-	200,486 (Note E)	(27)	100.00 (Note B)	(27) (Note B)	11,858 (RMB 2,589,000) (Note B)	-
Nextlink (Shanghai) Technology Co., Ltd. (Note F)	Electronic information services	2,219 (US\$ 72,000)	2	2,219 (US\$ 72,000)	-	-	2,219 (US\$ 72,000)	301	70.00	3	2,493 (HK\$ 635,000)	-

Company Name	Accumulated Investments in Mainland China as of March 31, 2019	Investment Amounts Authorized by the Investment Commission, MOEA	Limit on Investments (Note C)
Far EasTone Telecommunications Co., Ltd.	\$ 92,616	\$ 92,616	\$ 45,277,985
New Century InfoComm Tech Co., Ltd.	95,542 (US\$ 3,100,000)	95,542 (US\$ 3,100,000)	14,837,418
New Diligent Co., Ltd.	460,050 (US\$ 14,927,000) (Notes D and E)	460,050 (US\$ 14,927,000) (Notes D and E)	52,404
Nextlink Technology Co., Ltd.	2,219 (US\$ 72,000)	2,219 (US\$ 72,000)	41,439

Note A: Investment type is as follows:

1.

Far EasTone made the investment directly.

2.

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.

3.

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 Corporation 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 March 31, 2019.