

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

**Consolidated Financial Statements for the
Six Months Ended June 30, 2017 and 2016 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

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

We have reviewed the accompanying consolidated balance sheets of Far EasTone Telecommunications Co., Ltd. (Far EasTone) and its subsidiaries as of June 30, 2017 and 2016, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2017 and 2016, and changes in equity and cash flows for the six months ended June 30, 2017 and 2016. These consolidated financial statements are the responsibility of Far EasTone's and subsidiaries' management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

Except for the matter stated in the next paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 36 - "Review of Financial Statements" of the Republic of China. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

As disclosed in Note 13 to the consolidated financial statements, the financial statements of certain nonsignificant subsidiaries used as basis for the consolidated financial statements were unreviewed. As of June 30, 2017 and 2016, the unreviewed assets amounted to NT\$2,952,436 thousand and NT\$4,048,843 thousand (2.2% and 2.8% of the consolidated assets, respectively), and the unreviewed liabilities amounted to NT\$1,667,457 thousand and NT\$2,099,262 thousand (2.5% and 2.7% of the consolidated liabilities, respectively). The unreviewed comprehensive losses for the three months and six months ended June 30, 2017 and 2016 were NT\$(46,876) thousand, NT\$(60,407) thousand, NT\$(96,868) thousand and NT\$(113,330) thousand ((1.6%), (2.0%), (1.7%) and (1.9%) of the consolidated comprehensive income, respectively). As stated in Note 14 to the consolidated financial statements, the investments accounted for using the equity method as of June 30, 2017 and 2016 were NT\$1,019,323 thousand and NT\$1,030,833 thousand, respectively, the credit balance of investments accounted for using the equity method as of June 30, 2016 was NT\$67,004 thousand, and the related investment comprehensive income (losses) for the three months and six months ended June 30, 2017 and 2016 were NT\$15,769 thousand and NT\$(9,211) thousand, NT\$(34,837) thousand and NT\$(42,568) thousand, respectively. These amounts referring to the equity-method investments and the related investees' information were based on unreviewed financial statements. Related information on Far EasTone's and subsidiaries' investments shown in Note 38 to the consolidated financial statements was not reviewed either.

Based on our reviews, except for the effects of such adjustments, if any, as might have been determined to be necessary had the financial statements of the subsidiaries and other equity-method investees as described in the preceding paragraph been reviewed, we are not aware of any material modifications that should be made to the consolidated financial statements of Far EastOne and subsidiaries referred to in the first paragraph for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission.

Deloitte & Touche
Taipei, Taiwan
Republic of China

July 28, 2017

Notice to Readers

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

| | June 30, 2017 (Reviewed) | | December 31, 2016 (Audited) | | June 30, 2016 (Reviewed) | |
|----------------------------------------------------------------------------|-----------------------------|------------|--------------------------------|------------|-----------------------------|------------|
| | Amount | % | Amount | % | Amount | % |
| ASSETS | | | | | | |
| CURRENT ASSETS | | | | | | |
| Cash and cash equivalents (Notes 6 and 33) | \$ 12,476,559 | 9 | \$ 10,258,743 | 8 | \$ 19,407,908 | 14 |
| Available-for-sale financial assets - current (Notes 4 and 7) | 611,083 | 1 | 598,132 | - | 602,553 | - |
| Derivative financial assets for hedging - current (Notes 4, 8 and 33) | 6,338 | - | 2,073 | - | 5,151 | - |
| Debt investments with no active market - current (Notes 4, 10 and 33) | 618,734 | 1 | 910,396 | 1 | 877,776 | 1 |
| Notes receivable, net (Notes 4 and 11) | 56,728 | - | 64,361 | - | 59,210 | - |
| Accounts receivable, net (Notes 4 and 11) | 6,710,949 | 5 | 7,445,520 | 6 | 6,856,588 | 5 |
| Accounts receivable - related parties (Notes 4, 11 and 33) | 179,069 | - | 205,425 | - | 171,166 | - |
| Inventories (Notes 4 and 12) | 3,030,669 | 2 | 2,488,365 | 2 | 2,007,147 | 1 |
| Prepaid expenses | 1,126,703 | 1 | 1,190,030 | 1 | 1,345,475 | 1 |
| Other financial assets - current (Notes 4, 33 and 34) | 4,256,106 | 3 | 3,079,280 | 2 | 3,048,628 | 2 |
| Other current assets (Note 33) | <u>352,955</u> | <u>-</u> | <u>315,063</u> | <u>-</u> | <u>289,885</u> | <u>-</u> |
| Total current assets | <u>29,425,893</u> | <u>22</u> | <u>26,557,388</u> | <u>20</u> | <u>34,671,487</u> | <u>24</u> |
| NONCURRENT ASSETS | | | | | | |
| Financial assets carried at cost (Notes 4 and 9) | 263,308 | - | 218,308 | - | 218,308 | - |
| Investments accounted for using the equity method (Notes 4, 14 and 33) | 1,019,323 | 1 | 1,025,081 | 1 | 1,030,833 | 1 |
| Property, plant and equipment, net (Notes 4, 15 and 33) | 48,021,923 | 36 | 49,849,572 | 37 | 52,053,165 | 36 |
| Investment properties (Notes 4 and 16) | 1,041,406 | 1 | 1,041,406 | 1 | 1,107,586 | 1 |
| Concessions, net (Notes 1, 4 and 17) | 36,871,638 | 28 | 38,383,531 | 29 | 39,757,600 | 28 |
| Goodwill (Notes 4 and 17) | 10,808,901 | 8 | 10,808,901 | 8 | 10,808,901 | 7 |
| Other intangible assets (Notes 4 and 17) | 3,289,925 | 2 | 3,266,025 | 2 | 3,055,238 | 2 |
| Deferred income tax assets (Note 4) | 882,406 | 1 | 943,784 | 1 | 807,598 | 1 |
| Other noncurrent assets (Notes 4, 18, 33 and 34) | <u>717,481</u> | <u>1</u> | <u>713,326</u> | <u>1</u> | <u>737,219</u> | <u>-</u> |
| Total noncurrent assets | <u>102,916,311</u> | <u>78</u> | <u>106,249,934</u> | <u>80</u> | <u>109,576,448</u> | <u>76</u> |
| TOTAL | <u>\$ 132,342,204</u> | <u>100</u> | <u>\$ 132,807,322</u> | <u>100</u> | <u>\$ 144,247,935</u> | <u>100</u> |
| LIABILITIES AND EQUITY | | | | | | |
| CURRENT LIABILITIES | | | | | | |
| Short-term borrowings (Notes 4 and 19) | \$ 234,000 | - | \$ 2,800,000 | 2 | \$ 443,570 | - |
| Short-term bills payable (Notes 4 and 19) | 349,673 | - | 3,149,171 | 2 | 299,671 | - |
| Derivative financial liabilities for hedging - current (Notes 4, 8 and 33) | 6,087 | - | 47,767 | - | 19,155 | - |
| Notes payable | 31,874 | - | 15,425 | - | 59,733 | - |
| Accounts payable (Note 33) | 4,495,515 | 3 | 4,126,464 | 3 | 4,837,240 | 3 |
| Other payables (Notes 21 and 24) | 19,652,069 | 15 | 8,795,001 | 7 | 21,869,507 | 15 |
| Current tax liabilities (Note 4) | 2,180,947 | 2 | 2,157,366 | 2 | 2,267,702 | 2 |
| Provisions - current (Notes 4 and 22) | 215,384 | - | 219,922 | - | 214,013 | - |
| Unearned revenue (Note 4) | 2,276,386 | 2 | 2,447,193 | 2 | 2,314,106 | 2 |
| Current portion of long-term borrowings (Notes 4 and 20) | 8,698,160 | 7 | 6,197,478 | 5 | 1,599,566 | 1 |
| Guarantee deposits received - current | 250,549 | - | 257,597 | - | 262,122 | - |
| Other current liabilities (Note 33) | <u>849,804</u> | <u>1</u> | <u>767,320</u> | <u>-</u> | <u>793,998</u> | <u>1</u> |
| Total current liabilities | <u>39,240,448</u> | <u>30</u> | <u>30,980,704</u> | <u>23</u> | <u>34,980,383</u> | <u>24</u> |
| NONCURRENT LIABILITIES | | | | | | |
| Bonds payable (Notes 4 and 20) | 19,377,998 | 15 | 12,190,103 | 9 | 18,384,409 | 13 |
| Long-term borrowings (Notes 4 and 19) | 4,599,645 | 3 | 14,048,345 | 11 | 20,797,012 | 14 |
| Provisions - noncurrent (Notes 4 and 22) | 868,540 | 1 | 859,586 | 1 | 843,774 | 1 |
| Deferred income tax liabilities (Note 4) | 1,662,119 | 1 | 1,595,238 | 1 | 1,535,590 | 1 |
| Deferred revenue - noncurrent (Notes 4 and 21) | 181,214 | - | 193,188 | - | 202,972 | - |
| Net defined benefit liabilities - noncurrent (Note 4) | 757,096 | 1 | 764,232 | 1 | 728,377 | 1 |
| Guarantee deposits received - noncurrent | 294,512 | - | 310,364 | - | 319,355 | - |
| Other noncurrent liabilities (Notes 4 and 14) | <u>57,757</u> | <u>-</u> | <u>142,961</u> | <u>-</u> | <u>133,757</u> | <u>-</u> |
| Total noncurrent liabilities | <u>27,798,881</u> | <u>21</u> | <u>30,104,017</u> | <u>23</u> | <u>42,945,246</u> | <u>30</u> |
| Total liabilities | <u>67,039,329</u> | <u>51</u> | <u>61,084,721</u> | <u>46</u> | <u>77,925,629</u> | <u>54</u> |
| EQUITY ATTRIBUTABLE TO OWNERS OF FAR EASTONE | | | | | | |
| Capital stock | | | | | | |
| Common stock | <u>32,585,008</u> | <u>25</u> | <u>32,585,008</u> | <u>24</u> | <u>32,585,008</u> | <u>23</u> |
| Capital surplus | <u>8,143,345</u> | <u>6</u> | <u>10,166,874</u> | <u>8</u> | <u>10,181,262</u> | <u>7</u> |
| Retained earnings | | | | | | |
| Legal reserve | 17,405,561 | 13 | 16,270,878 | 12 | 16,270,878 | 11 |
| Special reserve | 783,467 | 1 | 769,907 | 1 | 769,907 | 1 |
| Unappropriated earnings | <u>5,719,027</u> | <u>4</u> | <u>11,346,830</u> | <u>8</u> | <u>6,010,169</u> | <u>4</u> |
| Total retained earnings | <u>23,908,055</u> | <u>18</u> | <u>28,387,615</u> | <u>21</u> | <u>23,050,954</u> | <u>16</u> |
| Other equity | <u>(29,731)</u> | <u>-</u> | <u>(133,479)</u> | <u>-</u> | <u>(181,944)</u> | <u>-</u> |
| Total equity attributable to owners of Far EasTone | 64,606,677 | 49 | 71,006,018 | 53 | 65,635,280 | 46 |
| NONCONTROLLING INTERESTS | <u>696,198</u> | <u>-</u> | <u>716,583</u> | <u>1</u> | <u>687,026</u> | <u>-</u> |
| Total equity | <u>65,302,875</u> | <u>49</u> | <u>71,722,601</u> | <u>54</u> | <u>66,322,306</u> | <u>46</u> |
| TOTAL | <u>\$ 132,342,204</u> | <u>100</u> | <u>\$ 132,807,322</u> | <u>100</u> | <u>\$ 144,247,935</u> | <u>100</u> |

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

(With Deloitte & Touche review report dated July 28, 2017)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

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

| | For the Three Months Ended June 30 | | | | For the Six Months Ended June 30 | | | |
|------------------------------------------------------------------------------------------|------------------------------------|------------|-------------------|------------|----------------------------------|------------|-------------------|------------|
| | 2017 | | 2016 | | 2017 | | 2016 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| OPERATING REVENUES (Notes 4, 25 and 33) | \$ 21,935,841 | 100 | \$ 23,067,175 | 100 | \$ 44,416,228 | 100 | \$ 46,886,631 | 100 |
| OPERATING COSTS (Notes 4, 12, 26 and 33) | <u>12,615,298</u> | <u>58</u> | <u>13,393,611</u> | <u>58</u> | <u>25,814,175</u> | <u>58</u> | <u>27,601,186</u> | <u>59</u> |
| GROSS PROFIT | <u>9,320,543</u> | <u>42</u> | <u>9,673,564</u> | <u>42</u> | <u>18,602,053</u> | <u>42</u> | <u>19,285,445</u> | <u>41</u> |
| OPERATING EXPENSES (Notes 4, 26 and 33) | | | | | | | | |
| Marketing | 3,970,566 | 18 | 4,475,732 | 19 | 8,022,003 | 18 | 8,764,353 | 18 |
| General and administrative | <u>1,564,510</u> | <u>7</u> | <u>1,266,032</u> | <u>6</u> | <u>3,013,262</u> | <u>7</u> | <u>2,745,256</u> | <u>6</u> |
| Total operating expenses | <u>5,535,076</u> | <u>25</u> | <u>5,741,764</u> | <u>25</u> | <u>11,035,265</u> | <u>25</u> | <u>11,509,609</u> | <u>24</u> |
| OPERATING INCOME | <u>3,785,467</u> | <u>17</u> | <u>3,931,800</u> | <u>17</u> | <u>7,566,788</u> | <u>17</u> | <u>7,775,836</u> | <u>17</u> |
| NONOPERATING INCOME AND EXPENSES | | | | | | | | |
| Other income (Notes 4 and 33) | 27,962 | - | 23,678 | - | 46,768 | - | 46,643 | - |
| Other gains and losses (Notes 4 and 8) | 61,187 | - | 25,876 | - | 66,331 | - | 56,055 | - |
| Financial costs (Notes 4, 26 and 33) | (114,872) | - | (104,763) | - | (222,850) | - | (220,883) | - |
| Losses on disposal of property, plant and equipment and intangible assets (Note 4) | (227,822) | (1) | (210,813) | (1) | (408,992) | (1) | (335,340) | (1) |
| Share of the loss of associates (Note 4) | <u>5,616</u> | <u>-</u> | <u>(25,474)</u> | <u>-</u> | <u>(63,653)</u> | <u>-</u> | <u>(44,235)</u> | <u>-</u> |
| Total nonoperating income and expenses | <u>(247,929)</u> | <u>(1)</u> | <u>(291,496)</u> | <u>(1)</u> | <u>(582,396)</u> | <u>(1)</u> | <u>(497,760)</u> | <u>(1)</u> |
| INCOME BEFORE INCOME TAX | 3,537,538 | 16 | 3,640,304 | 16 | 6,984,392 | 16 | 7,278,076 | 16 |
| INCOME TAX (Notes 4 and 27) | <u>619,070</u> | <u>3</u> | <u>627,952</u> | <u>3</u> | <u>1,222,269</u> | <u>3</u> | <u>1,255,468</u> | <u>3</u> |
| NET INCOME | <u>2,918,468</u> | <u>13</u> | <u>3,012,352</u> | <u>13</u> | <u>5,762,123</u> | <u>13</u> | <u>6,022,608</u> | <u>13</u> |
| OTHER COMPREHENSIVE INCOME | | | | | | | | |
| Items that may be reclassified subsequently to profit or loss: | | | | | | | | |
| Exchange differences on translating foreign operations (Notes 4 and 24) | 739 | - | 306 | - | (1,019) | - | 557 | - |
| Unrealized gains (losses) on available-for-sale financial assets (Notes 4 and 24) | 18,845 | - | 17,050 | - | 10,749 | - | (56,828) | - |

(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

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

| | For the Three Months Ended June 30 | | | | For the Six Months Ended June 30 | | | |
|----------------------------------------------------------------------------------------------------------|------------------------------------|-----------|---------------------|-----------|----------------------------------|-----------|---------------------|-----------|
| | 2017 | | 2016 | | 2017 | | 2016 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| Cash flow hedges (Notes 4, 8 and 24) | \$ 48,344 | 1 | \$ (26,541) | - | \$ 65,286 | - | \$ (1,694) | - |
| Share of other comprehensive income of associates accounted for using the equity method (Notes 4 and 24) | 10,153 | - | 16,263 | - | 28,816 | - | 1,667 | - |
| Total other comprehensive income, net of income tax | 78,081 | 1 | 7,078 | - | 103,832 | - | (56,298) | - |
| TOTAL COMPREHENSIVE INCOME | <u>\$ 2,996,549</u> | <u>14</u> | <u>\$ 3,019,430</u> | <u>13</u> | <u>\$ 5,865,955</u> | <u>13</u> | <u>\$ 5,966,310</u> | <u>13</u> |
| NET INCOME | | | | | | | | |
| ATTRIBUTABLE TO: | | | | | | | | |
| Owners of Far EasTone | \$ 2,917,335 | 13 | \$ 3,004,867 | 13 | \$ 5,753,581 | 13 | \$ 6,005,025 | 13 |
| Noncontrolling interests | 1,133 | - | 7,485 | - | 8,542 | - | 17,583 | - |
| | <u>\$ 2,918,468</u> | <u>13</u> | <u>\$ 3,012,352</u> | <u>13</u> | <u>\$ 5,762,123</u> | <u>13</u> | <u>\$ 6,022,608</u> | <u>13</u> |
| COMPREHENSIVE INCOME | | | | | | | | |
| ATTRIBUTABLE TO: | | | | | | | | |
| Owners of Far EasTone | \$ 2,995,416 | 14 | \$ 3,011,608 | 13 | \$ 5,857,329 | 13 | \$ 5,948,293 | 13 |
| Noncontrolling interests | 1,133 | - | 7,822 | - | 8,626 | - | 18,017 | - |
| | <u>\$ 2,996,549</u> | <u>14</u> | <u>\$ 3,019,430</u> | <u>13</u> | <u>\$ 5,865,955</u> | <u>13</u> | <u>\$ 5,966,310</u> | <u>13</u> |
| EARNINGS PER SHARE, NEW TAIWAN DOLLARS (Notes 4 and 28) | | | | | | | | |
| Basic | \$ 0.90 | | \$ 0.92 | | \$ 1.77 | | \$ 1.84 | |
| Diluted | \$ 0.89 | | \$ 0.92 | | \$ 1.76 | | \$ 1.84 | |

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

(With Deloitte & Touche review report dated July 28, 2017)

(Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars, Except for Dividends Per Share)
(Reviewed, Not Audited)

| | Equity Attributable to Owners of Far EasTone | | | | | | | | | | |
|----------------------------------------------------------------------------|----------------------------------------------|-------------------------------------|----------------------------|------------------------------|------------------------------------------------|-------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|-----------------------------------------|----------------------|-------------------------------------------------|----------------------|
| | Retained Earnings | | | | | Other Equity | | | | | |
| | Share Capital (Note 24) | Capital Surplus (Notes 4 and 24) | Legal Reserve (Note 24) | Special Reserve (Note 24) | Unappropriated Earnings (Notes 4 and 24) | Exchange Differences on Translating Foreign Operations (Notes 4 and 24) | Unrealized Gains (Losses) on Available-for-sale Financial Assets (Notes 4 and 24) | Cash Flow Hedges (Notes 4, 8 and 24) | Total | Noncontrolling Interests (Notes 4 and 24) | Total Equity |
| BALANCE AT JANUARY 1, 2016 | \$ 32,585,008 | \$ 12,058,158 | \$ 15,127,206 | \$ 824,480 | \$ 11,436,725 | \$ 829 | \$ 14,625 | \$ (140,666) | \$ 71,906,365 | \$ 752,531 | \$ 72,658,896 |
| Appropriation of the 2015 earnings | | | | | | | | | | | |
| Legal reserve | - | - | 1,143,672 | - | (1,143,672) | - | - | - | - | - | - |
| Special reserve | - | - | - | (54,573) | 54,573 | - | - | - | - | - | - |
| Cash dividends - NT\$3.174 per share | - | - | - | - | (10,342,482) | - | - | - | (10,342,482) | - | (10,342,482) |
| Cash dividends from capital surplus - NT\$0.576 per share | - | (1,876,896) | - | - | - | - | - | - | (1,876,896) | - | (1,876,896) |
| Cash capital reduction by subsidiaries | - | - | - | - | - | - | - | - | - | (15) | (15) |
| Cash dividends distributed by subsidiaries | - | - | - | - | - | - | - | - | - | (83,507) | (83,507) |
| Net income for the six months ended June 30, 2016 | - | - | - | - | 6,005,025 | - | - | - | 6,005,025 | 17,583 | 6,022,608 |
| Other comprehensive income (losses) for the six months ended June 30, 2016 | - | - | - | - | - | (306) | (56,828) | 402 | (56,732) | 434 | (56,298) |
| BALANCE AT JUNE 30, 2016 | <u>\$ 32,585,008</u> | <u>\$ 10,181,262</u> | <u>\$ 16,270,878</u> | <u>\$ 769,907</u> | <u>\$ 6,010,169</u> | <u>\$ 523</u> | <u>\$ (42,203)</u> | <u>\$ (140,264)</u> | <u>\$ 65,635,280</u> | <u>\$ 687,026</u> | <u>\$ 66,322,306</u> |
| BALANCE AT JANUARY 1, 2017 | \$ 32,585,008 | \$ 10,166,874 | \$ 16,270,878 | \$ 769,907 | \$ 11,346,830 | \$ 4,638 | \$ (45,872) | \$ (92,245) | \$ 71,006,018 | \$ 716,583 | \$ 71,722,601 |
| Appropriation of the 2016 earnings | | | | | | | | | | | |
| Legal reserve | - | - | 1,134,683 | - | (1,134,683) | - | - | - | - | - | - |
| Special reserve | - | - | - | 13,560 | (13,560) | - | - | - | - | - | - |
| Cash dividends - NT\$3.129 per share | - | - | - | - | (10,195,849) | - | - | - | (10,195,849) | - | (10,195,849) |
| Cash dividends from capital surplus - NT\$0.621 per share | - | (2,023,529) | - | - | - | - | - | - | (2,023,529) | - | (2,023,529) |
| Adjustments to share of changes in equities of associates | - | - | - | - | (5,166) | - | - | - | (5,166) | - | (5,166) |
| Changes in ownership interests of subsidiaries | - | - | - | - | (32,126) | - | - | - | (32,126) | 33,217 | 1,091 |
| Cash dividends distributed by subsidiaries | - | - | - | - | - | - | - | - | - | (62,228) | (62,228) |
| Net income for the six months ended June 30, 2017 | - | - | - | - | 5,753,581 | - | - | - | 5,753,581 | 8,542 | 5,762,123 |
| Other comprehensive income (losses) for the six months ended June 30, 2017 | - | - | - | - | - | (1,071) | 10,749 | 94,070 | 103,748 | 84 | 103,832 |
| BALANCE AT JUNE 30, 2017 | <u>\$ 32,585,008</u> | <u>\$ 8,143,345</u> | <u>\$ 17,405,561</u> | <u>\$ 783,467</u> | <u>\$ 5,719,027</u> | <u>\$ 3,567</u> | <u>\$ (35,123)</u> | <u>\$ 1,825</u> | <u>\$ 64,606,677</u> | <u>\$ 696,198</u> | <u>\$ 65,302,875</u> |

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

(With Deloitte & Touche review report dated July 28, 2017)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

| | For the Six Months Ended June 30 | |
|---------------------------------------------------------------------------|-------------------------------------|-------------------|
| | 2017 | 2016 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | \$ 6,984,392 | \$ 7,278,076 |
| Adjustments for: | | |
| Depreciation | 4,939,380 | 4,575,609 |
| Amortization | 411,698 | 397,283 |
| Amortization of concessions | 1,511,893 | 1,207,269 |
| Allowance for doubtful accounts | 242,621 | 198,015 |
| Financial costs | 222,850 | 220,883 |
| Interest income | (28,911) | (25,163) |
| Share of the loss of associates | 63,653 | 44,235 |
| Losses on disposal of property, plant and equipment and intangible assets | 408,992 | 335,340 |
| Gain on disposal of financial assets | (945) | (265) |
| Reversal of write-down of inventories | (3,736) | (5,112) |
| Deferred gain (loss) on derivative assets for hedging | 32,713 | (1,488) |
| Net changes in operating assets and liabilities | | |
| Notes receivable | 7,633 | 1,410 |
| Accounts receivable | 491,950 | (258,970) |
| Accounts receivable - related parties | 26,356 | 53,018 |
| Inventories | (538,568) | 2,503,160 |
| Prepaid expenses | 63,327 | (84,647) |
| Other current assets | (66,246) | 10,710 |
| Notes payable | 16,449 | 46,239 |
| Accounts payable | 369,051 | 310,282 |
| Other payables | (929,367) | (524,864) |
| Provisions | (16,873) | (3,529) |
| Unearned revenue | (170,807) | (130,867) |
| Other current liabilities | 93,368 | 397,241 |
| Net defined benefit assets/liabilities | (7,216) | (3,884) |
| Cash generated from operations | 14,123,657 | 16,539,981 |
| Interest received | 23,986 | 25,450 |
| Interest paid | (109,189) | (132,240) |
| Income taxes paid | (1,086,127) | (667,237) |
| Net cash generated from operating activities | <u>12,952,327</u> | <u>15,765,954</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds of the disposal of available-for-sale financial assets | - | 190,134 |
| Disposal of debt investments with no active market | 291,662 | 644,276 |
| Acquisition of financial assets carried at cost | (45,000) | - |
| Proceeds of the disposal of financial asset carried at cost | 945 | - |
| Acquisition of investments accounted for using the equity method | (124,497) | - |

(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

| | For the Six Months Ended June 30 | |
|-----------------------------------------------------------|-------------------------------------|----------------------|
| | 2017 | 2016 |
| Acquisition of property, plant and equipment | \$ (4,111,041) | \$ (4,568,871) |
| Proceeds of the disposal of property, plant and equipment | 34,664 | 16,346 |
| Increase in refundable deposits | (158,642) | (172,522) |
| Decrease in refundable deposits | 154,649 | 148,188 |
| Acquisition of intangible assets | (435,709) | (8,538,375) |
| Increase in other financial assets | <u>(1,176,908)</u> | <u>(271,263)</u> |
| Net cash used in investing activities | <u>(5,569,877)</u> | <u>(12,552,087)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Decrease in short-term borrowings | (2,566,000) | (63,401) |
| Decrease in short-term bills payable | (2,799,498) | (30,037) |
| Proceeds from issuance of bonds payable | 9,684,320 | - |
| Proceeds of long-term borrowings | 1,699,848 | 1,699,831 |
| Repayment of long-term borrowings | (11,148,548) | (1,392,820) |
| Increase in guarantee deposits received | 43,843 | 66,639 |
| Decrease in guarantee deposits received | (66,743) | (70,769) |
| Decrease in deferred revenue | (11,974) | (11,395) |
| Cash dividends paid | (9) | (7) |
| Net changes in noncontrolling interests | <u>1,091</u> | <u>-</u> |
| Net cash (used in) generated from financing activities | <u>(5,163,670)</u> | <u>198,041</u> |
| EFFECT OF EXCHANGE RATE CHANGES | <u>(964)</u> | <u>1,233</u> |
| INCREASE IN CASH AND CASH EQUIVALENTS | 2,217,816 | 3,413,141 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | <u>10,258,743</u> | <u>15,994,767</u> |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | <u>\$ 12,476,559</u> | <u>\$ 19,407,908</u> |

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

(With Deloitte & Touche review report dated July 28, 2017)

(Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016 (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 shares began to be traded on the ROC over-the-counter (OTC) securities exchange (known as The Taipei Exchange, TPEx) on December 10, 2001. Later, Far EasTone's shares ceased to be traded on OTC exchange and became listed on the ROC Taiwan Stock Exchange (the 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 June 30, 2017 and 2016, Far Eastern New Century Corporation (Far Eastern New Century) and its affiliates directly and indirectly owned 38.28% of Far EasTone's shares. Since Far Eastern New Century and its subsidiaries have the power to cast majority of votes at the meeting of Far EasTone's board of directors, Far Eastern New Century has control over Far EasTone's finances, operations and personnel affairs. Thus, Far Eastern New Century is the ultimate parent company of Far EasTone.

Far EasTone provides 2G (second-generation wireless communications services) by geographical sector under two type I licenses, GSM900 for the northern region of Taiwan and GSM1800 island-wide (GSM means global system for mobile communications), issued by the Directorate General of Telecommunications (DGT) of the ROC. These licenses 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. The license of GSM1800 island-wide was returned to the NCC in April 2015. The license of GSM900 for the northern region of Taiwan was expired in June 2017 and 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 2018. Far EasTone is also licensed to provide local/domestic long-distance land cable leased circuit services for 15 years from January 2003.

Through the completion of the merger with Yuan-Ze Telecommunications Co., Ltd. (Yuan-Ze Telecom), on May 2, 2005, Far EasTone acquired a 3G license which was issued by DGT on January 24, 2005 and is valid through December 31, 2018. Far EasTone became licensed to provide 3G wireless communications service and began commercial operations from 2005.

On October 30, 2013, Far EasTone bid for a 4G (four-generation wireless communications services) wireless communications license, GSM700 and GSM1800, with validity through December 31, 2030, and became licensed to provide 4G services and began commercial operations in 2014. Far EasTone also bid for a 4G wireless communications license, GSM2600, on December 7, 2015, and began commercial operations in April 2016. The GSM2600 license is valid until December 31, 2033.

The consolidated financial statements are presented in New Taiwan dollars, the functional currency of Far EasTone.

2. REPORT OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were reported to Far EasTone's board of directors on July 28, 2017.

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:

Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Group are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Group has transaction. If the transaction or balance with a specific related party is 10% or more of the Group’s respective total transaction or balance, such transaction should be separately disclosed by the name of each related party.

The amendments also require additional disclosure if there is a significant difference between the actual operation after business combination and the expected benefit on acquisition date.

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions are enhanced. Refer to Note 33 for related disclosures.

- b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs endorsed by the FSC for application starting from 2018

| New IFRSs | Effective Date Announced by IASB (Note 1) |
|-------------------------------------------------------------------------------------------------|------------------------------------------------------|
| Annual Improvements to IFRSs 2014-2016 Cycle | Note 2 |
| Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions” | January 1, 2018 |
| Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts” | January 1, 2018 |
| IFRS 9 “Financial Instruments” | January 1, 2018 |
| Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures” | January 1, 2018 |
| IFRS 15 “Revenue from Contracts with Customers” | January 1, 2018 |
| Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers” | January 1, 2018 |

(Continued)

| New IFRSs | Effective Date Announced by IASB (Note 1) |
|---------------------------------------------------------------------------------|------------------------------------------------------|
| Amendment to IAS 7 “Disclosure Initiative” | January 1, 2017 |
| Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses” | January 1, 2017 |
| Amendments to IAS 40 “Transfers of Investment Property” | January 1, 2018 |
| IFRIC 22 “Foreign Currency Transactions and Advance Consideration” | January 1, 2018 |

(Concluded)

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

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

1) IFRS 9 “Financial Instruments”

Recognition, measurement and impairment of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

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

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

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The Group continues assessing the impact of the application of IFRS 9 on the classification and measurement of its financial assets and the related amendments.

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

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

The Group will disclose relevant information about the classification and the adjustment, and decide whether to restate or not the comparative information of 2017 when applying the requirements for the recognition, measurement, and impairment of financial assets under IFRS 9. Furthermore, the Group will disclose the differences in amounts if the Group continues to apply the existing accounting treatments in 2018.

Hedge accounting

The main changes in hedge accounting amended the application requirements for hedge accounting to better reflect the entity’s risk management activities. Compared with IAS 39, the main changes include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the risks eligible for hedge accounting of non-financial items; (2) changing the way the hedging cost of derivative instruments are accounted for to reduce profit or loss volatility; and (3) replacing retrospective effectiveness assessment with the principle of economic relationship between the hedging instrument and the hedged item.

A preliminary assessment of the Group’s current hedging relationships indicates that they will qualify as continuing hedging relationships upon application of IFRS 9.

2) IFRS 15 “Revenue from Contracts with Customers” and related amendment

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

When applying IFRS 15, the Group recognizes revenue by applying the following steps:

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

In identifying performance obligations, IFRS 15 and related amendment require that a good or service is distinct if it is capable of being distinct (for example, the Group regularly sells it separately) and the promise to transfer it is distinct within the context of the contract (i.e. the nature of the promise in the contract is to transfer each of those goods or services individually rather than to transfer combined outputs).

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

Incremental costs of obtaining a contract will be recognized as an asset to the extent the Group expects to recover those costs. Such asset will be amortized on a basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Currently, related costs are recognized as expense immediately.

The Group provides service-type warranty in addition to the assurance that the product complies with agreed-upon specifications. IFRS 15 requires such service to be considered as a performance obligation. Transaction price allocated to service-type warranty will be recognized as revenue and related costs will be recognized when warranty service is performed. Currently, transaction price of the aforementioned transaction is fully recognized as revenue when products are sold, and a corresponding provision is recognized for the expected warranty cost.

IFRS 15 and related amendment require that when another party is involved in providing goods or services to a customer, the Group is a principal if it controls the specified good or service before that good or service is transferred to a customer. Since a specified good or service is a distinct good or service, the Group determines whether it is a principal or an agent for each specified good or service.

The Group is a principal if it obtains control of any one of the following:

- a) The good or another asset that it then transfers to the customer.
- b) The right to a service to be performed by other party, which gives the Group the ability to direct that party to provide the service to the customer on its behalf.
- c) The good or service from the other party that it then combines with the other goods or services in providing the specified good or service to the customer.

Indicators to support the Group's assessment of whether it controls a specified good or service include, but are not limited to, the following:

- a) The Group is primarily responsible for fulfilling the promise to provide the specified good or service.
- b) The Group has inventory risk before or after the specified good or service is transferred to the customer.
- c) The Group has discretion in establishing the price of the specified good or service.

Currently, the Group determines whether it is a principal or an agent based on its exposure to the significant risks and rewards of goods or services.

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Currently, receivable is recognized or deferred revenue is reduced or recognized when revenue is recognized for the contract under IAS 18.

When retrospectively applying IFRS 15 and restating comparative information in 2017, the Group will apply the following practical expedients:

- a) The Group will not restate completed contracts on or before January 1, 2017.
- b) The Group will identify the performance obligations, determine and allocate transaction price in the manner that reflects the aggregate effect of all modifications that occurred before December 31, 2016.
- c) The Group will not disclose the comparative information in 2017 relating to the amount of the transaction price allocated to the remaining performance obligations and the explanation of when the Group expects to recognize that amount as revenue.

In addition, the Group will elect only to disclose the effect in 2017 of the initial application of IFRS 15.

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

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

| New IFRSs | Effective Date Announced by IASB (Note) |
|--------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|
| 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 16 "Leases" | January 1, 2019 |
| IFRS 17 "Insurance Contracts" | January 1, 2021 |
| IFRIC 23 "Uncertainty Over Income Tax Treatments" | January 1, 2019 |

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

IFRS 16 "Leases"

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the financial instruments, investment properties which are measured at fair value, and net defined benefit 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 the 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 the asset or liability.

c. Basis of consolidation

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

d. Other significant accounting policies

Except for the following, the accounting policies applied in the consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2016. For the summary of other significant accounting policies, please refer to the consolidated financial statements for the year ended December 31, 2016.

1) 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.

2) 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.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty of consolidated financial statements have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended December 31, 2016.

6. CASH AND CASH EQUIVALENTS

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|-------------------------------------------------------|----------------------|----------------------|----------------------|
| Cash on hand | \$ 13,669 | \$ 45,668 | \$ 14,055 |
| Checking and demand deposits | 5,834,356 | 1,317,818 | 3,261,442 |
| Cash equivalents | | | |
| Commercial paper purchased under resell agreements | 611,658 | 8,864,085 | 16,073,732 |
| Certificates of deposits | <u>6,016,876</u> | <u>31,172</u> | <u>58,679</u> |
| | <u>\$ 12,476,559</u> | <u>\$ 10,258,743</u> | <u>\$ 19,407,908</u> |

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|----------------------|-------------------|----------------------|-------------------|
| <u>Current</u> | | | |
| Overseas investments | | | |
| Mutual funds | <u>\$ 611,083</u> | <u>\$ 598,132</u> | <u>\$ 602,553</u> |

8. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|-----------------------------------|-----------------|----------------------|-----------------|
| <u>Financial assets - current</u> | | | |
| Cash flow hedge | | | |
| Forward exchange contracts | \$ 6,338 | \$ 2,073 | \$ 263 |
| Foreign exchange swap contracts | <u>-</u> | <u>-</u> | <u>4,888</u> |
| | <u>\$ 6,338</u> | <u>\$ 2,073</u> | <u>\$ 5,151</u> |

(Continued)

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|----------------------------------------|-----------------|----------------------|---------------------------------|
| <u>Financial liabilities - current</u> | | | |
| Cash flow hedge | | | |
| Forward exchange contracts | \$ 2,437 | \$ 40,229 | \$ 19,155 |
| Foreign exchange swap contracts | <u>3,650</u> | <u>7,538</u> | <u>-</u> |
| | <u>\$ 6,087</u> | <u>\$ 47,767</u> | <u>\$ 19,155</u> (Concluded) |

Cash Flow Hedge

The Group used forward exchange contracts and foreign exchange swap contracts to hedge against adverse cash flow fluctuations on its foreign currency-denominated assets and expected future transactions. These contracts were negotiated in accordance with the contracts on the hedged items. The outstanding contracts of the Group at the end of the reporting period were as follows:

| | Currency | Maturity Date/Period | Contract Amount (In Thousands) |
|---------------------------------|--------------|-----------------------|-----------------------------------|
| <u>June 30, 2017</u> | | | |
| Forward exchange contracts | NT\$ to EUR | 2017.07.25-2017.10.25 | EUR 10,000 |
| Foreign exchange swap contracts | US\$ to NT\$ | 2017.07.10-2017.07.31 | US\$ 20,000 |
| <u>December 31, 2016</u> | | | |
| Forward exchange contracts | NT\$ to EUR | 2017.01.25-2017.10.25 | EUR 29,500 |
| Foreign exchange swap contracts | US\$ to NT\$ | 2017.01.11-2017.02.15 | US\$ 20,000 |
| <u>June 30, 2016</u> | | | |
| Forward exchange contracts | NT\$ to EUR | 2016.07.25-2017.04.25 | EUR 31,500 |
| Foreign exchange swap contracts | US\$ to NT\$ | 2016.07.15-2016.09.30 | US\$ 20,000 |

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

For the three months and six months ended June 30, 2017 and 2016, expected future trading exposures on above contracts, amounting to \$48,344 thousand, \$(26,541) thousand, \$65,286 thousand and \$(1,694) thousand, were recognized in other comprehensive income. The expected cash flows will occur when the hedge target is sold or expected future purchase transactions take place, and will be reclassified from equity to profit or loss.

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

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|------------------------|-----------------------------------------------|-----------------|---------------------------------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Other gains and losses | <u>\$ (25,754)</u> | <u>\$ 4,452</u> | <u>\$ (47,006)</u> | <u>\$ (5,566)</u> |

9. FINANCIAL ASSETS CARRIED AT COST

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|---------------------------------------------|----------------------|------------------------------|----------------------|
| <u>Noncurrent</u> | | | |
| Domestic unlisted common stock | <u>\$ 263,308</u> | <u>\$ 218,308</u> | <u>\$ 218,308</u> |
| <u>Distinguish from the type of measure</u> | | | |
| Available-for-sale | <u>\$ 263,308</u> | <u>\$ 218,308</u> | <u>\$ 218,308</u> |

Management believed that the above unlisted equity investments held by the Group whose fair value cannot be reliably measured due to the significant range of reasonable fair value estimates; therefore, they were measured at cost, less impairment losses at the end of reporting period.

10. DEBT INVESTMENTS WITH NO ACTIVE MARKET

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|--------------------------------------------------------------------|----------------------|------------------------------|----------------------|
| <u>Current</u> | | | |
| Certificates of deposits with original maturity more than 3 months | <u>\$ 618,734</u> | <u>\$ 910,396</u> | <u>\$ 877,776</u> |

11. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|---------------------------------------|----------------------|------------------------------|----------------------|
| <u>Notes receivable</u> | | | |
| Notes receivable - operating | \$ 56,728 | \$ 64,361 | \$ 59,210 |
| Less: Allowance for doubtful accounts | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 56,728</u> | <u>\$ 64,361</u> | <u>\$ 59,210</u> |
| <u>Accounts receivable</u> | | | |
| Accounts receivable | \$ 7,842,513 | \$ 8,550,522 | \$ 8,045,742 |
| Less: Allowance for doubtful accounts | <u>(952,495)</u> | <u>(899,577)</u> | <u>(1,017,988)</u> |
| | <u>\$ 6,890,018</u> | <u>\$ 7,650,945</u> | <u>\$ 7,027,754</u> |

Accounts Receivable

The Group's average credit period for the sale of inventories is 30 to 45 days, and the average credit period for telecommunications services is 30 to 60 days. When deciding the recoverability of accounts receivable, the Group considers any change in the credit quality from the date credit was initially granted up to the end of the reporting period. The Group has recognized an allowance for doubtful accounts of 100% against all receivables past due beyond 120 days because the historical experience has been that receivables that are past due beyond 120 days are not recoverable. Allowance for doubtful accounts is recognized against accounts receivable past due among 120 days based on estimated irrecoverable amounts determined by reference to past default experience of the counter-party and the analysis of its current financial position.

The aging of receivables was as follows:

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|-----------------|---------------------|----------------------|---------------------|
| Not overdue | \$ 6,385,691 | \$ 7,091,325 | \$ 6,533,093 |
| Overdue | | | |
| 0-60 days | 360,684 | 381,567 | 399,035 |
| 61 days or more | <u>143,643</u> | <u>178,053</u> | <u>95,626</u> |
| | <u>\$ 6,890,018</u> | <u>\$ 7,650,945</u> | <u>\$ 7,027,754</u> |

The above aging schedule was based on the past due days from the end of credit terms.

The Group does not have accounts receivable with the aging being past due but not impaired.

Movements of the allowance for doubtful accounts were as follows:

| | Individually Assessed for Impairment | Collectively Assessed for Impairment | Total |
|--------------------------------------------------------------|--------------------------------------------|--------------------------------------------|---------------------|
| Balance at January 1, 2017 | \$ 1,554 | \$ 898,023 | \$ 899,577 |
| Add: Accounts recovered during the period | - | 122,922 | 122,922 |
| Add: Impairment losses/bad debts (reversed) | (818) | 243,439 | 242,621 |
| Less: Amounts written off during the period as uncollectable | <u>(269)</u> | <u>(312,356)</u> | <u>(312,625)</u> |
| Balance at June 30, 2017 | <u>\$ 467</u> | <u>\$ 952,028</u> | <u>\$ 952,495</u> |
| Balance at January 1, 2016 | \$ 5,845 | \$ 1,050,538 | \$ 1,056,383 |
| Add: Accounts recovered during the period | - | 108,348 | 108,348 |
| Add: Impairment losses/bad debts | - | 198,015 | 198,015 |
| Less: Amounts written off during the period as uncollectable | <u>(5,845)</u> | <u>(338,913)</u> | <u>(344,758)</u> |
| Balance at June 30, 2016 | <u>\$ -</u> | <u>\$ 1,017,988</u> | <u>\$ 1,017,988</u> |

12. INVENTORIES

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|------------------------------------------|---------------------|----------------------|---------------------|
| Cellular phone equipment and accessories | \$ 2,675,985 | \$ 2,020,733 | \$ 1,589,558 |
| Others | <u>354,684</u> | <u>467,632</u> | <u>417,589</u> |
| | <u>\$ 3,030,669</u> | <u>\$ 2,488,365</u> | <u>\$ 2,007,147</u> |

Costs of inventories sold were \$5,494,694 thousand, \$6,297,590 thousand, \$11,650,723 thousand and \$13,605,785 thousand, respectively, for the three months and six months ended June 30, 2017 and 2016.

The inventory reversal of write-down amounting to \$3,064 thousand, \$13,545 thousand, \$3,736 thousand and \$5,112 thousand were included in the cost of sales for the three months and six months ended June 30, 2017 and 2016, respectively.

13. SUBSIDIARIES

Entities Included in the Consolidated Financial Statements

Intercompany relationships and percentages of ownership are shown as follows:

| Investor Company | Investee Company | Main Businesses and Products | Percentage of Ownership | | | Note |
|---------------------|-------------------------------------|-------------------------------------------------------------------------------|-------------------------|----------------------|---------------|----------------------------------------------------------------------------------------------------------------------------------|
| | | | June 30, 2017 | December 31, 2016 | June 30, 2016 | |
| Far EasTone | NCIC | Type I, II telecommunications services | 100.00 | 100.00 | 100.00 | Dissolved on December 19, 2015 and liquidated on April 6, 2016 |
| | 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 | |
| | Hiiir | Electronic information providing services | 93.28 | 89.54 | 89.54 | |
| | Yuan Cing | Call center services | 100.00 | 100.00 | 99.99 | |
| | FEIS | Investment | 100.00 | 100.00 | 100.00 | |
| | Omusic | Electronic information providing services | 50.00 | 50.00 | 50.00 | |
| | Q-ware com. | Type II telecommunications services | 81.46 | 81.46 | 81.46 | |
| FEIS | FETI | Computer software, data processing and network information providing services | 41.67 | 41.67 | 41.67 | |
| NCIC | ISSDU | Security and monitoring service via Internet | 100.00 | 100.00 | 100.00 | |
| | DU (Cayman) | Investment | 100.00 | 100.00 | 100.00 | |
| | New Diligent | Investment | 100.00 | 100.00 | 100.00 | |
| | Simple InfoComm | Electronic information providing services | - | - | - | |
| New Diligent | FEND | Investment | 100.00 | 100.00 | 100.00 | Establishment completed on December 4, 2014, but the investment amount had not been remitted to the investee as of June 30, 2017 |
| | Sino Lead | Telecommunications services | 100.00 | 100.00 | 100.00 | |
| | New Diligent Hong Kong Company Ltd. | Investment | - | - | - | |
| FEND | FETI | Computer software, data processing and network information providing services | 58.33 | 58.33 | 58.33 | |
| FETI | FENCIT | Electronic information providing services | 89.56 | 89.56 | 76.92 | |
| | FENCIT | Electronic information providing services | 0.96 | 0.96 | 2.12 | |
| | 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 | |

Except for NCIC's and ARCOA's financial statements as of and for the six months ended June 30, 2017 and 2016, all the financial statements were unreviewed.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|----------------------------------------------------------------------------------------------------------------------------|---------------------|----------------------|---------------------|
| Material associate | | | |
| Far Eastern Electronic Toll Collection Co., Ltd. | \$ 719,167 | \$ 685,125 | \$ 662,009 |
| Associates that are not individually material | <u>300,156</u> | <u>249,706</u> | <u>301,820</u> |
| | 1,019,323 | 934,831 | 963,829 |
| Credit balance on carrying values of investments accounted for using equity method reclassified to other liabilities | <u>-</u> | <u>90,250</u> | <u>67,004</u> |
| | <u>\$ 1,019,323</u> | <u>\$ 1,025,081</u> | <u>\$ 1,030,833</u> |

Material associates:

| Company | Nature of Business | Main Place | Interests and the Voting Rights | | |
|--------------------------------------------------|---------------------------------|------------|---------------------------------|----------------------|---------------|
| | | | June 30, 2017 | December 31, 2016 | June 30, 2016 |
| Far Eastern Electronic Toll Collection Co., Ltd. | Electronic information services | Taiwan | 39.42% | 39.42% | 39.42% |

Far Eastern Electronic Toll Collection Co., Ltd. (FETC)

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

FETC failed to complete the 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 financial statements used as bases for calculating the carrying values of equity method investments and equity in the Group's profits and losses and other comprehensive income had not been reviewed.

15. PROPERTY, PLANT AND EQUIPMENT

| | Freehold Land | Building | Operating Equipment | Computer Equipment | Office Equipment | Leasehold Improvements | Miscellaneous Equipment | Construction-in-progress | Total |
|------------------------------------------------|---------------------|---------------------|-----------------------|----------------------|---------------------|------------------------|-------------------------|--------------------------|-----------------------|
| <u>Cost</u> | | | | | | | | | |
| Balance at January 1, 2017 | \$ 5,320,000 | \$ 7,881,263 | \$ 127,746,451 | \$ 15,005,139 | \$ 1,230,856 | \$ 4,636,458 | \$ 1,556,502 | \$ 2,112,641 | \$ 165,489,310 |
| Additions | - | 649 | 16,146 | 5,293 | 984 | 6,456 | 9,940 | 3,504,101 | 3,543,569 |
| Disposals | - | (5,349) | (1,954,880) | (66,805) | (5,142) | (42,742) | (49,042) | (12,845) | (2,136,805) |
| Effect of foreign currency exchange difference | - | - | (3) | (129) | (18) | (18) | - | - | (168) |
| Adjustments and reclassification | - | 42,052 | 3,034,489 | 679,490 | 13,458 | 45,937 | 71,941 | (3,881,733) | 5,634 |
| Balance at June 30, 2017 | <u>\$ 5,320,000</u> | <u>\$ 7,918,615</u> | <u>\$ 128,842,203</u> | <u>\$ 15,622,988</u> | <u>\$ 1,240,138</u> | <u>\$ 4,646,091</u> | <u>\$ 1,589,341</u> | <u>\$ 1,722,164</u> | <u>\$ 166,901,540</u> |
| <u>Accumulated depreciation and impairment</u> | | | | | | | | | |
| Balance at January 1, 2017 | \$ (96,557) | \$ (3,677,699) | \$ (93,153,282) | \$ (12,648,310) | \$ (1,208,474) | \$ (3,562,134) | \$ (1,293,282) | \$ - | \$ (115,639,738) |
| Depreciation expense | - | (123,511) | (3,931,727) | (605,643) | (17,692) | (196,827) | (63,980) | - | (4,939,380) |
| Disposals | - | 5,293 | 1,562,201 | 65,425 | 4,883 | 35,008 | 32,156 | - | 1,704,966 |

(Continued)

| | Freehold Land | Building | Operating Equipment | Computer Equipment | Office Equipment | Leasehold Improvements | Miscellaneous Equipment | Construction-in-progress | Total |
|------------------------------------------------|---------------------|-----------------------|------------------------|------------------------|-----------------------|------------------------|-------------------------|--------------------------|-------------------------|
| Effect of foreign currency exchange difference | \$ - | \$ - | \$ 3 | \$ 83 | \$ 10 | \$ 18 | \$ - | \$ - | \$ 114 |
| Adjustments and reclassification | - | - | (5,666) | - | - | 87 | - | - | (5,579) |
| Balance at June 30, 2017 | <u>\$ (96,557)</u> | <u>\$ (3,795,917)</u> | <u>\$ (95,528,471)</u> | <u>\$ (13,188,445)</u> | <u>\$ (1,221,273)</u> | <u>\$ (3,723,848)</u> | <u>\$ (1,325,106)</u> | <u>\$ -</u> | <u>\$ (118,879,617)</u> |
| Carrying amount at January 1, 2017 | <u>\$ 5,223,443</u> | <u>\$ 4,203,564</u> | <u>\$ 34,593,169</u> | <u>\$ 2,356,829</u> | <u>\$ 22,382</u> | <u>\$ 1,074,324</u> | <u>\$ 263,220</u> | <u>\$ 2,112,641</u> | <u>\$ 49,849,572</u> |
| Carrying amount at June 30, 2017 | <u>\$ 5,223,443</u> | <u>\$ 4,122,698</u> | <u>\$ 33,313,732</u> | <u>\$ 2,434,543</u> | <u>\$ 18,865</u> | <u>\$ 922,243</u> | <u>\$ 264,235</u> | <u>\$ 1,722,164</u> | <u>\$ 48,021,923</u> |
| Cost | | | | | | | | | |
| Balance at January 1, 2016 | \$ 5,320,095 | \$ 7,699,419 | \$ 130,628,779 | \$ 14,729,957 | \$ 1,227,400 | \$ 4,734,727 | \$ 1,511,620 | \$ 2,383,501 | \$ 168,235,498 |
| Additions | - | 706 | 46,812 | 2,929 | 2,167 | 17,858 | 5,417 | 4,866,272 | 4,942,161 |
| Disposals | - | (11,324) | (1,297,793) | (59,643) | (4,120) | (25,980) | (19,910) | (9,133) | (1,427,903) |
| Effect of foreign currency exchange difference | - | - | (2) | (318) | (50) | (22) | - | - | (392) |
| Adjustments and reclassification | (95) | 154,034 | 4,138,340 | 304,377 | 11,391 | 106,060 | 93,412 | (4,822,855) | (15,336) |
| Balance at June 30, 2016 | <u>\$ 5,320,000</u> | <u>\$ 7,842,835</u> | <u>\$ 133,516,136</u> | <u>\$ 14,977,302</u> | <u>\$ 1,236,788</u> | <u>\$ 4,832,643</u> | <u>\$ 1,590,539</u> | <u>\$ 2,417,785</u> | <u>\$ 171,734,028</u> |
| Accumulated depreciation and impairment | | | | | | | | | |
| Balance at January 1, 2016 | \$ (96,557) | \$ (3,517,115) | \$ (94,773,850) | \$ (11,897,767) | \$ (1,185,615) | \$ (3,460,931) | \$ (1,258,008) | \$ - | \$ (116,189,843) |
| Depreciation expense | - | (115,375) | (3,584,044) | (595,231) | (20,763) | (200,315) | (59,881) | - | (4,575,609) |
| Disposals | - | 11,324 | 967,904 | 59,448 | 4,006 | 21,721 | 19,898 | - | 1,084,301 |
| Effect of foreign currency exchange difference | - | - | 1 | 236 | 32 | 19 | - | - | 288 |
| Adjustments and reclassification | - | - | (111) | 111 | (14) | - | 14 | - | - |
| Balance at June 30, 2016 | <u>\$ (96,557)</u> | <u>\$ (3,621,166)</u> | <u>\$ (97,390,100)</u> | <u>\$ (12,433,203)</u> | <u>\$ (1,202,354)</u> | <u>\$ (3,639,506)</u> | <u>\$ (1,297,977)</u> | <u>\$ -</u> | <u>\$ (119,680,863)</u> |
| Carrying amount at June 30, 2016 | <u>\$ 5,223,443</u> | <u>\$ 4,221,669</u> | <u>\$ 36,126,036</u> | <u>\$ 2,544,099</u> | <u>\$ 34,434</u> | <u>\$ 1,193,137</u> | <u>\$ 292,562</u> | <u>\$ 2,417,785</u> | <u>\$ 52,053,165</u> |

(Concluded)

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

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

16. INVESTMENT PROPERTIES

Balance at June 30, 2017 and December 31, 2016 \$ 1,041,406

Balance at June 30, 2016 \$ 1,107,586

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

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

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|----------------------------------------------|------------------|-------------------|------------------|
| No later than 1 year | \$ 25,705 | \$ 20,480 | \$ 24,054 |
| Later than 1 year and not later than 5 years | 51,366 | 41,189 | 42,283 |
| Later than 5 years | <u>2,744</u> | <u>-</u> | <u>302</u> |
| | <u>\$ 79,815</u> | <u>\$ 61,669</u> | <u>\$ 66,639</u> |

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

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|-----------------------|----------------------|------------------------------|----------------------|
| Independent valuation | <u>\$ 1,041,406</u> | <u>\$ 1,041,406</u> | <u>\$ 1,107,586</u> |

The fair value of the investment properties as of December 31, 2016 and 2015 was based on the valuations carried out at January 17, 2017 and January 29, 2016, respectively, by independent qualified professional valuers, Ms. Hu, Chun-Chun and Mr. Tsai, Chia-ho, from DTZ Cushman & Wakefield, members of certified ROC real estate appraisers.

In consultation with the appraisers, the Group determined that the fair values reported as of December 31, 2016 and 2015 were still valid as of June 30, 2017 and 2016.

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

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|-----------------------------------|----------------------|------------------------------|----------------------|
| Expected future cash inflows | \$ 1,685,023 | \$ 1,685,023 | \$ 1,392,344 |
| Expected future cash outflows | <u>(48,936)</u> | <u>(48,936)</u> | <u>(36,476)</u> |
| Expected future cash inflows, net | <u>\$ 1,636,087</u> | <u>\$ 1,636,087</u> | <u>\$ 1,355,868</u> |
| Discount rate | 1.845%-2.33% | 1.845%-2.33% | 1.985%-2.39% |

The market rentals in the area where the investment property is located were between \$1 thousand and \$15 thousand per ping per month (i.e. 1 ping = 3.3 square meters). The market rentals for comparable properties were between \$1 thousand and \$15 thousand per ping per month.

All of the investment properties had been leased out under operating leases. The rental incomes generated from the three months and six months ended June 30, 2017 and 2016 were \$6,375 thousand, \$6,350 thousand, \$12,647 thousand and \$12,781 thousand, respectively.

The expected future cash inflows generated by investment properties referred to rental income, interest income on rental deposits, and loss on vacancy rate of space and disposal value. The rental income was extrapolated using the comparative market rentals covering 10 years, excluding too-high and too-low values, taking into account the annual rental growth rate, loss on vacancy rate of space was extrapolated using the vacancy rates of the neighboring stores and factories, the interest income on rental deposits was extrapolated using 1.04%, the interest rate announced by the central bank for the one-year average deposit interest rate of five major banks, and the disposal value was determined using the direct capitalization method under the income approach. The expected future cash outflows on investment property included expenditures such as land value taxes, house taxes, insurance premium, management fee, maintenance costs, replacement allowance and depreciation. These expenditure were extrapolated on the basis of the current level of expenditures, taking into account the future adjustment to the government-announced land value and the tax rate promulgated under the House Tax Act.

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

17. INTANGIBLE ASSETS

| | Concessions | Goodwill | Computer Software | Other Intangible Assets | Total |
|------------------------------------------------|------------------------|----------------------|------------------------|-------------------------|------------------------|
| <u>Cost</u> | | | | | |
| Balance at January 1, 2017 | \$ 50,614,000 | \$ 10,883,789 | \$ 16,304,182 | \$ 1,180,722 | \$ 78,982,693 |
| Additions | - | - | 435,709 | - | 435,709 |
| Disposals | - | - | (73,120) | (13,964) | (87,084) |
| Effect of foreign currency exchange difference | - | - | - | - | - |
| Adjustments and reclassification | - | - | - | (5,752) | (5,752) |
| Balance at June 30, 2017 | <u>\$ 50,614,000</u> | <u>\$ 10,883,789</u> | <u>\$ 16,666,771</u> | <u>\$ 1,161,006</u> | <u>\$ 79,325,566</u> |
| <u>Accumulated amortization and impairment</u> | | | | | |
| Balance at January 1, 2017 | \$ (12,230,469) | \$ (74,888) | \$ (13,438,409) | \$ (780,470) | \$ (26,524,236) |
| Amortization | (1,511,893) | - | (384,562) | (27,136) | (1,923,591) |
| Disposals | - | - | 73,064 | 13,964 | 87,028 |
| Effect of foreign currency exchange difference | - | - | - | - | - |
| Adjustments and reclassification | - | - | - | 5,697 | 5,697 |
| Balance at June 30, 2017 | <u>\$ (13,742,362)</u> | <u>\$ (74,888)</u> | <u>\$ (13,749,907)</u> | <u>\$ (787,945)</u> | <u>\$ (28,355,102)</u> |
| Carrying amount at January 1, 2017 | <u>\$ 38,383,531</u> | <u>\$ 10,808,901</u> | <u>\$ 2,865,773</u> | <u>\$ 400,252</u> | <u>\$ 52,458,457</u> |
| Carrying amount at June 30, 2017 | <u>\$ 36,871,638</u> | <u>\$ 10,808,901</u> | <u>\$ 2,916,864</u> | <u>\$ 373,061</u> | <u>\$ 50,970,464</u> |
| <u>Cost</u> | | | | | |
| Balance at January 1, 2016 | \$ 41,484,000 | \$ 10,883,789 | \$ 16,980,015 | \$ 1,263,810 | \$ 70,611,614 |
| Additions | 9,130,000 | - | 408,375 | - | 9,538,375 |
| Disposals | - | - | (250) | (7,440) | (7,690) |
| Effect of foreign currency exchange difference | - | - | (409) | (2,014) | (2,423) |
| Adjustments and reclassification | - | - | 15,336 | (4,844) | 10,492 |
| Balance at June 30, 2016 | <u>\$ 50,614,000</u> | <u>\$ 10,883,789</u> | <u>\$ 17,403,067</u> | <u>\$ 1,249,512</u> | <u>\$ 80,150,368</u> |
| <u>Accumulated amortization and impairment</u> | | | | | |
| Balance at January 1, 2016 | \$ (9,649,131) | \$ (74,888) | \$ (14,432,589) | \$ (777,010) | \$ (24,933,618) |
| Amortization | (1,207,269) | - | (357,703) | (39,580) | (1,604,552) |
| Disposals | - | - | 250 | 7,440 | 7,690 |
| Effect of foreign currency exchange difference | - | - | 259 | 1,592 | 1,851 |
| Adjustments and reclassification | - | - | - | - | - |
| Balance at June 30, 2016 | <u>\$ (10,856,400)</u> | <u>\$ (74,888)</u> | <u>\$ (14,789,783)</u> | <u>\$ (807,558)</u> | <u>\$ (26,528,629)</u> |
| Carrying amount at June 30, 2016 | <u>\$ 39,757,600</u> | <u>\$ 10,808,901</u> | <u>\$ 2,613,284</u> | <u>\$ 441,954</u> | <u>\$ 53,621,739</u> |

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

| | |
|-------------------------|-------------------|
| Concessions | 14 to 17.75 years |
| Computer software | 4 to 6 years |
| Other intangible assets | 2 to 15.5 years |

Refer to Note 17 of the consolidated financial statement for the year ended December 31, 2016 for the related information of goodwill.

18. OTHER NONCURRENT ASSETS

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|------------------------|-------------------|----------------------|-------------------|
| Refundable deposits | \$ 678,137 | \$ 674,144 | \$ 693,891 |
| Other financial assets | 21,291 | 21,209 | 25,244 |
| Others | <u>18,053</u> | <u>17,973</u> | <u>18,084</u> |
| | <u>\$ 717,481</u> | <u>\$ 713,326</u> | <u>\$ 737,219</u> |

19. BORROWINGS

a. Short-term borrowings

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|-----------------------------|-------------------|----------------------|-------------------|
| <u>Unsecured bank loans</u> | | | |
| Credit loans | <u>\$ 234,000</u> | <u>\$ 2,800,000</u> | <u>\$ 443,570</u> |
| Credit loans interest rate | 1.12%-1.80% | 0.70%-1.80% | 1.20%-4.95% |

b. Short-term bills payable

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|----------------------------|-------------------|----------------------|-------------------|
| Commercial paper payable | \$ 350,000 | \$ 3,150,000 | \$ 300,000 |
| Less: Unamortized discount | <u>327</u> | <u>829</u> | <u>329</u> |
| | <u>\$ 349,673</u> | <u>\$ 3,149,171</u> | <u>\$ 299,671</u> |
| Interest rate | 1.15%-1.50% | 0.858%-1.50% | 1.20%-1.25% |

c. Long-term borrowings

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|------------------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| <u>Unsecured bank loans</u> | | | |
| Credit loans | \$ 4,200,000 | \$ 12,150,000 | \$ 16,500,000 |
| Long-term commercial paper payables | 400,000 | 1,900,000 | 4,300,000 |
| Less: Unamortized discount on commercial paper | 355 | 1,655 | 2,988 |
| | <u> </u> | <u> </u> | <u> </u> |
| Long-term borrowings | <u>\$ 4,599,645</u> | <u>\$ 14,048,345</u> | <u>\$ 20,797,012</u> |
| Credit loans interest rate | 0.73%-1.13% | 0.74%-1.13% | 0.85%-1.13% |
| Commercial paper payables interest rate | 1.0043%- 1.0460% | 0.9930%- 1.0447% | 0.9877%- 1.0427% |

- 1) The credit loans are payable in New Taiwan dollars. The repayment of the principal will be made once when it's due with interest payment. Under some contracts, loans are treated revolving credit facilities, and the maturity dates of the loans are based on terms under the contracts. The loans are all repayable by June 2019.
- 2) The long-term commercial paper payables are treated revolving credit facilities under contracts. The last repayment date is in December 2018.

20. BONDS PAYABLE

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|-----------------------------------|----------------------|----------------------|----------------------|
| 4th unsecured domestic bonds | \$ 4,996,065 | \$ 4,995,406 | \$ 4,994,748 |
| 5th unsecured domestic bonds | 4,997,996 | 4,997,042 | 4,996,088 |
| 6th unsecured domestic bonds | 8,396,693 | 8,395,133 | 9,993,139 |
| 2016 1st unsecured domestic bonds | 5,192,432 | - | - |
| 2017 1st unsecured domestic bonds | <u>4,492,972</u> | <u>-</u> | <u>-</u> |
| | 28,076,158 | 18,387,581 | 19,983,975 |
| Less: Current portion | <u>8,698,160</u> | <u>6,197,478</u> | <u>1,599,566</u> |
| Long-term bonds payable | <u>\$ 19,377,998</u> | <u>\$ 12,190,103</u> | <u>\$ 18,384,409</u> |

On January 5, 2017, Far EasTone issued the first five-year unsecured domestic bonds of 2016, with an aggregate principal amount of \$5,200,000 thousand and a par value of \$10,000 thousand and a coupon interest rate of 1.17%, with simple interest due annually. Repayment will be made in full at maturity.

On April 26, 2017, Far EasTone issued the five-year unsecured domestic bonds of 2017, with an aggregate principal amount of \$4,500,000 thousand and a par value of \$10,000 thousand and a coupon interest rate of 1.17%, with simple interest due annually. Repayment will be made in full at maturity.

Far EasTone had no additional issuance and repayment of the bonds during the six months ended June 30, 2016.

21. OTHER LIABILITIES

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|-------------------------------------------------------|----------------------|----------------------|----------------------|
| <u>Current</u> | | | |
| Other payables | | | |
| Dividend | \$ 12,281,597 | \$ - | \$ 12,302,878 |
| Commission | 2,255,326 | 2,440,718 | 2,330,447 |
| Acquisition of properties | 938,547 | 1,534,809 | 2,587,325 |
| Salary and bonus | 1,047,994 | 1,336,932 | 1,081,103 |
| Employees' compensation and remuneration to directors | 305,555 | 376,011 | 328,146 |
| Other | <u>2,823,050</u> | <u>3,106,531</u> | <u>3,239,608</u> |
| | <u>\$ 19,652,069</u> | <u>\$ 8,795,001</u> | <u>\$ 21,869,507</u> |
| <u>Noncurrent</u> | | | |
| Deferred revenue | | | |
| Cable and lease line service fee | <u>\$ 181,214</u> | <u>\$ 193,188</u> | <u>\$ 202,972</u> |

22. PROVISIONS

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|----------------------------------|-------------------|-----------------------------------|-----------------------------|
| <u>Current</u> | | | |
| Dismantling obligation | \$ 114,693 | \$ 115,985 | \$ 117,612 |
| Product warranty | <u>100,691</u> | <u>103,937</u> | <u>96,401</u> |
| | <u>\$ 215,384</u> | <u>\$ 219,922</u> | <u>\$ 214,013</u> |
| <u>Noncurrent</u> | | | |
| Dismantling obligation | <u>\$ 868,540</u> | <u>\$ 859,586</u> | <u>\$ 843,774</u> |
| | | Dismantling Obligation | Product Warranty |
| Balance at January 1, 2017 | | \$ 975,571 | \$ 103,937 |
| Additional provisions recognized | | 21,289 | 18,675 |
| Reductions arising from payments | | <u>(13,627)</u> | <u>(21,921)</u> |
| Balance at June 30, 2017 | | <u>\$ 983,233</u> | <u>\$ 100,691</u> |
| Balance at January 1, 2016 | | \$ 926,125 | \$ 88,526 |
| Additional provisions recognized | | 46,665 | 29,276 |
| Reductions arising from payments | | <u>(11,404)</u> | <u>(21,401)</u> |
| Balance at June 30, 2016 | | <u>\$ 961,386</u> | <u>\$ 96,401</u> |

23. RETIREMENT BENEFIT PLANS

For defined benefit plans, employee benefit expenses as of and for the three months and six months ended June 30, 2017 and 2016 were calculated as \$5,480 thousand, \$6,585 thousand, \$10,959 thousand and \$13,164 thousand by the actuarially determined pension cost discount rate as of December 31, 2016 and 2015.

24. EQUITY

a. Share capital

1) Common shares

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|---------------------------------------------|----------------------|----------------------|----------------------|
| Shares 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 shares (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 shares, which have a par value of NT\$10, are entitled to one vote per share and a right to dividend.

2) Global depositary receipts

Far EasTone's global depositary receipts (GDRs) as of June 30, 2017 were as follows:

| | | GDRs (In Thousand Units) | Equivalent Common Stock (In Thousand Shares) |
|-----------------------------------------------------------|----|--------------------------------|-------------------------------------------------------|
| Initial offering | a) | 10,000 | 150,000 |
| Converted from overseas unsecured convertible bonds | b) | 165 | 2,473 |
| Net decrease due to capital increase or capital reduction | c) | (362) | (5,426) |
| Reissued within authorized units | d) | 24,809 | 372,128 |
| GDRs transferred to common stock | | <u>(34,107)</u> | <u>(511,600)</u> |
| Outstanding GDRs issued | | <u>505</u> | <u>7,575</u> |

- a) On June 1, 2004, the Securities and Futures Bureau (SFB) approved Far EasTone's request to sell to foreign investors 150,000 thousand shares of Far EasTone's common stock in the form of 10,000 thousand units of GDRs. One GDR unit represents 15 shares of Far EasTone's common stock. The issuance of the GDRs was completed on June 17, 2004 and the GDRs were traded and listed on the Luxembourg Stock Exchange with a price of US\$13.219 per unit.
- b) On July 20, 2004, the SFB approved Far EasTone's request to issue new common stock in the form of GDRs amounting to US\$114,500 thousand to be used for the conversion of overseas convertible bonds. As of June 30, 2017, there had been 165 thousand units of GDRs issued for the conversion of overseas unsecured convertible bonds representing 2,473 thousand common shares.

- c) In 2003, Far EasTone issued 296 thousand units of GDRs as a result of a capital increase from capital surplus and retained earnings. The GDRs represent 4,448 thousand common shares. Furthermore, in 2008, Far EasTone canceled 658 thousand units of GDRs as a result of its capital reduction. These GDRs represent 9,874 thousand common shares.
- d) Under the terms of the GDR offering, following the completion of an offering to the extent that previously issued GDRs have been withdrawn, GDR re-issuance is allowed up to the aggregate amount previously approved by the SFB. Thus, as of June 30, 2017, Far EasTone had reissued 24,809 thousand units of GDRs representing 372,128 thousand common shares.

The owners of GDRs have the same rights as holders of common stock, except that the GDR owners should exercise, through a depositary trust company, the following beneficial interests subject to the terms of the Depositary Agreements and the relevant ROC laws and regulations:

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

b. Capital surplus

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|----------------------------------------------------------------------------------------------------|---------------------|----------------------|----------------------|
| May be used to offset a deficit, distributed as cash dividends or transferred to share capital (1) | | | |
| Share issuance in excess of par value | \$ - | \$ 1,684,493 | \$ 1,684,493 |
| From business combination | 8,143,345 | 8,482,381 | 8,482,381 |
| <u>May be used to offset a deficit only (2)</u> | | | |
| Arising from changes in percentage of ownership interest in subsidiaries | - | - | 14,388 |
| | <u>\$ 8,143,345</u> | <u>\$ 10,166,874</u> | <u>\$ 10,181,262</u> |

- 1) Such capital surplus may be used to offset a deficit; in addition, when Far EasTone has no deficit, such capital surplus may be distributed as cash dividends or may be transferred to share capital once a year within a certain percentage of Far EasTone's capital surplus.
- 2) Such capital surplus arises from the effect of changes in ownership interest in a subsidiary, with these changes treated as equity transactions instead of actual disposal or acquisition of ownership interests, or from changes in capital surplus of subsidiaries.

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to stockholders and do not include employees. The stockholders held their regular meeting on June 16, 2016 and, in that meeting, had resolved amendments to the Company's Articles of Incorporation (Articles), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' and directors' compensation.

Under the dividend policy as set forth in the amended Articles, where Far EasTone made 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 bonus to stockholders. For the policies on distribution of employees' compensation and remuneration to directors and supervisors before and after amendment, please refer to Note 26, 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 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 to a special reserve.

Except for non-ROC resident stockholders, all stockholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by Far EasTone.

The appropriations of earnings for 2016 and 2015 have been approved in the stockholders' meetings on June 23, 2017 and June 16, 2016, respectively, were as follows:

| | Appropriation of Earnings | | Dividends Per Share (NT\$) | |
|-----------------|-------------------------------------------|--------------|-------------------------------------------|-------------|
| | For the Year Ended December 31 | | For the Year Ended December 31 | |
| | 2016 | 2015 | 2016 | 2015 |
| Legal reserve | \$ 1,134,683 | \$ 1,143,672 | | |
| Special reserve | 13,560 | (54,573) | | |
| Cash dividends | 10,195,849 | 10,342,482 | \$3.129 | \$3.174 |

In addition to distributing cash dividends at NT\$3.129 and NT\$3.174 per share from the unappropriated earnings, the board of directors and stockholders resolved and approved to distribute cash of \$2,023,529 thousand and \$1,876,896 thousand, respectively, from the above-mentioned additional paid-in capital - share issuance in excess of par value and from business combination at NT\$0.621 and NT\$0.576 per share, respectively. Therefore, Far EasTone's stockholders received NT\$3.75 per share in 2017 and 2016, respectively. As of June 30, 2017 and 2016, cash dividends of \$12,219,378 have been included in other payables with July 18, 2017 and July 18, 2016, respectively, as the ex-right record dates for cash dividend distribution.

d. Special reserve

| | For the Six Months Ended June 30 | |
|----------------------------------------------------------------|---------------------------------------------|-------------------|
| | 2017 | 2016 |
| Beginning balance | \$ 769,907 | \$ 824,480 |
| Appropriation (reversal) in respect of | | |
| Application of the fair value method for investment properties | 5,293 | (40,688) |
| Debit (reversal of the debit) to other equity items | <u>8,267</u> | <u>(13,885)</u> |
| Ending balance | <u>\$ 783,467</u> | <u>\$ 769,907</u> |

e. Other equity items

Other adjustment for the six months ended June 30, 2017 and 2016 are summarized as follows:

| | Exchange Differences on Translating Foreign Operations | Unrealized Gains and Losses on Available-for- sale Financial Assets | Unrealized Gains and Losses on Cash Flow Hedge | Total |
|------------------------------------------------------|-------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|---------------------|
| <u>For the six months ended June 30, 2017</u> | | | | |
| Beginning balance | \$ 4,638 | \$ (45,872) | \$ (92,245) | \$ (133,479) |
| Recorded as adjustments to stockholders' equity | (1,103) | 10,749 | 26,271 | 35,917 |
| Recorded as profit or loss | - | - | 39,015 | 39,015 |
| Share of other comprehensive income of associates | <u>32</u> | <u>-</u> | <u>28,784</u> | <u>28,816</u> |
| Ending balance | <u>\$ 3,567</u> | <u>\$ (35,123)</u> | <u>\$ 1,825</u> | <u>\$ (29,731)</u> |
| <u>For the six months ended June 30, 2016</u> | | | | |
| Beginning balance | \$ 829 | \$ 14,625 | \$ (140,666) | \$ (125,212) |
| Recorded as adjustments to stockholders' equity | 123 | (49,594) | (6,314) | (55,785) |
| Recorded as profit or loss | - | (7,234) | 4,620 | (2,614) |
| Share of other comprehensive income of associates | <u>(429)</u> | <u>-</u> | <u>2,096</u> | <u>1,667</u> |
| Ending balance | <u>\$ 523</u> | <u>\$ (42,203)</u> | <u>\$ (140,264)</u> | <u>\$ (181,944)</u> |

f. Noncontrolling interests

| | For the Six Months Ended June 30 | |
|-----------------------------------------------------------|---------------------------------------------|-------------------|
| | 2017 | 2016 |
| Beginning balance | \$ 716,583 | \$ 752,531 |
| Attributable to noncontrolling interests | | |
| Share of profit | 8,542 | 17,583 |
| Exchange differences on translating foreign operations | 84 | 434 |
| Subsidiary's cash dividends | (62,228) | (83,507) |
| Remittance of cash due to capital reduction of subsidiary | - | (15) |
| Equity transaction | <u>33,217</u> | <u>-</u> |
| Ending balance | <u>\$ 696,198</u> | <u>\$ 687,026</u> |

25. REVENUE

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|-------------------------------------|-----------------------------------------------|----------------------|---------------------------------------------|----------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Sales of inventories | \$ 4,650,712 | \$ 4,946,045 | \$ 9,642,496 | \$ 10,728,340 |
| Telecommunications service revenues | 15,962,339 | 16,979,537 | 32,056,096 | 33,910,892 |
| Other | <u>1,322,790</u> | <u>1,141,593</u> | <u>2,717,636</u> | <u>2,247,399</u> |
| | <u>\$ 21,935,841</u> | <u>\$ 23,067,175</u> | <u>\$ 44,416,228</u> | <u>\$ 46,886,631</u> |

26. CONSOLIDATED NET INCOME

a. Depreciation and amortization

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|----------------------------------------------|-----------------------------------------------|---------------------|---------------------------------------------|---------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Property, plant and equipment | \$ 2,491,902 | \$ 2,319,952 | \$ 4,939,380 | \$ 4,575,609 |
| Intangible asset | <u>208,703</u> | <u>199,836</u> | <u>411,698</u> | <u>397,283</u> |
| | <u>\$ 2,700,605</u> | <u>\$ 2,519,788</u> | <u>\$ 5,351,078</u> | <u>\$ 4,972,892</u> |
| Depreciation expense categorized by function | | | | |
| Operating costs | \$ 2,186,287 | \$ 2,034,117 | \$ 4,338,033 | \$ 4,006,624 |
| Operating expenses | <u>305,615</u> | <u>285,835</u> | <u>601,347</u> | <u>568,985</u> |
| | <u>\$ 2,491,902</u> | <u>\$ 2,319,952</u> | <u>\$ 4,939,380</u> | <u>\$ 4,575,609</u> |

(Continued)

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|-------------------------------------------------|-----------------------------------------------|-------------------|---------------------------------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Amortization expense categorized by function | | | | |
| Operating costs | \$ 72,552 | \$ 83,538 | \$ 144,661 | \$ 166,282 |
| Marketing expenses | 29,815 | 24,069 | 61,820 | 46,114 |
| General and administrative expenses | <u>106,336</u> | <u>92,229</u> | <u>205,217</u> | <u>184,887</u> |
| | <u>\$ 208,703</u> | <u>\$ 199,836</u> | <u>\$ 411,698</u> | <u>\$ 397,283</u> |
| | | | | (Concluded) |

b. Finance costs

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|-----------------------------------------------------------------|-----------------------------------------------|-------------------|---------------------------------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Interest on financial liabilities measured at amortized cost | \$ 92,211 | \$ 72,679 | \$ 173,979 | \$ 143,436 |
| Interest expense on bank loans and commercial paper | 13,586 | 27,682 | 31,172 | 67,996 |
| Other finance costs | <u>9,075</u> | <u>4,402</u> | <u>17,699</u> | <u>9,451</u> |
| | <u>\$ 114,872</u> | <u>\$ 104,763</u> | <u>\$ 222,850</u> | <u>\$ 220,883</u> |

c. Employee benefits expense

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|----------------------------|-----------------------------------------------|---------------------|---------------------------------------------|---------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Retirement benefits | | | | |
| Defined contribution plans | \$ 79,915 | \$ 82,079 | \$ 160,408 | \$ 163,504 |
| Defined benefit plans | <u>5,480</u> | <u>6,585</u> | <u>10,959</u> | <u>13,164</u> |
| | <u>85,395</u> | <u>88,664</u> | <u>171,367</u> | <u>176,668</u> |
| Other employee benefits | | | | |
| Salary | 1,507,289 | 1,355,852 | 3,035,177 | 2,847,452 |
| Insurance | 136,563 | 129,737 | 275,528 | 260,752 |
| Other | <u>90,684</u> | <u>83,564</u> | <u>176,666</u> | <u>172,096</u> |
| | <u>1,734,536</u> | <u>1,569,153</u> | <u>3,487,371</u> | <u>3,280,300</u> |
| | <u>\$ 1,819,931</u> | <u>\$ 1,657,817</u> | <u>\$ 3,658,738</u> | <u>\$ 3,456,968</u> |
| Categorized by function | | | | |
| Operating cost | \$ 309,411 | \$ 313,558 | \$ 615,550 | \$ 617,467 |
| Operating expense | <u>1,510,520</u> | <u>1,344,259</u> | <u>3,043,188</u> | <u>2,839,501</u> |
| | <u>\$ 1,819,931</u> | <u>\$ 1,657,817</u> | <u>\$ 3,658,738</u> | <u>\$ 3,456,968</u> |

d. Employees' compensation and remuneration to directors

In compliance with the Company Act as amended in May 2015 and the amended Articles resolved by the stockholders' meeting in June 2016, the amendments stipulate distribution of employees' compensation and remuneration to directors at the rates of 1% to 2% and no higher than 1%, respectively, of net profit before income tax, employees' compensation and remuneration to directors. For the three months and six months ended June 30, 2017 and 2016, the employees' compensation and the remuneration to directors represented 2% and 0.72%, respectively, of the foregoing basis.

The accrued employees' compensation and remuneration to directors for the three months and six months ended June 30, 2017 and 2016 were as follows:

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---------------------------|-----------------------------------------------|------------------|---------------------------------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Employees' compensation | <u>\$ 69,982</u> | <u>\$ 71,254</u> | <u>\$ 138,285</u> | <u>\$ 143,955</u> |
| Remuneration to directors | <u>\$ 25,194</u> | <u>\$ 25,651</u> | <u>\$ 49,783</u> | <u>\$ 51,823</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 to directors for 2016 and 2015 resolved by the board of directors on February 15, 2017 and February 17, 2016, respectively, were stated as below.

| | For the Years Ended December 31 | | | |
|---------------------------|----------------------------------------|--------------|-------------------|--------------------|
| | 2016 | | 2015 | |
| | Cash | Share | Cash Bonus | Share Bonus |
| Employees' compensation | \$ 262,208 | \$ - | \$ 283,550 | \$ - |
| Remuneration to directors | 94,395 | - | 102,078 | - |

There was no difference between the amounts of the employees' compensation and the remuneration to directors resolved by the board of directors and the respective amounts recognized in the consolidated financial statements for the years ended December 31, 2016 and 2015, respectively.

Information on employees' compensation and remuneration to directors resolved by Far EasTone's board of directors during 2017 and 2016 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

27. INCOME TAX

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|-----------------------------------------|-----------------------------------------------|-------------------|---------------------------------------------|---------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Current tax | \$ 558,928 | \$ 637,434 | \$ 1,109,584 | \$ 1,223,447 |
| Deferred tax | <u>60,142</u> | <u>(9,482)</u> | <u>112,685</u> | <u>32,021</u> |
| Income tax recognized in profit or loss | <u>\$ 619,070</u> | <u>\$ 627,952</u> | <u>\$ 1,222,269</u> | <u>\$ 1,255,468</u> |

b. Income tax expense recognized in other comprehensive income

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|------------------------------------------------------------------------|-----------------------------------------------|-----------------|---------------------------------------------|-----------------|
| | 2017 | 2016 | 2017 | 2016 |
| <u>Deferred tax</u> | | | | |
| In respect of the current period | | | | |
| Unrealized gains (losses) on available-for-sale financial assets | \$ (3,860) | \$ - | \$ (2,202) | \$ (463) |
| Fair value changes of hedging instruments for cash flow hedges | <u>(9,901)</u> | <u>5,130</u> | <u>(13,372)</u> | <u>3,653</u> |
| Income tax recognized in other comprehensive income | <u>\$ (13,761)</u> | <u>\$ 5,130</u> | <u>\$ (15,574)</u> | <u>\$ 3,190</u> |

c. Integrated income tax

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|-----------------------------------------------|----------------------|--------------------------------------------|----------------------|
| Unappropriated earnings | | | |
| Generated in and after 1998 | <u>\$ 5,719,027</u> | <u>\$ 11,346,830</u> | <u>\$ 6,010,169</u> |
| Balance of imputation credit account (ICA) | | | |
| Far EasTone | <u>\$ 1,952,420</u> | <u>\$ 1,394,481</u> | <u>\$ 2,854,339</u> |
| | | For the Years Ended December 31 | |
| | | 2016 | 2015 |
| Creditable ratio for distribution of earnings | | 17.37% | 20.48% |

d. Income tax assessments

Income tax returns through 2014 of Far EasTone had been assessed by the tax authorities.

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

Income tax return through 2014 of ARCOA and NCIC had been assessed and cleared by the tax authorities. However, NCIC disagreed with the tax authorities' assessment of its 2013 and 2014 return and thus applied for administrative remedies. Nevertheless, NCIC accrued the related tax. Income tax return through 2015 of KGEx.com, ISSDU, Omusic, Yuan Cing, Hiiir, New Diligent, Simple Infocomm, DataExpress, Linkwell, Home Master and Q-ware Com. had been assessed and cleared by the tax authorities.

28. EARNINGS PER SHARE

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

Net Income for the Period

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|----------------------------------------------------------------|---------------------------------------|---------------------|-------------------------------------|---------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Net income for the period attributable to Far EasTone | \$ 2,917,335 | \$ 3,004,867 | \$ 5,753,581 | \$ 6,005,025 |
| Effect of dilutive potential common stock: | | | | |
| Employees' compensation | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Earnings used in the calculation of diluted earnings per share | <u>\$ 2,917,335</u> | <u>\$ 3,004,867</u> | <u>\$ 5,753,581</u> | <u>\$ 6,005,025</u> |

Weighted Average Number of Common Shares Outstanding

(In Thousand Shares)

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|------------------------------------------------------------------------------------------------|---------------------------------------|------------------|-------------------------------------|------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Weighted average number of common shares used in the calculation of basic earnings per share | 3,258,501 | 3,258,501 | 3,258,501 | 3,258,501 |
| Effect of potentially dilutive common stock: | | | | |
| Employees' compensation | <u>1,784</u> | <u>1,848</u> | <u>2,703</u> | <u>2,919</u> |
| Weighted average number of common shares used in the calculation of diluted earnings per share | <u>3,260,285</u> | <u>3,260,349</u> | <u>3,261,204</u> | <u>3,261,420</u> |

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

29. EQUITY TRANSACTION WITH NONCONTROLLING INTERESTS

The Group subscribed for new common shares of Hiiir in June 2017, and increased its interest from 89.54% to 93.28%.

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

| | Hilir |
|------------------------------------------------------------------------------------------------------------------------------|--------------------|
| Cash consideration paid | \$ 348,909 |
| The proportionate share of the carrying amount of the net assets of the subsidiary transferred from noncontrolling interests | <u>(316,783)</u> |
| Difference arising from equity transaction | <u>\$ 32,126</u> |
| <u>Line item adjusted for equity transaction</u> | |
| Unappropriated earnings | <u>\$ (32,126)</u> |

30. NONCASH TRANSACTIONS

Noncash Transactions Arising from Investing and Financing Activities

The cash dividends approved in the shareholders' meetings were not yet distributed as of June 30, 2017 and 2016, respectively (refer to Notes 21 and 24).

31. OPERATING LEASE ARRANGEMENTS

a. The Group as lessee

Operating leases relate to leases of buildings, cell sites and office space with lease terms of between 1 and 15 years. All operating lease contracts over 5 years contain clauses for 5-yearly market rental reviews.

The future minimum lease payments of noncancelable operating lease commitments were as follows:

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|----------------------------------------------|----------------------|--------------------------|----------------------|
| Not later than 1 year | \$ 3,165,648 | \$ 3,223,541 | \$ 3,371,238 |
| Later than 1 year and not later than 5 years | 5,043,499 | 5,163,828 | 5,629,117 |
| Later than 5 years | <u>95,547</u> | <u>108,070</u> | <u>123,903</u> |
| | <u>\$ 8,304,694</u> | <u>\$ 8,495,439</u> | <u>\$ 9,124,258</u> |

The lease payments recognized as expenses were as follows:

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|-----------------------|-----------------------------------------------|-------------------|---------------------------------------------|---------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Minimum lease payment | <u>\$ 950,696</u> | <u>\$ 955,854</u> | <u>\$ 1,910,584</u> | <u>\$ 1,912,468</u> |

b. The Group as lessor

Operating leases relate to the investment property owned by the Group with lease terms, please refer to Note 16.

32. FINANCIAL INSTRUMENTS

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

- 1) Except as detailed in the following table, the Group considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

| | <u>June 30, 2017</u> | | <u>December 31, 2016</u> | | <u>June 30, 2016</u> | |
|------------------------------|------------------------|-------------------|--------------------------|-------------------|------------------------|-------------------|
| | <u>Carrying Amount</u> | <u>Fair Value</u> | <u>Carrying Amount</u> | <u>Fair Value</u> | <u>Carrying Amount</u> | <u>Fair Value</u> |
| <u>Financial assets</u> | | | | | | |
| Refundable deposits | \$ 678,137 | \$ 676,318 | \$ 674,144 | \$ 671,743 | \$ 693,891 | \$ 692,295 |
| <u>Financial liabilities</u> | | | | | | |
| Bonds payable | 28,076,158 | 28,262,031 | 18,387,581 | 18,585,857 | 19,983,975 | 20,137,653 |

2) Fair value hierarchy

June 30, 2017

| | Level 1 | Level 2 | Level 3 | Total |
|------------------------------|----------------|----------------|----------------|---------------|
| <u>Financial assets</u> | | | | |
| Refundable deposits | \$ - | \$ - | \$ 676,318 | \$ 676,318 |
| <u>Financial liabilities</u> | | | | |
| Bonds payable | \$ 28,262,031 | \$ - | \$ - | \$ 28,262,031 |

December 31, 2016

| | Level 1 | Level 2 | Level 3 | Total |
|------------------------------|----------------|----------------|----------------|---------------|
| <u>Financial assets</u> | | | | |
| Refundable deposits | \$ - | \$ - | \$ 671,743 | \$ 671,743 |
| <u>Financial liabilities</u> | | | | |
| Bonds payable | \$ 18,585,857 | \$ - | \$ - | \$ 18,585,857 |

June 30, 2016

| | Level 1 | Level 2 | Level 3 | Total |
|------------------------------|----------------|----------------|----------------|---------------|
| <u>Financial assets</u> | | | | |
| Refundable deposits | \$ - | \$ - | \$ 692,295 | \$ 692,295 |
| <u>Financial liabilities</u> | | | | |
| Bonds payable | \$ 20,137,653 | \$ - | \$ - | \$ 20,137,653 |

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

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

1) Fair value hierarchy

| June 30, 2017 | | | | |
|-------------------------------------------------|----------------|----------------|----------------|--------------|
| | Level 1 | Level 2 | Level 3 | Total |
| <u>Available-for-sale financial assets</u> | | | | |
| Overseas funds | \$ - | \$ 611,083 | \$ - | \$ 611,083 |
| <u>Hedging derivative financial assets</u> | | | | |
| Forward exchange contracts | \$ - | \$ - | \$ 6,338 | \$ 6,338 |
| <u>Hedging derivative financial liabilities</u> | | | | |
| Forward exchange contracts | \$ - | \$ - | \$ 2,437 | \$ 2,437 |
| Foreign exchange swap contracts | - | - | 3,650 | 3,650 |
| | \$ - | \$ - | \$ 6,087 | \$ 6,087 |
| December 31, 2016 | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| <u>Available-for-sale financial assets</u> | | | | |
| Overseas funds | \$ - | \$ 598,132 | \$ - | \$ 598,132 |
| <u>Hedging derivative financial assets</u> | | | | |
| Forward exchange contracts | \$ - | \$ - | \$ 2,073 | \$ 2,073 |
| <u>Hedging derivative financial liabilities</u> | | | | |
| Forward exchange contracts | \$ - | \$ - | \$ 40,229 | \$ 40,229 |
| Foreign exchange swap contracts | - | - | 7,538 | 7,538 |
| | \$ - | \$ - | \$ 47,767 | \$ 47,767 |
| June 30, 2016 | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| <u>Available-for-sale financial assets</u> | | | | |
| Overseas funds | \$ - | \$ 602,553 | \$ - | \$ 602,553 |
| <u>Hedging derivative financial assets</u> | | | | |
| Forward exchange contracts | \$ - | \$ - | \$ 263 | \$ 263 |
| Foreign exchange swap contracts | - | - | 4,888 | 4,888 |
| | \$ - | \$ - | \$ 5,151 | \$ 5,151 |
| <u>Hedging derivative financial liabilities</u> | | | | |
| Forward exchange contracts | \$ - | \$ - | \$ 19,155 | \$ 19,155 |

There were no transfers of financial assets and liabilities between Level 1 and Level 2 for the six months ended June 30, 2017 and 2016.

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

| | For the Six Months Ended June 30 | |
|-------------------------------------------------------------------|---------------------------------------------|--------------------|
| | 2017 | 2016 |
| <u>Hedging derivative financial instruments</u> | | |
| Beginning balance | \$ (45,694) | \$ (5,001) |
| Recognized in profit or loss (included in other gains and losses) | 47,006 | 5,566 |
| Recognized in other comprehensive income | <u>(1,061)</u> | <u>(14,569)</u> |
| Ending balance | <u>\$ 251</u> | <u>\$ (14,004)</u> |

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

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

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

| Financial Instrument | Valuation Techniques and Inputs |
|---------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Forward exchange contracts | Cash flow is discounted. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates discounted at a rate that reflect the credit risk of various counterparties. |
| 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 on counterparties. |

c. Financial instruments

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|----------------------------------------------|----------------------|------------------------------|----------------------|
| <u>Financial assets</u> | | | |
| Derivative financial assets for hedging | \$ 6,338 | \$ 2,073 | \$ 5,151 |
| Loans and receivables (Note 1) | 25,103,025 | 22,840,573 | 31,291,156 |
| Available-for-sale financial assets (Note 2) | 874,391 | 816,440 | 820,861 |
| <u>Financial liabilities</u> | | | |
| Derivative financial liabilities for hedging | 6,087 | 47,767 | 19,155 |
| Measured at amortized cost (Note 3) | 58,197,422 | 52,132,400 | 69,136,223 |

Note 1: The balances included the carrying amount of cash and cash equivalents, debt investments with no active market, notes receivable, accounts receivable (including related parties), other receivables (including related parties), refundable deposits, other financial assets and loans and receivables measured at amortized cost.

Note 2: The balance included the carrying amount of available-for-sale financial assets measured at cost.

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

d. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, accounts receivable, accounts payable, bonds payable and borrowings. The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include currency risk, interest rate risk, credit risk and liquidity risk. In order to reduce financial risk, the Group is committed to identify, assess and avoid the uncertainty of the market and reduce the market changes against the Group's financial performance potential downside effects.

The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles managing on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and nonderivative financial instruments, and the investment of excess liquidity. The compliance with policies and exposure limits are reviewed by the internal auditors on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporate Treasury function is reviewed by the Group's board of directors in accordance with related rules and internal control system. The Group should implement the overall financial management objective as well as observe the levels of delegated authority and ensure that those with delegated authority carry out their duties.

1) Market risk

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

a) Foreign currency risk

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

Sensitivity analysis

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

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

| | Impact | |
|----------------|---------------------------------|--------------------|
| | For the Six Months Ended | |
| | June 30 | |
| | 2017 | 2016 |
| Profit or loss | | |
| USD | <u>\$ (18,000)</u> | <u>\$ (12,754)</u> |
| EUR | <u>\$ 2,035</u> | <u>\$ 27,689</u> |

b) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow loans at both fixed and floating interest rates. To manage this risk, the Group maintains an appropriate mix of fixed and floating rate borrowings.

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

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|-----------------------|----------------------|------------------------------|----------------------|
| Fair value risk | | | |
| Financial assets | \$ 11,691,660 | \$ 12,856,252 | \$ 19,823,178 |
| Financial liabilities | 33,436,450 | 35,660,914 | 36,915,183 |
| Cash flow risk | | | |
| Financial assets | 6,312,277 | 2,025,100 | 4,173,932 |
| Financial liabilities | 469,583 | 3,398,283 | 5,297,012 |

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 six months ended June 30, 2017 and 2016 would have increased (decreased) by \$7,303 thousand and \$(1,404) thousand, respectively, mainly because bank deposits and borrowings had floating interest rates.

c) Other price risks

The Group is exposed to equity price risks involving equity investments in beneficial certificates. The Group managed the risk by holding a portfolio of investments with different risk. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should need arise.

Sensitivity analysis

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

Had equity prices been 5% higher/lower, the fair value of available-for-sale financial assets as of June 30, 2017 and 2016 would have increased/decreased by \$30,554 thousand and \$30,128 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation and financial guarantees provided by the Group could arise from:

- a) The carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets; and
- b) The amount of contingent liabilities in relation to financial guarantee issued by the Group.

The Group has a policy of dealing only with creditworthy counterparties. The credit line of those counterparties were granted through credit analysis and investigation based on the information supplied by independent rating agencies. The counterparties' transaction type, financial position and collateral are also taken into consideration. All credit lines have expiration dates and are subject to reexamination before any granting of extensions.

The Group did transaction 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, the 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 had unused overdraft and bank loan facilities amounting to \$50,288,965 thousand, \$36,269,977 thousand and \$36,884,047 thousand as of June 30, 2017, December 31, 2016 and June 30, 2016, respectively.

The table below summarizes the maturity profile of the Group's financial liabilities based on undiscounted contractual payments but did not include the financial liabilities with carrying amounts that approximated contractual cash flows:

June 30, 2017

| | Carry Value | Contractual Cash Flows | Within 1 Year | 1-5 Years |
|--------------------------|----------------------|-----------------------------------|----------------------|----------------------|
| Short-term borrowings | \$ 234,000 | \$ 235,421 | \$ 235,421 | \$ - |
| Short-term bills payable | 349,673 | 350,000 | 350,000 | - |
| Long-term borrowings | 4,599,645 | 4,667,057 | 40,716 | 4,626,341 |
| Bonds payable | <u>28,076,158</u> | <u>29,159,170</u> | <u>9,074,390</u> | <u>20,084,780</u> |
| | <u>\$ 33,259,476</u> | <u>\$ 34,411,648</u> | <u>\$ 9,700,527</u> | <u>\$ 24,711,121</u> |

December 31, 2016

| | Carry Value | Contractual Cash Flows | Within 1 Year | 1-5 Years |
|--------------------------|----------------------|-----------------------------------|----------------------|----------------------|
| Short-term borrowings | \$ 2,800,000 | \$ 2,804,058 | \$ 2,804,058 | \$ - |
| Short-term bills payable | 3,149,171 | 3,150,000 | 3,150,000 | - |
| Long-term borrowings | 14,048,345 | 14,266,585 | 108,370 | 14,158,215 |
| Bonds payable | <u>18,387,581</u> | <u>18,958,220</u> | <u>6,460,900</u> | <u>12,497,320</u> |
| | <u>\$ 38,385,097</u> | <u>\$ 39,178,863</u> | <u>\$ 12,523,328</u> | <u>\$ 26,655,535</u> |

June 30, 2016

| | Carry Value | Contractual Cash Flows | Within 1 Year | 1-5 Years |
|--------------------------|----------------------|-----------------------------------|----------------------|----------------------|
| Short-term borrowings | \$ 443,570 | \$ 447,252 | \$ 447,252 | \$ - |
| Short-term bills payable | 299,671 | 300,000 | 300,000 | - |
| Long-term borrowings | 20,797,012 | 21,122,802 | 154,435 | 20,968,367 |
| Bonds payable | <u>19,983,975</u> | <u>20,771,340</u> | <u>1,879,620</u> | <u>18,891,720</u> |
| | <u>\$ 41,524,228</u> | <u>\$ 42,641,394</u> | <u>\$ 2,781,307</u> | <u>\$ 39,860,087</u> |

33. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between Far EasTone and its subsidiaries, which are related parties of Far EasTone, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

- a. The Group's related parties and their relationships were as follows:

| Related Party | Relationship with the Group |
|--------------------------------------------------|------------------------------------|
| Far Eastern New Century Corporation (FENC) | Ultimate parent company |
| Far Eastern Electronic Toll Collection Co., Ltd. | Subsidiaries of FENC |
| Ding Ding Integrated Marketing Service Co., Ltd. | Subsidiaries of FENC |

(Continued)

| Related Party | Relationship with the Group |
|----------------------------------------------------|-------------------------------------------------------------------------------------------|
| Far Eastern Electronic Commerce Co., Ltd. (FEEC) | Subsidiaries of FENC |
| Far Eastern International Leasing Corp. | Other related parties (same chairman as parent company's) |
| Telecommunication and Transportation Foundation | Other related parties (Far EasTone's donation is over one third of the foundation's fund) |
| Far Eastern Apparel Co., Ltd. | Subsidiaries of FENC |
| Far Cheng Human Resources Consultant Corp. (FCHRC) | Subsidiaries of FENC |
| Far Eastern Resource Development Co., Ltd. (FERD) | Subsidiaries of FENC |
| Pacific Sogo Department Stores Co., Ltd. (SOGO) | Other related parties (same chairman as parent company's) |
| Far Eastern Big City Shopping Malls Co., Ltd. | Subsidiary of SOGO |
| Far Eastern Citysuper Co., Ltd. | Other related parties (same chairman as parent company's) |
| Ya Tung Department Store Co., Ltd. | Other related parties (same chairman as parent company's) |
| Fu Dar Transportation Corporation | Other related parties (same chairman as parent company's) |
| Fu-Ming Transportation Co., Ltd. | Other related parties (same chairman as parent company's) |
| YDT Technology International Co., Ltd. | Subsidiaries of FENC |
| Nan Hwa Cement Corporation | Other related parties (same chairman as parent company's) |
| Ya Tung Ready Mixed Concrete Co., Ltd. | Other related parties (same chairman as parent company's) |
| Oriental Securities Corporation Ltd. | Other related parties (equity-method investee of ultimate parent company) |
| Yuan Ding Co., Ltd. | Subsidiaries of FENC |
| Far Eastern Department Stores Co., Ltd. | Other related parties (same chairman as Far EasTone's) |
| Asia Cement Co., Ltd. | Other related parties (same chairman as Far EasTone's) |
| Oriental Union Chemical Corporation | Other related parties (same chairman as Far EasTone's) |
| Far Eastern Geant Company Ltd. | Other related parties (same chairman as Far EasTone's) |
| Far Eastern Hospital | Other related parties (same chairman as Far EasTone's) |
| Oriental Institute of Technology | Other related parties (same chairman as Far EasTone's) |
| Far Eastern Plaza Hotel | Subsidiaries of FENC |
| Yuan-Ze University | Other related parties (same chairman as Far EasTone's) |
| U-Ming Marine Transport Corporation | Other related parties (same chairman as Far EasTone's) |
| Chiahui Power Corporation | Other related parties (same chairman as Far EasTone's) |
| Far Eastern Medical Foundation | Other related parties (same chairman as Far EasTone's) |
| Far Eastern International Bank (FEIB) | Other related parties (Far EasTone's chairman is FEIB's vice chairman) |

(Continued)

| Related Party | Relationship with the Group |
|-------------------------------------------|---------------------------------------------------------------------------|
| Far Eastern Construction Co., Ltd. | Subsidiaries of FENC |
| Fu Kwok Garment Manufacturing Co., Ltd. | Subsidiaries of FENC |
| Oriental Petrochemical (Taiwan) Co., Ltd. | Subsidiaries of FENC |
| Air Liquide Far Eastern Co., Ltd. | Other related parties (equity-method investee of ultimate parent company) |
| Far Eastern General Contractor Inc. | Subsidiaries of FENC |
| Oriental Resources Development Limited | Subsidiaries of FENC |
| Far Eastern Fibertech Co., Ltd. | Subsidiaries of FENC |
| Far Eastern Realty Management Co., Ltd. | Subsidiaries of FENC |
| Ding Ding Management Consultant Co., Ltd. | Other related parties (equity-method investee of ultimate parent company) |
| Yuan Hsin Digital Payment Co., Ltd. | Subsidiaries of FENC |
| Alliance Digital Technology Co., Ltd. | Associate |
| Far Eastern Memorial Foundation | Other related parties (same chairman as Far EasTone's) |
| OPAS Fund Segregated Portfolio Company | Other related parties (substantive related party) |

(Concluded)

b. Operating revenue

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|-----------------------|-----------------------------------------------|-------------------|---------------------------------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 |
| FENC | \$ 12,316 | \$ 14,051 | \$ 28,150 | \$ 23,861 |
| Subsidiaries of FENC | 97,718 | 82,711 | 187,411 | 151,079 |
| Other related parties | <u>62,822</u> | <u>58,201</u> | <u>118,084</u> | <u>110,894</u> |
| | <u>\$ 172,856</u> | <u>\$ 154,963</u> | <u>\$ 333,645</u> | <u>\$ 285,834</u> |

Operating revenues from related parties include revenue from sales of inventories, telecommunications service, leased circuit, storage service and customer service, of which the terms and conditions conformed to normal business practice.

c. Operating costs and expenses

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|------------------------------------|-----------------------------------------------|---------------|---------------------------------------------|-----------------|
| | 2017 | 2016 | 2017 | 2016 |
| Cost of telecommunications service | | | | |
| Subsidiaries of FENC | \$ 624 | \$ 549 | \$ 1,164 | \$ 1,256 |
| Other related parties | <u>80</u> | <u>215</u> | <u>307</u> | <u>499</u> |
| | <u>\$ 704</u> | <u>\$ 764</u> | <u>\$ 1,471</u> | <u>\$ 1,755</u> |

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|-----------------------------------------|---------------------------------------|------------------|-------------------------------------|------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Rental (including in operating cost) | | | | |
| FENC | \$ 339 | \$ 350 | \$ 716 | \$ 749 |
| Subsidiaries of FENC | 2,407 | 2,199 | 4,604 | 4,396 |
| Other related parties | <u>5,117</u> | <u>5,372</u> | <u>10,500</u> | <u>10,774</u> |
| | <u>\$ 7,863</u> | <u>\$ 7,921</u> | <u>\$ 15,820</u> | <u>\$ 15,919</u> |
| Rental (including in operating expense) | | | | |
| FENC | \$ 733 | \$ 646 | \$ 1,452 | \$ 1,429 |
| Subsidiaries of FENC | 14,917 | 14,948 | 29,884 | 30,192 |
| Other related parties | <u>21,079</u> | <u>28,176</u> | <u>44,120</u> | <u>61,162</u> |
| | <u>\$ 36,729</u> | <u>\$ 43,770</u> | <u>\$ 75,456</u> | <u>\$ 92,783</u> |
| Marketing expense | | | | |
| Subsidiaries of FENC | \$ 15,406 | \$ 14,490 | \$ 23,739 | \$ 25,800 |
| Other related parties | <u>4,057</u> | <u>2,042</u> | <u>6,180</u> | <u>4,014</u> |
| | <u>\$ 19,463</u> | <u>\$ 16,532</u> | <u>\$ 29,919</u> | <u>\$ 29,814</u> |
| Service fee | | | | |
| FENC | \$ 282 | \$ 282 | \$ 301 | \$ 313 |
| Subsidiaries of FENC | | | | |
| FCHRC | 35,917 | 32,890 | 71,202 | 65,933 |
| Other related parties | <u>40</u> | <u>47</u> | <u>79</u> | <u>78</u> |
| | <u>\$ 36,239</u> | <u>\$ 33,219</u> | <u>\$ 71,582</u> | <u>\$ 66,324</u> |
| Other expense | | | | |
| FENC | \$ 27,064 | \$ 31,472 | \$ 60,747 | \$ 64,040 |
| Subsidiaries of FENC | 4,709 | 7,945 | 6,358 | 9,835 |
| Other related parties | <u>3,593</u> | <u>2,736</u> | <u>17,276</u> | <u>4,484</u> |
| | <u>\$ 35,366</u> | <u>\$ 42,153</u> | <u>\$ 84,381</u> | <u>\$ 78,359</u> |

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

All the terms and conditions of above rental contract conformed to normal business practice.

d. Property transactions

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|-------------------------------------------------|-----------------------------------------------|---------------|---------------------------------------------|-----------------|
| | 2017 | 2016 | 2017 | 2016 |
| Acquisition of equity-method investments | | | | |
| Subsidiaries of FENC | | | | |
| FEEC | <u>\$ 124,497</u> | <u>\$ -</u> | <u>\$ 124,497</u> | <u>\$ -</u> |
| Acquisition of properties, plants and equipment | | | | |
| Subsidiaries of FENC | | | | |
| FERD | <u>\$ 437,394</u> | <u>\$ -</u> | <u>\$ 437,394</u> | <u>\$ -</u> |
| Other related parties | <u>4,528</u> | <u>795</u> | <u>4,894</u> | <u>1,218</u> |
| | <u>\$ 441,922</u> | <u>\$ 795</u> | <u>\$ 442,288</u> | <u>\$ 1,218</u> |

The Group subscribed for Far Eastern Electronic Commerce Co., Ltd.'s new common shares issued for cash amounting to \$124,497 thousand in April 2017. After the subscription, the Group's ownership of the company increased to 20.69%.

With the need in 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 will purchase partial land from FERD, which is located in Taipei Far Eastern Telecom park, to build a new integrated building utilized as an office and internet data center. The aforesaid acquisition price amounting to \$1,749,577 thousand was determined through the price negotiation based on the appraisal reports issued by independent qualified professional appraisers. The down payment amounting to 437,394 thousand was paid in June 2017.

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

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|-----------------------|----------------------|------------------------------|----------------------|
| Other related parties | | | |
| FEIB | <u>\$ 9,303,622</u> | <u>\$ 4,109,041</u> | <u>\$ 4,297,513</u> |

The Group had bank deposits in Far Eastern International Bank (FEIB). These deposits included the proceeds of Far EasTone's sale of prepaid cards and NCIC's sale of international calling cards, which were consigned to FEIB as trust fund, and included in other financial assets - current.

f. Hedging derivative financial assets (liabilities) - current

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|-----------------------|----------------------|------------------------------|----------------------|
| Other related parties | | | |
| FEIB | <u>\$ (3,650)</u> | <u>\$ (7,538)</u> | <u>\$ 4,888</u> |

NCIC entered into foreign exchange swap contracts with FEIB to hedge against cash flow fluctuation on its foreign currency-denominated assets. The notional amounts were US\$20,000 thousand as of June 30, 2017, December 31, 2016 and June 30, 2016. Related expenses were treated as finance cost.

g. Receivables and payables - related parties

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|-----------------------------------------------------------------------------|----------------------|------------------------------|----------------------|
| Accounts receivable - related parties | | | |
| FENC | \$ 128 | \$ 1,157 | \$ 8,221 |
| Subsidiaries of FENC | 52,479 | 54,197 | 50,985 |
| Other related parties | <u>126,462</u> | <u>150,071</u> | <u>111,960</u> |
| | <u>\$ 179,069</u> | <u>\$ 205,425</u> | <u>\$ 171,166</u> |
| Other receivables - related parties (included in other current assets) | | | |
| Subsidiaries of FENC | \$ 2,505 | \$ 2,651 | \$ 3,663 |
| Other related parties | <u>7,117</u> | <u>4,244</u> | <u>9,465</u> |
| | <u>\$ 9,622</u> | <u>\$ 6,895</u> | <u>\$ 13,128</u> |
| Accounts payable - related parties (included in accounts payable) | | | |
| Subsidiaries of FENC | \$ 5,772 | \$ 687 | \$ 2,255 |
| Other related parties | <u>1,940</u> | <u>943</u> | <u>603</u> |
| | <u>\$ 7,712</u> | <u>\$ 1,630</u> | <u>\$ 2,858</u> |
| Other payables - related parties (included in other current liabilities) | | | |
| FENC | \$ 29,344 | \$ 32,456 | \$ 24,732 |
| Subsidiaries of FENC | 75,238 | 96,780 | 126,214 |
| Other related parties | <u>7,349</u> | <u>7,077</u> | <u>6,603</u> |
| | <u>\$ 111,931</u> | <u>\$ 136,313</u> | <u>\$ 157,549</u> |

h. Refundable deposits

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|-----------------------|----------------------|------------------------------|----------------------|
| Subsidiaries of FENC | \$ 68,834 | \$ 75,916 | \$ 71,290 |
| Other related parties | <u>1,466</u> | <u>1,491</u> | <u>1,491</u> |
| | <u>\$ 70,300</u> | <u>\$ 77,407</u> | <u>\$ 72,781</u> |

i. Others

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|-----------------------|-----------------------------------------------|-----------------|---------------------------------------------|------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Interest revenue | | | | |
| Subsidiaries of FENC | \$ <u>6</u> | \$ <u>7</u> | \$ <u>15</u> | \$ <u>13</u> |
| Other related parties | | | | |
| FEIB | 5,601 | 8,087 | 11,785 | 17,425 |
| Others | <u>1</u> | <u>2</u> | <u>7</u> | <u>5</u> |
| | <u>5,602</u> | <u>8,089</u> | <u>11,792</u> | <u>17,430</u> |
| | <u>\$ 5,608</u> | <u>\$ 8,096</u> | <u>\$ 11,807</u> | <u>\$ 17,443</u> |
| Rent revenue | | | | |
| Subsidiaries of FENC | \$ 72 | \$ 75 | \$ 144 | \$ 1,020 |
| Other related parties | <u>-</u> | <u>-</u> | <u>-</u> | <u>326</u> |
| | <u>\$ 72</u> | <u>\$ 75</u> | <u>\$ 144</u> | <u>\$ 1,346</u> |
| Finance costs | | | | |
| Other related parties | <u>\$ 2,176</u> | <u>\$ 967</u> | <u>\$ 4,186</u> | <u>\$ 1,855</u> |

All the terms and conditions of the above rental contracts conformed to normal business practice.

j. Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the three months and six months ended June 30, 2017 and 2016 were as follows:

| | For the Three Months Ended June | | For the Six Months Ended June 30 | |
|--------------------------|--------------------------------------------|------------------|---------------------------------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Short-term benefits | \$ 72,623 | \$ 68,706 | \$ 191,838 | \$ 182,574 |
| Post-employment benefits | <u>1,293</u> | <u>871</u> | <u>2,404</u> | <u>1,735</u> |
| | <u>\$ 73,916</u> | <u>\$ 69,577</u> | <u>\$ 194,242</u> | <u>\$ 184,309</u> |

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

34. ASSETS PLEDGED OR MORTGAGED

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

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|-------------------------------------|----------------------|------------------------------|----------------------|
| Other financial assets - current | \$ 3,128,538 | \$ 1,759,889 | \$ 1,734,641 |
| Other financial assets - noncurrent | <u>21,291</u> | <u>21,209</u> | <u>25,244</u> |
| | <u>\$ 3,149,829</u> | <u>\$ 1,781,098</u> | <u>\$ 1,759,885</u> |

35. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of June 30, 2017, December 31, 2016 and June 30, 2016 were as follows:

a.

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|-----------------------------------------------------------------|---------------------|----------------------|---------------------|
| Acquisition of property, plant and equipment under contracts | \$ 6,377,641 | \$ 5,762,054 | \$ 6,147,974 |
| Less: Payments for acquisition of property, plant and equipment | <u>1,874,996</u> | <u>1,666,888</u> | <u>1,822,176</u> |
| | <u>\$ 4,502,645</u> | <u>\$ 4,095,166</u> | <u>\$ 4,325,798</u> |
| Acquisition of cellular phone equipment under contracts | \$ 7,656,553 | \$ 14,299,303 | \$ 7,689,192 |
| Less: Payments for acquisition of cellular phone equipment | <u>3,273,731</u> | <u>7,803,864</u> | <u>4,776,632</u> |
| | <u>\$ 4,382,822</u> | <u>\$ 6,495,439</u> | <u>\$ 2,912,560</u> |

- b. The Group provided a \$100,000 thousand bank guarantee for its purchases as of June 30, 2017, December 31, 2016 and June 30, 2016.
- c. In May 2015, Far EasTone applied to the Taipei District Court for a temporary injunction order against Taiwan Mobile Co., Ltd. (TWM) for TWM's violation of the agreement between Far EasTone and TWM and prohibited TWM from using the C1 spectrum till TWM escheats the C4 spectrum to NCC. On July 1, 2015, the Taipei District Court approved the issuance of a preliminary injunction.

On April 28, 2016, the Taipei District Court ruled on the other application for a temporary injunction order that TWM has to return the C4 spectrum to NCC and is prohibited from any use of the spectrum.

As of June 30, 2017, Far EasTone had lodged \$2,261,000 thousand in negotiable certificates of deposit as security for the execution of the provisional injunction order ruling while \$1,056,000 thousand of the negotiable certificates of deposit lodged as security was returned by the Taipei District Court in July 2017. TWM also provided a counter-security of \$1,474,119 thousand to waive the provisional injunction order ruling.

On July 28, 2015, Far EasTone filed a civil litigation against TWM, asking TWM to escheat the C4 spectrum immediately and declared that TWM should refrain from using the C1 spectrum even before escheating the C4 spectrum. At the same time, Far EasTone demanded a compensation of \$1,005,800 thousand from TWM.

The Taipei District Court pronounced the judgement on May 23, 2016, that TWM has to return the C4 spectrum immediately and is prohibited from any use of the spectrum. Far EasTone lodged \$644,000 thousand in negotiable certificates of deposit as security for the provisional execution of the judgment while \$321,000 thousand of the negotiable certificates of deposit lodged as security was returned by the Taipei District Court in July 2017. However, the provisional execution was waived after TWM provided a counter-security of \$961,913 thousand. Both Far EasTone and TWM appealed against the judgment in terms of their unfavorable parts.

36. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

In order to integrate the Group's e-commerce businesses and resources, and enhance the competitiveness, the board of directors of Hiiir (a subsidiary of Far EasTone) and FEEC (an associate of Far EasTone) both resolved to approve the merger on June 27, 2017 with Hiiir as the surviving company. Upon the completion of the aforesaid merger, the surviving company will be renamed as Yuanshi Digital Technology Co., Ltd. The merger record date will be set on August 1, 2017. Hiiir will issue 9,167,468 new shares in exchange for FEEC's 14,253,321 shares.

37. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

(In Thousands, Except Exchange Rate)

| | June 30, 2017 | | |
|------------------------------|--------------------|---------------|--------------------|
| | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | \$ 22,058 | 30.42 | \$ 671,008 |
| EUR | 725 | 34.72 | 25,173 |
| Nonmonetary items | | | |
| USD | 20,088 | 30.42 | 611,083 |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| USD | 10,224 | 30.42 | 311,011 |
| EUR | 1,897 | 34.72 | 65,870 |
| | December 31, 2016 | | |
| | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | \$ 22,853 | 32.25 | \$ 737,007 |
| EUR | 151 | 33.90 | 5,133 |
| Nonmonetary items | | | |
| USD | 18,547 | 32.25 | 598,132 |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| USD | 10,913 | 32.25 | 351,952 |
| EUR | 6,927 | 33.90 | 234,828 |

| | | June 30, 2016 | | |
|------------------------------|----|--------------------|---------------|--------------------|
| | | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
| <u>Financial assets</u> | | | | |
| Monetary items | | | | |
| USD | \$ | 18,176 | 32.275 | \$ 586,636 |
| EUR | | 3,149 | 35.89 | 113,012 |
| Nonmonetary items | | | | |
| USD | | 18,669 | 32.275 | 602,553 |
| <u>Financial liabilities</u> | | | | |
| Monetary items | | | | |
| USD | | 10,273 | 32.275 | 331,549 |
| EUR | | 18,579 | 35.89 | 666,790 |

The Group is mainly exposed to the U.S. dollar and Euro. 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 June 30 | | | | |
|------------------------------------|-----------------|----------------------------------|-----------------|----------------------------------|
| | | 2017 | 2016 | |
| Foreign Currencies | Exchange Rate | Net Foreign Exchange Gain (Loss) | Exchange Rate | Net Foreign Exchange Gain (Loss) |
| NTD | 1 (NTD:NTD) | \$ (5,198) | 1 (NTD:NTD) | \$ (3,227) |
| RMB | 4.412 (RMB:NTD) | (398) | 4.953 (RMB:NTD) | 835 |
| | | <u>\$ (5,596)</u> | | <u>\$ (2,392)</u> |
| For the Six Months Ended June 30 | | | | |
| | | 2017 | 2016 | |
| Foreign Currencies | Exchange Rate | Net Foreign Exchange Gain (Loss) | Exchange Rate | Net Foreign Exchange Gain (Loss) |
| NTD | 1 (NTD:NTD) | \$ (10,583) | 1 (NTD:NTD) | \$ (962) |
| RMB | 4.470 (RMB:NTD) | (828) | 5.002 (RMB:NTD) | 374 |
| | | <u>\$ (11,411)</u> | | <u>\$ (588)</u> |

38. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees

1) Financing provided to others: Schedule A

2) Endorsements/guarantees provided: None

- 3) Marketable securities held (excluding 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: Schedule D
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
 - 7) Total purchase from or sale to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Schedule E
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Schedule F
 - 9) Trading in derivative instruments: Note 8
 - 10) Intercompany relationships and significant intercompany transactions: Schedule G
 - 11) Information on investees: Schedule H
- 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 I
 - 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 G
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) Other transactions that have material effect on profit or loss for the period or on the financial position, such as rendering or receiving of services.

39. 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; and
- 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, interest revenue, other revenue, equity in investees' net losses, interest expense, other expense and general and administrative expense. The profits were the measure reported to the chief operating decision maker to allocate resources to the segments and assess their performance. However, the measure of segment assets was not provided to the chief operating decision maker.

The Group's revenues and operating results analyzed by the operating segments were as follows:

| | For the Six Months Ended June 30, 2017 | | | | |
|--------------------------------------------|----------------------------------------|------------------------------|----------------------|----------------------------|----------------------|
| | Mobile Services Business | Fixed-line Services Business | Sales Business | Adjustment and Elimination | Consolidation |
| Revenues generated from external customers | \$ 30,190,151 | \$ 4,158,124 | \$ 10,067,953 | \$ - | \$ 44,416,228 |
| Revenues generated within the Group (Note) | <u>291,192</u> | <u>1,441,571</u> | <u>2,225</u> | <u>(1,734,988)</u> | <u>-</u> |
| Total revenues | <u>\$ 30,481,343</u> | <u>\$ 5,599,695</u> | <u>\$ 10,070,178</u> | <u>\$ (1,734,988)</u> | <u>\$ 44,416,228</u> |
| Segment operating income | <u>\$ 5,839,505</u> | <u>\$ 1,095,346</u> | <u>\$ 972,950</u> | <u>\$ (923,409)</u> | <u>\$ 6,984,392</u> |
| | For the Six Months Ended June 30, 2016 | | | | |
| | Mobile Services Business | Fixed-line Services Business | Sales Business | Adjustment and Elimination | Consolidation |
| Revenues generated from external customers | \$ 31,252,096 | \$ 4,606,764 | \$ 11,027,771 | \$ - | \$ 46,886,631 |
| Revenues generated within the Group (Note) | <u>395,664</u> | <u>2,115,491</u> | <u>19,986</u> | <u>(2,531,141)</u> | <u>-</u> |
| Total revenues | <u>\$ 31,647,760</u> | <u>\$ 6,722,255</u> | <u>\$ 11,047,757</u> | <u>\$ (2,531,141)</u> | <u>\$ 46,886,631</u> |
| Segment operating income | <u>\$ 5,941,513</u> | <u>\$ 1,711,184</u> | <u>\$ 1,090,327</u> | <u>\$ (1,464,948)</u> | <u>\$ 7,278,076</u> |

Note: Represents sales between segments.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE SIX MONTHS ENDED JUNE 30, 2017
(In Thousands of New Taiwan Dollars)

| No. | Lender | Borrower | Financial Statement Account | Related Parties | Highest Balance for the Period | Ending Balance | Actual Borrowing Amount | Interest Rate | Nature of Financing | Business Transaction Amounts | Reasons for Short-term Financing | Allowance for Impairment Loss | Collateral | | Financing Limit for Each Borrower (Notes A and B) | Aggregate Financing Limits (Notes A and B) |
|-----|------------------------------------------|------------------------------------------|-------------------------------------|-----------------|--------------------------------|----------------|-------------------------|---------------|----------------------|------------------------------|----------------------------------|-------------------------------|------------|-------|---------------------------------------------------|--------------------------------------------|
| | | | | | | | | | | | | | Item | Value | | |
| 0 | Far EasTone Telecommunications Co., Ltd. | Q-ware Communications Co., Ltd. | Other receivables - related parties | Yes | \$ 250,000 | \$ 250,000 | \$ 163,000 | 1.56%-1.58% | Short-term financing | \$ - | For business operations | \$ - | - | \$ - | \$ 6,460,668 | \$ 32,303,339 |
| 1 | New Century InfoComm Co., Ltd. | Far EasTone Telecommunications Co., Ltd. | Other receivables - related parties | Yes | 5,500,000 | 5,500,000 | - | 0.83% | Short-term financing | - | For business operations | - | - | - | 4,633,758 | 11,584,395 |
| | | Far EasTone Telecommunications Co., Ltd. | Other receivables - related parties | Yes | 4,000,000 | 2,500,000 | - | 0.83% | Transaction | 3,173,392 | - | - | - | - | 3,173,392 | 11,584,395 |
| | | Q-ware Communications Co., Ltd. | Other receivables - related parties | Yes | 250,000 | - | - | 1.33% | Short-term financing | - | For business operations | - | - | - | 4,633,758 | 11,584,395 |

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

Note B: Where New Century InfoComm Co., Ltd. (NCIC) provides loans for business transactions and short-term financing needs, the amount of loans is limited to 50% of NCIC’s net worth. A) For business transactions: The individual loan amount should not exceed the amount of business transaction amount between two parties. The business transaction amount referred to the estimated amount of the year of loan contract signing or the prior year’s actual transaction amount. B) For short-term financing needs, the individual loan amount should not exceed 20% of NCIC’s net worth.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
JUNE 30, 2017
(In Thousands of New Taiwan Dollars)

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | June 30, 2017 | | | | 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 carried at cost - noncurrent | 15,000,000 | \$ 150,000 | 11.11 | \$ - | Note B |
| | CDIB Capital Innovation Accelerator Limited | - | Financial assets carried at cost - noncurrent | 4,500,000 | 45,000 | 12.00 | - | Note B |
| ARCOA Communication Co., Ltd. | <u>Stock</u> | | | | | | | |
| | THI consultants | - | Financial assets carried at cost - noncurrent | 1,213,594 | 12,190 | 18.32 | - | Note B |
| | Web Point Co., Ltd. | - | Financial assets carried at cost - noncurrent | 160,627 | 1,618 | 0.63 | - | Note B |
| New Century InfoComm Tech Co., Ltd. | <u>Stock</u> | | | | | | | |
| | Kaohsiung Rapid Transit Corporation | - | Financial assets carried at cost - noncurrent | 8,858,191 | 50,000 | 3.18 | - | Note B |
| | Bank Pro E-service Technology Co., Ltd. | - | Financial assets carried at cost - noncurrent | 450,000 | 4,500 | 3.33 | - | Note B |
| | <u>Overseas funds</u> | | | | | | | |
| | Opas Fund Segregated Portfolio Tranche A | Other related party | Available-for-sale financial assets - current | 14,561.612 | 455,198 | - | 455,198 | Note A |
| | Opas Fund Segregated Portfolio Tranche C | Other related party | Available-for-sale financial assets - current | 4,133.591 | 155,885 | - | 155,885 | Note A |

Note A: The market values of open-end mutual funds were calculated at their net asset values as of June 30, 2017.

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2017
(In Thousands of New Taiwan Dollars)

| Company Name | Type and Name of Marketable Securities | Financial Statement Account | Counterparty | Relationship | Beginning Balance (Note 1) | | Acquisition (Note 2) | | Disposal | | | | Ending Balance (Note 1) | |
|------------------------------------------|----------------------------------------|---------------------------------------------------|-------------------|--------------|----------------------------|--------------|----------------------|------------|----------|--------|-----------------|-------------------------|-------------------------|-----------|
| | | | | | Shares | Amount | Shares | Amount | Shares | Amount | Carrying Amount | Gain (Loss) on Disposal | Shares | Amount |
| Far EasTone Telecommunications Co., Ltd. | <u>Stock</u> Hiiiir Inc. | Investments accounted for using the equity method | Capital injection | Subsidiary | 53,726,000 | \$ (109,380) | 34,890,875 | \$ 348,909 | - | \$ - | \$ - | \$ - | 88,616,875 | \$ 82,454 |

Note 1: The amount is the investments accounted for using the equity method.

Note 2: The amount is the cost of investments.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2017
(In Thousands of New Taiwan Dollars)

| Buyer | Property | Event Date | Transaction Amount | Payment Status | Counterparty | Relationship | Information on Previous Title Transfer If Counterparty is a Related Party | | | | Pricing Reference | Purpose of Acquisition | Other Terms |
|-------------------------------------|----------|------------|--------------------|--------------------|--------------------------------------------|----------------------|---------------------------------------------------------------------------|-------------------------|------------------|-----------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|-------------|
| | | | | | | | Property Owner | Relationship | Transaction Date | Amount | | | |
| New Century InfoComm Tech Co., Ltd. | Land | 2017.5.4 | \$ 1,749,577 | \$437,394 was paid | Far Eastern Resource Development Co., Ltd. | Subsidiaries of FENC | Far Eastern New Century Corporation | Ultimate parent Company | 2003.9.2 | FERD was spun off from FENC with the land being spin-off asset. | The price approved by NCIC Board of Directors was determined through the price negotiation based on the valuation reports issued by professional appraisers. | The purpose was to accommodate Banqiao offices and provide spaces for switch room expansion. | None |

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2017
(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 | \$ 5,359,396 | 19 | Based on agreement | - | - | Accounts payable and other payables | \$ (812,154) | (8) |
| | New Century InfoComm Tech Co., Ltd. | Subsidiary | Operating revenues | (231,043) | (1) | Based on agreement | - | - | Accounts receivable | 1,034 | - |
| | | | Cost of telecommunications services | 1,355,653 | 7 | Based on agreement | - | - | Accounts payable and other payables (Note A) | (680,195) | (7) |
| | Omusic Co., Ltd. | Subsidiary | Cost of telecommunications services | 102,364 | - | Based on agreement | - | - | Accounts payable | (36,381) | (1) |
| | DataExpress Infotech Co., Ltd. | Subsidiary | Operating revenues | (106,269) | - | Based on agreement | - | - | Accounts receivable | 2,992 | - |
| New Century InfoComm Tech Co., Ltd. | Far EasTone Telecommunications Co., Ltd. | Parent company | Operating revenues | (1,355,653) | (24) | Based on agreement | - | - | Accounts receivable (Note B) | 680,195 | 46 |
| | | | Cost of telecommunications services | 231,043 | 6 | Based on agreement | - | - | Accounts payable | (1,034) | - |
| ARCOA Communication Co., Ltd. | Far EasTone Telecommunications Co., Ltd. | Parent company | Operating revenues | (5,359,396) | (68) | Based on agreement | - | - | Accounts receivable | 812,154 | 69 |
| Omusic Co., Ltd. | Far EasTone Telecommunications Co., Ltd. | Parent company | Operating revenues | (102,364) | (98) | Based on agreement | - | - | Accounts receivable | 36,381 | 98 |
| DataExpress Infotech Co., Ltd. | Far EasTone Telecommunications Co., Ltd. | Parent company | Cost of sales | 106,269 | 8 | Based on agreement | - | - | Accounts payable | (2,992) | (3) |

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
JUNE 30, 2017
(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. | Subsidiary | \$ 107,636 | (Note A) | \$ - | - | \$ 92,317 | \$ - |
| | ARCOA Communication Co., Ltd. | Subsidiary | 142,514 | 10.31 | - | - | 74,634 | - |
| | Q-ware Communications Co., Ltd. | Subsidiary | 187,736 | (Note B) | - | - | 16,329 | - |
| New Century InfoComm Tech Co., Ltd. | Far EasTone Telecommunications Co., Ltd. | Parent company | 766,957 | (Note C) | - | - | 319,527 | - |
| ARCOA Communication Co., Ltd. | Far EasTone Telecommunications Co., Ltd. | Parent company | 812,154 | 11.44 | - | - | 812,154 | - |

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

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

Note C: All interconnect revenues, costs and collection of international direct dial revenues 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 the collection of telecommunications bills by Far EasTone for NCIC.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2017
(In Thousands of New Taiwan Dollars)

| Number (Note A) | Company Name | Counterparty | Flow of Transactions (Note B) | Transaction Details | | | |
|--------------------|------------------------------------------|-------------------------------------|-------------------------------------|---------------------------------------|--------------------|------------------|----------------------------------------------------|
| | | | | Financial Statement Account | Amount (Note D) | Payment Terms | % to Consolidated Assets/Revenue (Note C) |
| 0 | Far EasTone Telecommunications Co., Ltd. | New Century InfoComm Tech Co., Ltd. | 1 | Accounts receivable - related parties | \$ 1,034 | Note F | - |
| | | | | Other receivables - related parties | 106,602 | Note F | - |
| | | | | Dividends receivable | 1,801,800 | Note F | 1 |
| | | | | Refundable deposits | 3,517 | Note F | - |
| | | | | Accounts payable - related parties | 76,830 | Note F | - |
| | | | | Other payables - related parties | 690,127 | Note F | 1 |
| | | | | Unearned revenue | 4,850 | Note F | - |
| | | | | Sales of inventories | 1,741 | Note F | - |
| | | | | Telecommunications service revenues | 229,302 | Note F | 1 |
| | | | | Cost of telecommunications services | 1,355,653 | Note F | 3 |
| | | | | Operating expense | 34,308 | Note F | - |
| | | | | Nonoperating income and gains | 41,113 | Note F | - |
| | | | | Interest expense | 21,203 | Note F | - |
| | | | | Accounts receivable - related parties | 140,704 | Note F | - |
| | | ARCOA Communication Co., Ltd. | 1 | Other receivables - related parties | 1,810 | Note F | - |
| | | | | Dividends receivables | 89,146 | Note F | - |
| | | | | Accounts payable - related parties | 777,634 | Note F | 2 |
| | | | | Other payables - related parties | 34,520 | Note F | - |
| | | | | Guarantee deposits received | 268 | Note F | - |
| | | | | Unearned revenue | 52,334 | Note F | - |
| | | | | Sales of inventories | 47,541 | Note F | - |
| | | | | Telecommunications service revenues | 1,785 | Note F | - |
| | | | | Cost of sales | 5,069,498 | Note F | 11 |
| | | | | Cost of telecommunications services | 36,685 | Note F | - |
| | | | | Operating expense | 260,048 | Note F | 1 |
| | | | | Nonoperating income and gains | 773 | Note F | - |
| | | KGEx.com Co., Ltd. | 1 | Accounts receivable - related parties | 17,660 | Note F | - |
| | | | | Other receivables - related parties | 141 | Note F | - |
| | | | | Refundable deposits | 898 | Note F | - |
| | | | | Other payables - related parties | 8,528 | Note F | - |
| | | | | Unearned revenue | 56 | Note F | - |
| | | | | Telecommunications service revenues | 53,892 | Note F | - |
| | | | | Cost of telecommunications services | 11,208 | Note F | - |
| | | | | Operating expense | 24,006 | Note F | - |
| | | | | Nonoperating income and gains | 707 | Note F | - |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

(Continued)

| Number (Note A) | Company Name | Counterparty | Flow of Transactions (Note B) | Transaction Details | | | |
|--------------------|--------------|------------------------------------------------------------------|-------------------------------------|---------------------------------------|--------------------|------------------|----------------------------------------------------|
| | | | | Financial Statement Account | Amount (Note D) | Payment Terms | % to Consolidated Assets/Revenue (Note C) |
| | | Yuan Cing Co., Ltd. | 1 | Other receivables - related parties | \$ 3,088 | Note F | - |
| | | | | Other payables - related parties | 7,022 | Note F | - |
| | | | | Operating expense | 4,355 | Note F | - |
| | | | | Nonoperating income and gains | 76 | Note F | - |
| | | Q-ware Communications Co., Ltd. | 1 | Accounts receivable - related parties | 20,527 | Note F | - |
| | | | | Other receivables - related parties | 167,209 | Note F | - |
| | | | | Accounts payable - related parties | 3,435 | Note F | - |
| | | | | Telecommunications service revenues | 3,116 | Note F | - |
| | | | | Cost of telecommunications services | 20,571 | Note F | - |
| | | | | Operating expense | 226 | Note F | - |
| | | | | Nonoperating income and gains | 1,217 | Note F | - |
| | | DataExpress Infotech Co., Ltd. | 1 | Accounts receivable - related parties | 2,992 | Note F | - |
| | | | | Other receivables - related parties | 1,953 | Note F | - |
| | | | | Accounts payable - related parties | 3,362 | Note F | - |
| | | | | Other payables - related parties | 841 | Note F | - |
| | | | | Sales of inventories | 105,957 | Note F | - |
| | | | | Telecommunications service revenues | 312 | Note F | - |
| | | | | Cost of sales | 95 | Note F | - |
| | | | | Cost of telecommunications services | 5,254 | Note F | - |
| | | | | Operating expense | 3,461 | Note F | - |
| | | | | Nonoperating income and gains | 186 | Note F | - |
| | | Omusic Co., Ltd. | 1 | Accounts receivable - related parties | 407 | Note F | - |
| | | | | Accounts payable - related parties | 36,381 | Note F | - |
| | | | | Telecommunications service revenues | 287 | Note F | - |
| | | | | Cost of telecommunications services | 102,364 | Note F | - |
| | | | | Nonoperating income and gains | 21 | Note F | - |
| | | Linkwell Tech. Ltd. | 1 | Other payables - related parties | 745 | Note F | - |
| | | | | Sales of inventories | 7,329 | Note F | - |
| | | | | Telecommunications service revenues | 90 | Note F | - |
| | | | | Operating expense | 1,124 | Note F | - |
| | | Home Master Technology Ltd. | 1 | Other payables - related parties | 4,075 | Note F | - |
| | | | | Telecommunications service revenues | 30 | Note F | - |
| | | | | Operating expense | 7,518 | Note F | - |
| | | New Diligent Hong Kong Company Ltd. | 1 | Other receivables - related parties | 40 | Note F | - |
| | | Information Security Services Digital United Inc. | 1 | Accounts receivable - related parties | 79 | Note F | - |
| | | | | Other receivables - related parties | 275 | Note F | - |
| | | | | Accounts payable - related parties | 729 | Note F | - |
| | | | | Other payables - related parties | 58 | Note F | - |
| | | | | Telecommunications service revenues | 461 | Note F | - |
| | | | | Cost of telecommunications services | 1,147 | Note F | - |
| | | | | Operating expense | 563 | Note F | - |
| | | | | Nonoperating income and gains | 28 | Note F | - |
| | | Far Eastern Tech-info Ltd. (Shanghai) | 1 | Other receivables - related parties | 677 | Note F | - |
| | | Far Eastern New Century Information Technology (Beijing) Limited | 1 | Other receivables - related parties | 32,311 | Note F | - |

(Continued)

| Number (Note A) | Company Name | Counterparty | Flow of Transactions (Note B) | Transaction Details | | | |
|--------------------|-------------------------------------|---------------------------------------------------|-------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|----------------------------------------------------------------------------------------|----------------------------------------------------|
| | | | | Financial Statement Account | Amount (Note D) | Payment Terms | % to Consolidated Assets/Revenue (Note C) |
| | | Hiiir Inc. | 1 | Accounts receivable - related parties Other receivables - related parties Accounts payable - related parties Other payables - related parties Sales of inventories Telecommunications service revenues Operating expense Nonoperating income and gains | \$ 15,531 1,917 6,547 2,307 64,462 2,090 4,789 151 | Note F Note F Note F Note F Note F Note F Note F Note F | - - - - - - - - |
| | | Sino Lead Enterprise Limited | 1 | Other payables - related parties | 5,668 | Note F | - |
| 1 | New Century InfoComm Tech Co., Ltd. | ARCOA Communication Co., Ltd. | 3 | Accounts receivable - related parties Accounts payable - related parties Other payables - related parties Telecommunications service revenues Cost of sales Cost of telecommunications services Operating expense | 83 59 53 549 62 182 106 | Note F Note F Note F Note F Note F Note F Note F | - - - - - - - |
| | | KGEx.com Co., Ltd. | 3 | Accounts receivable - related parties Accounts payable - related parties Other payables - related parties Telecommunications service revenues Cost of telecommunications services Operating expense | 1,419 18,875 9,968 12,875 63,716 6,738 | Note F Note F Note F Note F Note F Note F | - - - - - - |
| | | Q-ware Communications Co., Ltd. | 3 | Accounts receivable - related parties Other receivables - related parties Accounts payable - related parties Guarantee deposits received Telecommunications service revenues Cost of sales Cost of telecommunications services Operating expense Nonoperating income and gains | 2,853 541 1,261 720 12,627 123 4,644 2 3,055 | Note F Note F Note F Note F Note F Note F Note F Note F Note F | - - - - - - - - - |
| | | Omusic Co., Ltd. | 3 | Unearned revenue Telecommunications service revenues Nonoperating income and gains | 5 22 11 | Note F Note F Note F | - - - |
| | | Sino Lead Enterprise Limited | 3 | Refundable deposits Accounts payable - related parties Cost of telecommunications services | 1,223 18,605 59,094 | Note F Note F Note F | - - - |
| | | Yuan Cing Co., Ltd. | 3 | Accounts receivable - related parties Accounts payable - related parties Cost of telecommunications services | 13 2,902 2,902 | Note F Note F Note F | - - - |
| | | Information Security Services Digital United Inc. | 3 | Accounts receivable - related parties Other receivables - related parties Accounts payable - related parties Other payables - related parties | 568 1,148 4,820 220 | Note F Note F Note F Note F | - - - - |

(Continued)

| Number (Note A) | Company Name | Counterparty | Flow of Transactions (Note B) | Transaction Details | | | |
|--------------------|-------------------------------|--------------------------------------------------------------|-------------------------------------|---------------------------------------|--------------------|------------------|----------------------------------------------------|
| | | | | Financial Statement Account | Amount (Note D) | Payment Terms | % to Consolidated Assets/Revenue (Note C) |
| | | Digital United Information Technologies (Shanghai) Co., Ltd. | 3 | Guarantee deposits received | \$ 990 | Note F | - |
| | | | | Unearned revenue | 84 | Note F | - |
| | | | | Telecommunications service revenues | 2,560 | Note F | - |
| | | | | Cost of sales | 172 | Note F | - |
| | | | | Other operating costs | 10,130 | Note F | - |
| | | | | Operating expense | 335 | Note F | - |
| | | | | Nonoperating income and gains | 2,602 | Note F | - |
| | | | | Accounts receivable - related parties | 314 | Note F | - |
| | | Hiiir Inc. | 3 | Telecommunications service revenues | 308 | Note F | - |
| | | | | Operating expense | 466 | Note F | - |
| | | | | Accounts receivable - related parties | 319 | Note F | - |
| | | | | Other receivables - related parties | 284 | Note F | - |
| | | | | Unearned revenue | 688 | Note F | - |
| | | | | Telecommunications service revenues | 1,573 | Note F | - |
| | | DataExpress Infotech Co., Ltd. | 3 | Nonoperating income and gains | 4,333 | Note F | - |
| | | | | Other receivables - related parties | 763 | Note F | - |
| | | | | Guarantee deposits received | 588 | Note F | - |
| | | | | Telecommunications service revenues | 807 | Note F | - |
| | | | | Nonoperating income and gains | 1,716 | Note F | - |
| | | Linkwell Tech. Ltd. | 3 | Telecommunications service revenues | 81 | Note F | - |
| | | Home Master Technology Ltd. | 3 | Telecommunications service revenues | 63 | Note F | - |
| 2 | ARCOA Communication Co., Ltd. | KGEx.com Co., Ltd. | 3 | Other payables - related parties | 183 | Note F | - |
| | | | | Operating expense | 537 | Note F | - |
| | | Yuan Cing Co., Ltd. | 3 | Other payables - related parties | 813 | Note F | - |
| | | | | Operating expense | 813 | Note F | - |
| | | Hiiir Inc. | 3 | Accounts receivable - related parties | 3,555 | Note F | - |
| | | | | Sales of inventories | 28,221 | Note F | - |
| | | | | Telecommunications service revenues | 3 | Note F | - |
| | | DataExpress Infotech Co., Ltd. | 3 | Accounts receivable - related parties | 1,066 | Note F | - |
| | | | | Other receivables - related parties | 1,055 | Note F | - |
| | | | | Dividends receivable | 15,697 | Note F | - |
| | | | | Accounts payable - related parties | 150 | Note F | - |
| | | | | Other operating revenue | 1,603 | Note F | - |
| | | | | Other operating costs | 196 | Note F | - |
| | | | | Nonoperating income and gains | 449 | Note F | - |
| | | Linkwell Tech. Ltd. | 3 | Accounts receivable - related parties | 555 | Note F | - |
| | | | | Sales of inventories | 3,730 | Note F | - |
| | | | | Other operating revenue | 319 | Note F | - |
| | | Home Master Technology Ltd. | 3 | Accounts receivable - related parties | 11,216 | Note F | - |
| | | | | Sales of inventories | 29,842 | Note F | - |
| | | | | Other operating revenue | 138 | Note F | - |
| 3 | KGEx.com Co., Ltd. (Note E) | Q-ware Communications Co., Ltd. | 3 | Accounts receivable - related parties | 13 | Note F | - |
| | | | | Telecommunications service revenues | 72 | Note F | - |

(Continued)

| Number (Note A) | Company Name | Counterparty | Flow of Transactions (Note B) | Transaction Details | | | |
|--------------------|-----------------------------------------------------------------------|------------------------------------------------------------------|-------------------------------------|---------------------------------------|--------------------|------------------|----------------------------------------------------|
| | | | | Financial Statement Account | Amount (Note D) | Payment Terms | % to Consolidated Assets/Revenue (Note C) |
| 4 | Yuan Cing Co., Ltd. (Note E) | Hiiir Inc. | 3 | Accounts receivable - related parties | \$ 1,697 | Note F | - |
| | | | | Other operating revenue | 4,833 | Note F | - |
| | | DataExpress Infotech Co., Ltd. | 3 | Accounts receivable - related parties | 375 | Note F | - |
| | | | | Other operating revenue | 358 | Note F | - |
| 5 | DataExpress Infotech Co., Ltd. (Note E) | Linkwell Tech. Ltd. | 3 | Accounts receivable - related parties | 4,168 | Note F | - |
| | | | | Other receivables - related parties | 8,522 | Note F | - |
| | | | | Accounts payable - related parties | 10,735 | Note F | - |
| | | | | Other payables - related parties | 66 | Note F | - |
| | | | | Sales of inventories | 39,631 | Note F | - |
| | | | | Cost of sales | 86,934 | Note F | - |
| | | Home Master Technology Ltd. | 3 | Nonoperating income and gains | 4,260 | Note F | - |
| | | | | Accounts receivable - related parties | 28,528 | Note F | - |
| | | | | Other receivables - related parties | 4,212 | Note F | - |
| | | | | Accounts payable - related parties | 6,707 | Note F | - |
| | | | | Sales of inventories | 81,107 | Note F | - |
| | | | | Cost of sales | 9,013 | Note F | - |
| | | Hiiir Inc. Omusic Co., Ltd. | 3 | Nonoperating income and gains | 1,320 | Note F | - |
| | | | | Sales of inventories | 267 | Note F | - |
| | | | | Accounts payable - related parties | 1 | Note F | - |
| | | | | Other operating revenue | 2 | Note F | - |
| | | | | | | | |
| | | | | | | | |
| 6 | Linkwell Tech. Ltd. (Note E) | Home Master Technology Ltd. | 3 | Accounts receivable - related parties | 344 | Note F | - |
| | | | | Other receivables - related parties | 1,298 | Note F | - |
| | | | | Accounts payable - related parties | 253 | Note F | - |
| | | | | Other payables - related parties | 92 | Note F | - |
| | | | | Sales of inventories | 14,414 | Note F | - |
| | | | | Cost of sales | 1,673 | Note F | - |
| | | Omusic Co., Ltd. | 3 | Other payables - related parties | 12 | Note F | - |
| | | | | | | | |
| 7 | Home Master Technology Ltd. (Note E) | Omusic Co., Ltd. | 3 | Other operating revenue | 1 | Note F | - |
| 8 | Digital United Information Technologies (Shanghai) Co., Ltd. (Note E) | Far Eastern New Century Information Technology (Beijing) Limited | 3 | Accounts receivable - related parties | 8,048 | Note F | - |
| | | | | Other operating revenue | 7,855 | 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. Subsidiaries are numbered from “1”.

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

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

(Continued)

Note C: For assets and liabilities, amount is shown as a percentage to consolidated total assets as of June 30, 2017; while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the six months ended June 30, 2017.

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 June 30, 2017.

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

(Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE SIX MONTHS ENDED JUNE 30, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | As of June 30, 2017 | | | Net Income (Loss) of the Investee | Share of Profit (Loss) | Note |
|------------------------------------------|--------------------------------------------------|------------------------|----------------------------------------------------------------------------------|----------------------------|-------------------|---------------------|--------------------------------|-----------------|--------------------------------------|---------------------------|---------------------|
| | | | | June 30, 2017 | December 31, 2016 | Shares | Percentage of Ownership (%) | Carrying Amount | | | |
| Far EasTone Telecommunications Co., Ltd. | New Century InfoComm Tech Co., Ltd. | Taiwan | Type I, II telecommunications services | \$ 22,249,283 | \$ 22,249,283 | 2,100,000,000 | 100.00 | \$ 25,957,312 | \$ 886,301 | \$ 890,523 | 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 | 1,249,641 | 64,578 | 39,006 | Notes A and B |
| | KGEx.com. Co., Ltd. | Taiwan | Type II telecommunications services | 2,440,457 | 2,440,457 | 78,895,760 | 99.99 | 849,432 | 44,775 | 44,768 | Notes A and D |
| | Hiiir Inc. | Taiwan | Electronic information providing services | 886,169 | 537,260 | 88,616,875 | 93.28 | 82,454 | (142,346) | (124,948) | Notes A and D |
| | Yuan Cing Co., Ltd. | Taiwan | Call center services | - | - | 2,000,000 | 100.00 | 27,337 | 6,251 | 6,251 | Notes A, D and H |
| | Far Eastern Info Service (Holding) Ltd. | Bermuda | Investment | 92,616 | 92,616 | 1,200 | 100.00 | (49,699) | (40) | (40) | Notes A and D |
| | Omusic Co., Ltd. | Taiwan | Electronic information providing services | 25,000 | 25,000 | 2,500,000 | 50.00 | 8,150 | 8 | 4 | Notes A and D |
| | Q-ware Communication Co., Ltd. | Taiwan | Type II telecommunications services | 832,038 | 832,038 | 33,982,812 | 81.46 | (78,686) | (2,295) | (1,870) | Notes A and D |
| | Far Eastern Electronic Toll Collection Co., Ltd. | Taiwan | Electronic information providing services and electronic toll collection service | 2,542,396 | 2,542,396 | 118,250,967 | 39.42 | 719,167 | 11,995 | 5,258 | Notes C and D |
| | Ding Ding Integrated Marketing Service Co., Ltd. | Taiwan | Marketing | 139,500 | 139,500 | 10,408,200 | 15.00 | 47,023 | (22,700) | (4,543) | Notes C and D |
| | Alliance Digital Technology Co., Ltd. | Taiwan | Electronic information providing services | 60,000 | 60,000 | 6,000,000 | 14.40 | 29,569 | (27,061) | (4,300) | Notes C and D |
| | Yuan Hsin Digital Payment Co., Ltd. | Taiwan | Other financing and supporting services | 450,000 | 450,000 | 32,658,426 | 30.00 | 200,096 | (121,072) | (37,268) | Notes C and D |
| | Far Eastern Electronic Commerce Co., Ltd. | Taiwan | Electronic information providing services | 172,604 | 80,893 | 2,172,871 | 15.24 | 5,741 | (103,831) | (15,680) | 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 | 159,523 | 155 | - | Notes D and E |
| New Century InfoComm Tech Co., Ltd. | New Diligent Co., Ltd. | Taiwan | Investments | 540,000 | 1,060,000 | 54,000,000 | 100.00 | 106,086 | (6,610) | - | 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 | 113,145 | 9,792 | - | Notes D and E |
| | Digital United (Cayman) Ltd. | Cayman Islands | Investments | 132,406 | 132,406 | 4,320,000 | 100.00 | 25,534 | (5,357) | - | Notes D and E |
| | Far Eastern Electronic Commerce Co., Ltd. | Taiwan | Electronic information providing services | 61,708 | 28,922 | 776,791 | 5.45 | 2,053 | (103,831) | - | Notes C and D |
| | Ding Ding Integrated Marketing Service Co., Ltd. | Taiwan | Marketing | 46,500 | 46,500 | 3,469,400 | 5.00 | 15,674 | (22,700) | - | Notes C and D |
| New Diligent Co., Ltd. | Sino Lead Enterprise Limited | Hong Kong | Telecommunications services | 125 | 125 | 30,000 | 100.00 | 204 | 55 | - | Notes D and E |
| | Far Eastern New Diligent Company Ltd. | British Virgin Islands | Investments | 330,598 | 330,598 | - | 100.00 | 44,385 | (7,852) | - | Notes D and E |
| | New Diligent Hong Kong Co., Ltd. | Hong Kong | Investments | - | - | - | - | - | - | - | Notes E and G |
| DataExpress Infotech Co., Ltd. | Linkwell Tech. Ltd. | Taiwan | Sale of communications products | 10,000 | 10,000 | - | 100.00 | 36,769 | (2,832) | - | Notes D and E |
| | Home Master Technology Ltd. | Taiwan | Sale of communications products | 10,000 | 10,000 | - | 100.00 | (9,342) | (926) | - | Notes D and E |

Note A: Subsidiary.

Note B: The calculation was based on reviewed financial statements as of June 30, 2017.

Note C: Equity-method investee of Far EasTone.

Note D: The calculation was based on unreviewed financial statements as of June 30, 2017.

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

Note F: Investments in mainland China please refer to Schedule I.

Note G: New Diligent Hong Kong Co., Ltd. was established on December 4, 2014. The investment amount had not been remitted to the investee as of June 30, 2017.

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2017
(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, 2017 | Remittance of Funds | | Accumulated Outward Remittance for Investment from Taiwan as of June 30, 2017 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) | Carrying Amount as of June 30, 2017 | Accumulated Repatriation of Investment Income as of June 30, 2017 |
|---------------------------------------------------------------------------|------------------------------------------------------------------------------------|-------------------------------|----------------------------------|---------------------------------------------------------------------------------|---------------------|--------|-------------------------------------------------------------------------------|-----------------------------------|----------------------------------------------|------------------------|----------------------------------------|-------------------------------------------------------------------|
| | | | | | Outward | Inward | | | | | | |
| Digital United Information Technologies (Shanghai) Ltd. (Note F) | Design, research, installment and maintenance of computer software and system | \$ 94,302 (US\$ 3,100,000) | 2 | \$ 94,302 (US\$ 3,100,000) | \$ - | \$ - | \$ 94,302 (US\$ 3,100,000) | \$ 1,775 | 100.00 | \$ 1,775 | \$ 12,476 (RMB 2,781,000) | \$ - |
| Far Eastern New Century Information Technology (Beijing) Limited (Note F) | Electronic information providing services | 349,830 (US\$ 11,500,000) | 2 | 313,326 (US\$ 10,300,000) | - | - | 313,326 (US\$ 10,300,000) | (8,222) | 90.52 (Note B) | (7,443) (Note B) | 63,742 (RMB 14,209,000) (Note B) | - |
| Far Eastern Tech-info Ltd. (Shanghai) (Note F) | Computer software, data processing and provision of network information | 182,520 (US\$ 6,000,000) | 2 | 199,086 (Note G) | - | - | 199,086 (Note G) | (83) | 100.00 (Note C) | (83) (Note C) | 97,032 (RMB 21,630,000) (Note C) | - |
| New Diligence Corporation (Shanghai) (Note E) | Consulting services, supporting services, and wholesale of machinery and equipment | - | 1 | 34,283 (US\$ 1,127,000) | - | - | 34,283 (US\$ 1,127,000) | - | - | - | - | - |

| Company Name | Accumulated Outward Remittance for Investment in Mainland China as of June 30, 2017 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note D) |
|------------------------------------------|-------------------------------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------------------------------------|
| Far EasTone Telecommunications Co., Ltd. | \$ 92,616 | \$ 92,616 | \$ 39,181,725 |
| New Century InfoComm Tech Co., Ltd. | 94,302 (US\$ 3,100,000) | 94,302 (US\$ 3,100,000) | 13,901,274 |
| New Diligent Co., Ltd. | 454,079 (US\$14,927,000) | 454,079 (US\$14,927,000) | 63,652 |

Note A: Investment type as follows:

1. The Group made the investment directly.

2. The Group made the investment through a company registered in a third region. The companies registered in a third region are Far Eastern Info Service (Holding) Ltd., Digital United (Cayman) Ltd. and Far Eastern New Diligent Company Ltd., respectively.

3. Other.

Note B: Including Far Eastern New Diligent Company Ltd. 89.56% of ownership and Far Eastern Tech-Info Ltd. (Shanghai) 0.96% of ownership.

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

Note D: Based on the limit, which is 60% of the investor company’s net worth or the Group’s net worth, whichever is higher, as stated in the Principles Governing the Review of Investment or Technical Corporation in Mainland China, which was issued on August 29, 2008 by the Investment Commission of the MOEA.

Note E: On June 27, 2012, New Diligence Corporation (Shanghai) had been remitted back to Taiwan US\$73,000 the investment registered in the Investment Commission of the MOEA and wrote off this same amount.

Note F: The calculation was based on unreviewed financial statements as of June 30, 2017.

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