Far EasTone Telecommunications Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Three Months Ended March 31, 2018 and 2017 and Independent Auditors' Review Report

INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Far EasTone Telecommunications Co., Ltd. and its subsidiaries (the Group) as of March 31, 2018 and 2017 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods then ended, and related notes, including a summary of significant accounting policies (collectively referred to as the consolidated financial statements). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As disclosed in Note 13 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements were not reviewed. As of March 31, 2018 and 2017, the combined total assets of these non-significant subsidiaries were NT$3,296,369 thousand and NT$3,586,910 thousand, respectively, representing 2.5% and 2.8%, respectively, of the consolidated total assets, and the combined total liabilities of these subsidiaries were NT$2,387,402 thousand and NT$1,981,348 thousand, respectively, representing 4.4% and 3.6%, respectively, of the consolidated total liabilities; for the three-month periods ended March 31, 2018 and 2017, the combined comprehensive losses of these subsidiaries were NT$(85,830) thousand and NT$(49,992) thousand, respectively, representing (3.5)% and (1.7)%, respectively, of the consolidated total comprehensive income. As stated in Note 14 to the consolidated financial statements, the investments accounted for using the equity method as of March 31, 2018 and 2017 were NT$1,199,637 thousand and NT$985,255 thousand, respectively; the credit balance of investments accounted for using the equity method as of March 31, 2017 was NT$101,031 thousand; and the related investment comprehensive losses for the three-month periods ended March 31, 2018 and 2017 were NT$(5,378) thousand and NT$(50,606) thousand, respectively. The amounts related to equity-method investments and the related investees' information were based on unreviewed financial statements. Additionally, related information on the Group's investments shown in Note 35 to the consolidated financial statements were not reviewed either.

Qualified Conclusion

Based on our reviews, except for any adjustments as might have been determined to be necessary had the financial statements of the non-significant subsidiaries and equity-method investees as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the three-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting".

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 4, 2018

Notice to Readers

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	March 31, 2018 (Reviewed)		December 31, 2017 (Audited)		March 31, 2017 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Notes 6 and 31)	$ 4,638,682	4	$ 8,347,304	6	$ 8,649,119	7
Financial assets at fair value through profit or loss - current (Note 4)	575,507	-	595,200	-	-	-
Available-for-sale financial assets - current (Note 4)	-	-	-	-	588,378	1
Derivative financial assets for hedging - current (Notes 4, 30 and 31)	-	-	1,700	-	9,488	-
Financial assets at amortized cost - current (Notes 4, 8 and 31)	617,649	-	-	-	-	-
Financial assets for hedging - current (Notes 4, 30 and 31)	1,035	-	-	-	-	-
Contract assets - current (Notes 4 and 25)	3,698,728	3	-	-	-	-
Debt investments with no active market - current (Notes 4, 9 and 31)	-	-	658,765	1	1,084,074	1
Notes receivable, net (Notes 4 and 11)	70,886	-	70,321	-	68,298	-
Accounts receivable, net (Notes 4, 11 and 25)	7,274,146	6	7,706,352	6	6,444,638	5
Accounts receivable - related parties (Notes 4, 11 and 31)	180,350	-	251,910	-	163,603	-
Inventories (Note 12)	4,467,894	3	4,776,547	4	3,042,356	2
Prepaid expenses	867,176	1	859,512	1	1,207,656	1
Other financial assets - current (Notes 4, 31 and 32)	2,857,307	2	2,856,693	2	3,080,749	2
Other current assets (Note 31)	126,446	-	159,849	-	272,893	-
Total current assets	25,375,806	19	26,284,153	20	24,611,252	19
NONCURRENT ASSETS						
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4 and 7)	257,544	-	-	-	-	-
Financial assets measured at cost (Notes 4 and 10)	-	-	263,308	-	263,308	-
Investments accounted for using the equity method (Note 14)	1,199,637	1	1,205,015	1	985,255	1
Contract assets - noncurrent (Notes 4 and 25)	1,831,634	1	-	-	-	-
Property, plant and equipment, net (Notes 15 and 31)	44,777,184	34	46,233,707	35	48,688,721	38
Investment properties (Note 16)	1,082,453	1	1,082,453	1	1,041,406	1
Concessions, net (Notes 1 and 17)	41,037,446	31	41,820,510	31	37,627,585	29
Goodwill (Note 17)	10,808,901	8	10,808,901	8	10,808,901	8
Other intangible assets (Note 17)	3,477,470	2	3,479,960	3	3,284,928	2
Deferred income tax assets (Note 4)	866,707	1	759,909	-	922,691	1
Incremental costs of obtaining a contract - noncurrent (Notes 4 and 25)	1,525,025	1	-	-	-	-
Other noncurrent assets (Notes 4, 11, 18, 31 and 32)	816,907	1	768,439	1	726,650	1
Total noncurrent assets	107,680,908	81	106,422,202	80	104,349,445	81
TOTAL	$ 133,056,714	100	$ 132,706,355	100	$ 128,960,697	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 19)	$ 440,000	-	$ 864,000	1	$ 2,499,000	2
Short-term bills payable (Note 19)	309,809	-	299,681	-	2,848,400	2
Derivative financial liabilities for hedging - current (Notes 4 and 30)	-	-	-	-	56,144	-
Contract liabilities - current (Note 25)	2,725,977	2	-	-	-	-
Notes payable	30,071	-	45,637	-	41,727	-
Accounts payable (Note 31)	5,466,539	4	6,515,052	5	5,116,025	4
Other payables (Note 21)	6,062,487	5	7,531,030	6	7,094,356	5
Current tax liabilities (Note 4)	3,807,266	3	2,033,857	1	2,710,057	2
Provisions - current (Note 22)	232,593	-	227,536	-	216,968	-
Unearned revenue (Note 4)	-	-	2,806,802	2	2,424,623	2
Current portion of long-term borrowings (Notes 19 and 20)	8,999,061	7	8,998,533	7	6,198,144	5
Guarantee deposits received - current	240,773	-	246,344	-	253,560	-
Other current liabilities (Note 31)	859,635	1	823,502	1	736,655	1
Total current liabilities	29,174,211	22	30,391,974	23	30,195,659	23
NONCURRENT LIABILITIES						
Contract liabilities - noncurrent (Note 25)	226,799	-	-	-	-	-
Bonds payable (Note 20)	20,375,327	15	20,373,820	15	17,383,036	14
Long-term borrowings (Note 19)	-	-	7,600,000	6	2,899,797	2
Provisions - noncurrent (Note 22)	888,258	1	887,441	1	863,795	1
Deferred income tax liabilities (Note 4)	2,054,198	1	1,730,452	1	1,628,501	1
Deferred revenue - noncurrent (Note 21)	-	-	185,766	-	187,220	-
Net defined benefit liabilities - noncurrent (Note 4)	724,808	1	728,162	1	760,715	1
Guarantee deposits received - noncurrent	293,913	-	296,738	-	295,412	-
Other noncurrent liabilities (Note 14)	66,615	-	65,789	-	154,555	-
Total noncurrent liabilities	24,629,918	18	31,868,168	24	24,173,031	19
Total liabilities	53,804,129	40	62,260,142	47	54,368,690	42
EQUITY ATTRIBUTABLE TO OWNERS OF FAR EASTONE						
Capital stock						
Common stock	32,585,008	25	32,585,008	25	32,585,008	25
Capital surplus	8,143,351	6	8,143,345	6	10,166,874	8
Retained earnings						
Legal reserve	17,405,561	13	17,405,561	13	16,270,878	13
Special reserve	783,467	-	783,467	1	769,907	-
Unappropriated earnings	19,640,364	15	10,822,899	8	14,183,076	11
Total retained earnings	37,829,392	28	29,011,927	22	31,223,861	24
Other equity	2,916	-	18,132	-	(107,812)	-
Total equity attributable to owners of Far EasTone	78,560,667	59	69,758,412	53	73,867,931	57
NONCONTROLLING INTERESTS	691,918	1	687,801	-	724,076	1
Total equity	79,252,585	60	70,446,213	53	74,592,007	58
TOTAL	$ 133,056,714	100	$ 132,706,355	100	$ 128,960,697	100

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

(With Deloitte & Touche review report dated May 4, 2018)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 25 and 31)	$ 21,666,560	100	$ 22,480,387	100
OPERATING COSTS (Notes 12, 26 and 31)	14,591,069	67	13,198,877	59
GROSS PROFIT	7,075,491	33	9,281,510	41
OPERATING EXPENSES (Notes 26 and 31)				
Marketing	2,394,103	11	4,051,437	18
General and administrative	1,430,076	7	1,448,752	6
Total operating expenses	3,824,179	18	5,500,189	24
OPERATING INCOME	3,251,312	15	3,781,321	17
NONOPERATING INCOME AND EXPENSES				
Other income (Notes 4 and 31)	17,794	-	18,806	-
Other gains and losses (Note 30)	25,062	-	5,144	-
Financial costs (Notes 4, 26 and 31)	(106,977)	(1)	(107,978)	-
Share of the gain (loss) of associates	4,857	-	(69,269)	-
Loss on disposal of property, plant and equipment and intangible assets	(100,642)	-	(181,170)	(1)
Total nonoperating income and expenses	(159,906)	(1)	(334,467)	(1)
INCOME BEFORE INCOME TAX	3,091,406	14	3,446,854	16
INCOME TAX (Notes 4 and 27)	633,738	3	603,199	3
NET INCOME	2,457,668	11	2,843,655	13
OTHER COMPREHENSIVE (LOSS) INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain on investments in equity instruments designated as at fair value through other comprehensive income (Notes 4 and 24)	5,969	-	-	-

(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2018		2017	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations (Note 24)	$ 790	-	$ (1,758)	-
Unrealized losses on available-for-sale financial assets (Notes 4 and 24)	-	-	(8,096)	-
Cash flow hedges (Notes 4 and 24)	-	-	16,942	-
Share of other comprehensive (loss) income of associates accounted for using the equity method (Note 24)	(10,235)	-	18,663	-
	(9,445)	-	25,751	-
Total other comprehensive (loss) income, net of income tax	(3,476)	-	25,751	-
TOTAL COMPREHENSIVE INCOME	$ 2,454,192	11	$ 2,869,406	13
NET INCOME ATTRIBUTABLE TO:				
Owners of Far EasTone	$ 2,453,198	11	$ 2,836,246	13
Noncontrolling interests	4,470	-	7,409	-
	$ 2,457,668	11	$ 2,843,655	13
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of Far EasTone	$ 2,449,715	11	$ 2,861,913	13
Noncontrolling interests	4,477	-	7,493	-
	$ 2,454,192	11	$ 2,869,406	13
EARNINGS PER SHARE, NEW TAIWAN DOLLARS (Note 28)				
Basic	$ 0.75		$ 0.87	
Diluted	$ 0.75		$ 0.87	

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

(With Deloitte & Touche review report dated May 4, 2018) (Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of Far EasTone												
			Retained Earnings			Other Equity							
	Capital Stock (Note 24)	Capital Surplus (Note 24)	Legal Reserve (Note 24)	Special Reserve (Note 24)	Unappropriated Earnings (Note 24)	Exchange Differences on Translating the Financial Statements of Foreign Operations (Note 24)	Unrealized Losses on Available-for-sale Financial Assets (Notes 4 and 24)	Unrealized (Losses) Gains on Financial Assets at Fair Value Through Other Comprehensive Income (Notes 4 and 24)	Cash Flow Hedges (Notes 4 and 24)	Gains (Losses) on Hedging Instruments (Notes 4 and 24)	Total	Noncontrolling Interests (Note 24)	Total Equity
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
Net income for the three months ended March 31, 2017	-	-	-	-	2,836,246	-	-	-	-	-	2,836,246	7,409	2,843,655
Other comprehensive income (loss) for the three months ended March 31, 2017, net of income tax	-	-	-	-	-	(1,811)	(8,096)	-	35,574	-	25,667	84	25,751
BALANCE AT MARCH 31, 2017	$ 32,585,008	$ 10,166,874	$ 16,270,878	$ 769,907	$ 14,183,076	$ 2,827	$ (53,968)	$ -	$ (56,671)	$ -	$ 73,867,931	$ 724,076	$ 74,592,007
BALANCE AT JANUARY 1, 2018	$ 32,585,008	$ 8,143,345	$ 17,405,561	$ 783,467	$ 10,822,899	$ 4,122	$ -	$ -	$ 14,010	$ -	$ 69,758,412	$ 687,801	$ 70,446,213
Effects of retrospective application and retrospective restatement	-	-	-	-	6,364,273	-	-	(11,733)	(14,010)	14,010	6,352,540	-	6,352,540
BALANCE AT JANUARY 1, 2018 AS RESTATED	32,585,008	8,143,345	17,405,561	783,467	17,187,172	4,122	-	(11,733)	-	14,010	76,110,952	687,801	76,798,753
Changes in equity from investments in associates accounted for using the equity method	-	6	-	-	(6)	-	-	-	-	-	-	-	-
Net income for the three months ended March 31, 2018	-	-	-	-	2,453,198	-	-	-	-	-	2,453,198	4,470	2,457,668
Other comprehensive income (loss) for the three months ended March 31, 2018, net of income tax	-	-	-	-	-	783	-	5,969	-	(10,235)	(3,483)	7	(3,476)
Return of cash capital due to subsidiary's liquidation	-	-	-	-	-	-	-	-	-	-	-	(360)	(360)
BALANCE AT MARCH 31, 2018	$ 32,585,008	$ 8,143,351	$ 17,405,561	$ 783,467	$ 19,640,364	$ 4,905	$ -	$ (5,764)	$ -	$ 3,775	$ 78,560,667	$ 691,918	$ 79,252,585

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

(With Deloitte & Touche review report dated May 4, 2018)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2018	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 3,091,406	$ 3,446,854
Adjustments for:		
Depreciation	2,561,974	2,447,478
Amortization	213,570	202,995
Amortization of concessions	783,064	755,946
Expected credit losses	63,310	-
Allowance for doubtful accounts	-	123,875
Net loss on fair value changes of financial assets designated as at fair value through profit or loss	19,693	-
Financial costs	106,977	107,978
Interest income	(9,781)	(10,682)
Share of the (gain) loss of associates	(4,857)	69,269
Loss on disposal of property, plant and equipment and intangible assets	100,642	181,170
Gain on disposal of financial assets	-	(945)
Write-down of inventories recognized (reversed)	11,907	(672)
Deferred gain on derivative assets for hedging	-	21,375
Net changes in operating assets and liabilities		
Financial assets for hedging	665	-
Contract assets	321,475	-
Notes receivable	(565)	(3,937)
Accounts receivable	523,771	877,007
Accounts receivable - related parties	71,560	41,822
Inventories	296,746	(553,319)
Prepaid expenses	(7,664)	(17,626)
Other current assets	10,033	15,503
Incremental costs of obtaining a contract	41,165	-
Contract liabilities	111,664	-
Notes payable	(15,566)	26,302
Accounts payable	(1,048,513)	989,561
Other payables	(1,183,672)	(1,104,678)
Unearned revenue	-	(22,570)
Provisions	(9,734)	(8,605)
Other current liabilities	32,922	(21,220)
Net defined benefit liabilities	(3,392)	(3,557)
Cash generated from operations	6,078,800	7,559,324
Interest received	7,051	6,634
Interest paid	(75,549)	(24,057)
Income taxes paid	(3,942)	(5,381)
Net cash generated from operating activities	6,006,360	7,536,520

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FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the disposal of financial assets at amortized cost	$ 41,116	$ -
Acquisition of debt investments with no active market	-	(173,678)
Acquisition of financial assets measured at cost	-	(45,000)
Proceeds from the disposal of financial assets measured at cost	-	945
Acquisition of property, plant and equipment	(1,503,625)	(2,118,560)
Proceeds from the disposal of property, plant and equipment	31,505	12,279
Increase in refundable deposits	(122,164)	(67,056)
Decrease in refundable deposits	72,286	53,854
Acquisition of intangible assets	(211,648)	(222,005)
Increase in other financial assets	(614)	(1,551)
Net cash used in investing activities	(1,693,144)	(2,560,772)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(424,000)	(301,000)
Increase (decrease) in short-term bills payable	10,128	(300,771)
Proceeds from the issuance of bonds payable	-	5,191,611
Repayment of long-term borrowings	(7,600,000)	(11,148,548)
Increase in guarantee deposits received	20,613	17,919
Decrease in guarantee deposits received	(29,009)	(36,908)
Decrease in deferred revenue	-	(5,968)
Net changes in noncontrolling interests	(360)	-
Net cash used in financing activities	(8,022,628)	(6,583,665)
EFFECT OF EXCHANGE RATE CHANGES	790	(1,707)
DECREASE IN CASH AND CASH EQUIVALENTS	(3,708,622)	(1,609,624)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	8,347,304	10,258,743
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 4,638,682	$ 8,649,119

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

(With Deloitte & Touche review report dated May 4, 2018) (Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

Far EasTone Telecommunications Co., Ltd. (Far EasTone) was incorporated in the Republic of China (ROC) on April 11, 1997 and began commercial operations on January 20, 1998. Far EasTone's stock 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 stock ceased to be traded on the TPEx and became listed on the ROC Taiwan Stock Exchange (the TWSE) on August 24, 2005. Far EasTone provides wireless communications, leased circuits, Internet and international simple resale (ISR) services and also sells cellular phone equipment and accessories. As of March 31, 2018 and 2017, Far Eastern New Century Corporation (Far Eastern New Century) and its affiliates directly and indirectly owned 38.28% of Far EasTone's stock. Since Far Eastern New Century and its subsidiaries have the power to cast a majority vote 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 starting 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 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 starting 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 the 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 starting from 2005.

On October 30, 2013, Far EasTone bid for two 4G (fourth-generation wireless communications services) wireless communications licenses, GSM700 and GSM1800, with validity through December 31, 2030. Far EasTone bid for a 4G wireless communications license, GSM2600, on December 7, 2015, with validity through December 31, 2033. Far EasTone also bid for a 4G wireless communications license, GSM 2100 on November 15, 2017.

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

2. REPORT OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were reported to Far EasTone's board of directors on May 4, 2018.

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:

1) IFRS 9 "Financial Instruments" and related amendments

IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

The requirements for classification, measurement and impairment of financial assets have been applied retrospectively starting from January 1, 2018, and the requirements for hedge accounting have been applied prospectively. IFRS 9 is not applicable to items that have already been derecognized at December 31, 2017.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as at January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group's financial assets and financial liabilities as at January 1, 2018.

	Measurement Category		Carrying Amount		
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**	**Remark**
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 8,347,304	$ 8,347,304	
Derivatives	Hedging derivative financial instruments	Hedging financial instruments	1,700	1,700	
Equity securities	Available-for-sale	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	263,308	251,575	a)
Mutual funds	Held-for-trading	Mandatorily at FVTPL	595,200	595,200	b)
Certificates of deposits with original maturities of more than 3 months	Loans and receivables	Amortized cost	658,765	658,765	c)
Notes receivable, accounts receivable and other receivables	Loans and receivables	Amortized cost	8,109,341	8,109,341	d)
Refundable deposits	Loans and receivables	Amortized cost	712,567	712,567	

	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	Remeasurements	IFRS 9 Carrying Amount as of January 1, 2018	Other Equity Effect on January 1, 2018	Remark
Financial assets at fair value through other comprehensive income - equity instruments	$ -	$ -	$ -	$ -	$ -	
Add: Reclassification from financial assets measured at cost (IAS 39)	-	263,308	(11,733)	251,575	(11,733)	a)
	-	263,308	(11,733)	251,575	(11,733)	
Financial assets at amortized cost	-	-	-	-	-	
Add: Reclassification from debt investments with no active market (IAS 39)	-	658,765	-	658,765	-	c)
	-	658,765	-	658,765	-	
	$ -	$ 922,073	$ (11,733)	$ 910,340	$ (11,733)	

a) Investments in unlisted shares previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, a decrease of $11,733 thousand was recognized in both financial assets at FVTOCI and other equity - unrealized gain (loss) on financial assets at FVTOCI on January 1, 2018.

b) Mutual funds previously classified as available-for-sale under IAS 39 were classified mandatorily as at FVTPL under IFRS 9, because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments.

c) Debt investments previously classified as debt investments with no active market and measured at amortized cost under IAS 39 were classified as measured at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.

d) Notes receivable, accounts receivable and other receivables that were previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9.

Hedge accounting

Under the Group's previous hedge accounting policy of IAS 39, foreign exchange swap contracts were designated as fair value hedging instruments for the foreign currency risk of foreign exchange gains or losses on identified foreign currency-denominated assets, and the related changes were recognized directly in profit or loss. Furthermore, due to the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, all derivative and non-derivative financial assets and financial liabilities which are designated as hedging instruments are presented as financial assets and financial liabilities for hedging starting from January 1, 2018.

2) IFRS 15 "Revenue from Contracts with Customers" and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Refer to Note 4 for the related accounting policies.

In identifying performance obligations, IFRS 15 and the related amendments 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 good or service individually rather than to transfer a combined output).

Under IFRS 15, the Group allocates the transaction price to each performance obligation identified in the contract on a relative stand-alone selling price basis. Prior to the application of IFRS 15, the Group enters into transactions that involve the bundling of the service of air time with goods, 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 for which customers pay.

Incremental costs of obtaining a contract are recognized as assets to the extent that the Group expects to recover those costs. Such assets are amortized on a basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. Prior to the application of IFRS 15, related costs were recognized as expenses 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. The transaction price allocated to service-type warranty is recognized as revenue, and the related costs are recognized when the warranty service is performed. Prior to the application of IFRS 15, the transaction price of the aforementioned transaction was fully recognized as revenue when products were sold, and a corresponding provision was recognized for the expected warranty costs.

Under IFRS 15, the Group obtains control of the specified goods or services before they are transferred to the customers and, therefore, is acting as a principal in the transaction. Prior to the application of IFRS 15, the Group determined whether it was a principal or an agent based on its exposure to the significant risks and rewards of the goods or services and considered itself a principal in the transaction.

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

The Group elected to recognize the cumulative effect of retrospectively applying IFRS 15 in retained earnings on January 1, 2018.

For all contract modifications that occurred on or before December 31, 2017, the Group did not apply the requirements in IFRS 15 individually to each of the modifications, nor did it identify the performance obligations, determined and allocated transaction price in the manner that reflected the aggregate effect of all modifications that occurred before December 31, 2017. This reduced the complexity and cost of retrospective application, and resulted in financial information that closely aligns with the financial information that would be available under IFRS 15 without the expedient.

	As Originally Stated	Adjustments Arising from Initial Application	Restated
Impact on assets, liabilities and equity			
Current assets			
Contract assets - current	$ -	$ 4,006,717	$ 4,006,717
Noncurrent assets			
Contract assets - noncurrent	-	1,997,827	1,997,827
Incremental costs of obtaining a contract - noncurrent	-	1,566,190	1,566,190
Total effect on assets	132,706,355	7,570,734	140,277,089
Current liabilities			
Contract liabilities - current	-	2,655,346	2,655,346
Current tax liabilities	2,033,857	1,357,917	3,391,774
Unearned revenue	2,806,802	(2,806,802)	-
Noncurrent liabilities			
Deferred revenue - noncurrent	185,766	(185,766)	-
Contract liabilities - noncurrent	-	185,766	185,766
Total effect on liabilities	62,260,142	1,206,461	63,466,603
Equity			
Retained earnings	29,011,927	6,364,273	35,376,200
Total effect on equity	70,446,213	6,364,273	76,810,486

The impact of applying the pervious standards (IAS 18 “Revenue”) as of March 31, 2018 and for the three months ended March 31, 2018 is summarized below:

Impact on assets, liabilities and equity for current period

	March 31, 2018
Decrease in contract assets - current	$ (3,698,728)
Decrease in contract assets - noncurrent	(1,831,634)
Decrease in incremental costs of obtaining a contract - noncurrent	(1,525,025)
Decrease in assets	$ (7,055,387)

(Continued)

	March 31, 2018
Decrease in contract liabilities - current	$ (2,725,977)
Increase in unearned revenue	3,023,438
Decrease in contract liabilities - noncurrent	(226,799)
Increase in deferred revenue - noncurrent	226,799
Decrease in current tax liabilities	(1,282,201)
Decrease in liabilities	$ (984,740)
Decrease in retained earnings	$ (6,070,647)
Decrease in equity	$ (6,070,647)

(Concluded)

Impact on total comprehensive income for current period

	For the Three Months Ended March 31, 2018
Increase in operating revenue	$ 1,280,068
Increase in operating expenses	910,727
Increase in income tax expense	75,715
Increase in net profit for the period	293,626
Increase in total comprehensive income for the period	$ 293,626
Increase in net profit attributable to:	
Owners of Far EasTone	$ 293,626
Increase in total comprehensive income attributable to:	
Owners of Far EasTone	$ 293,626
Impact on earnings per share:	
Increase in basic earnings per share	$0.09

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 16 “Leases”	January 1, 2019 (Note 3)
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 4)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019

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 FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

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 leases 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 right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed by using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities.

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

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments and investment properties that are measured at fair value, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Basis of consolidation

Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of Far EasTone and the entities controlled by Far EasTone (its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statements of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by Far EasTone.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of Far EasTone and to the noncontrolling interests even if this results in the noncontrolling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the noncontrolling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of Far EasTone.

See Note 13, Schedule G and Schedule H for detailed information on subsidiaries, including the percentages of ownership and main businesses.

d. Other significant accounting policies

Except for the following, the accounting policies applied in the consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2017. For the summary of other significant accounting policies, refer to the consolidated financial statements for the year ended December 31, 2017.

1) Assets related to contract costs

When a sales contract is obtained, commission and subsidies paid to dealers under sale agreements are recognized as assets (incremental costs of obtaining a contract) to the extent that the costs are expected to be recovered and are amortized in a manner which is consistent with the recognition of telecommunication service revenue. However, the Group elects not to capitalize the incremental costs of obtaining a contract if the amortization period of such assets, which the Group otherwise would have recognized, is expected to be one year or less.

2) Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to an acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

a) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

i. Measurement categories

2018

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

i) Financial assets at FVTPL

A financial asset is classified as at FVTPL when the financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include mutual funds held by the Group.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such financial assets. Fair value is determined in the manner described in Note 30.

ii) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, accounts receivable at amortized cost and other financial assets, are measured at amortized cost, which equals the gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

- Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

- Financial assets that have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii) Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

<u>2017</u>

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables.

i) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when such financial assets are held for trading.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on the financial asset. Fair value is determined in the manner described in Note 30.

ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amounts of available-for-sale monetary financial assets (relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments) are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when such investments are disposed of or are determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and presented in a separate line item as financial assets measured at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

iii) Loans and receivables

Loans and receivables (including accounts receivable, cash and cash equivalents, debt investments with no active market, and other financial assets) are measured using the effective interest method at amortized cost less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

ii. Impairment of financial assets

<u>2018</u>

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable), as well as contract assets.

The Group always recognizes lifetime expected credit losses (i.e. ECLs) for accounts receivable. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring reflected in the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2017

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence, as a result of one or more events that occurred after the initial recognition of the financial assets, that the estimated future cash flows of the investment have been affected.

For financial assets at amortized cost, such as accounts receivable, such assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For a financial asset at amortized cost, the amount of the impairment loss recognized is the difference between such an asset's carrying amount and the present value of its estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment (at the date the impairment is reversed) does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for those financial assets because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

For financial assets that are measured at cost, the amount of the impairment loss is measured as the difference between such an asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets, with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible accounts receivable that are written off against the allowance account.

iii. Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

b) Equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

c) Financial liabilities

i. Subsequent measurement

Financial liabilities are measured at amortized cost using the effective interest method.

ii. Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

d) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including forward exchange contracts and foreign exchange swap contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

3) Hedge accounting

The Group designates certain hedging instruments, which include derivatives, as either fair value hedges or cash flow hedges.

a) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in profit or loss in the line item relating to the hedged item.

Before 2018, hedge accounting was discontinued prospectively when the Group revoked the designated hedging relationship; when the hedging instrument expired or was sold, terminated, or exercised; or when the hedging instrument no longer met the criteria for hedge accounting. From 2018, the Group discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised.

b) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

The associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the line item relating to the hedged item in the same period when the hedged item affects profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed from equity and included in the initial cost of the non-financial asset or non-financial liability.

Before 2018, hedge accounting was discontinued prospectively when the Group revoked the designated hedging relationship; when the hedging instrument expired or was sold, terminated, or exercised; or when the hedging instrument no longer met the criteria for hedge accounting. From 2018, the Group discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

4) Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

Before the Group recognizes an impairment loss from assets related to contract costs, any impairment loss on incremental costs of obtaining a contract applicable under IFRS 15 shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

5) Revenue recognition

<u>2018</u>

The Group identifies contracts with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

a) Revenue from sale of goods

Revenue from the sale of goods comes from sales of mobile telecommunication devices and accessories and internet sales of goods. Sales of mobile telecommunication devices and accessories are recognized as revenue when the goods are shipped or delivered to the customer because that is the time when the customer has full discretion over the manner of distribution and over the price to sell the goods, has primary responsibility for sales to future customers, and bears the risks of obsolescence. Accounts receivable are recognized concurrently. For internet sales of goods, revenue is recognized when the goods are delivered to the customer's specific location. When the customer initially purchases the goods online, the transaction price received is recognized as a contract liability until the goods have been delivered to the customer.

A bundle sale contract consists of the rendering of air time services and sales of goods. The rendering of services and sales of goods are accounted for as distinct performance obligations. The Group allocates the transaction price to each performance obligation identified in a bundle sale contract on a relative stand-alone selling price basis.

Under the Group's Customer Loyalty Programme, the Group offers award credits when customers purchase goods. The award credits provide a material right to customers. Transaction price allocated to the award credits is recognized as a contract liability when collected and will be recognized as revenue when the award credits are redeemed or have expired.

b) Revenue from rendering of services

Revenue from rendering of services comes from telecommunication services, value-added services and enterprise project services.

Usage revenue from fixed network services, cellular services and interconnection and call transfer fees from other telecommunications companies and carriers are billed in arrears and are recognized based upon minutes of traffic processed when the services are provided in accordance with contract terms.

Other telecommunication revenue is recognized as follows: (a) monthly fees are recognized as income when services are rendered at the amount allocated from the transaction price of the related contracts on a relative stand-alone selling price basis, and (b) prepaid and recharge services are recognized as income based upon actual usage by customers.

As the Group provides telecommunication value-added services, the customer simultaneously receives and consumes the benefits provided by the Group's performance. Consequently, related revenue is recognized when services are rendered. The effort of technical personnel is required to perform enterprise project services, and therefore, the Group measures progress on the basis of costs incurred relative to the total expected costs. The Group recognizes revenue over time based on the progress of the project. Payments for enterprise project services are made at several time points specified in the service contract. A contract asset is recognized over the period in which the enterprise project services are performed and is reclassified to accounts receivable when each milestone payment is due.

<u>2017</u>

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Since the future values of operating revenue resulting from receivables within one year approximate the fair values of these receivables, the fair values are not recalculated using the pro forma interest rate method. Revenue is recognized when the earnings process is completed or virtually completed and the revenue is realizable and measurable. The costs of providing services are recognized as incurred. Related revenue is recognized as follows:

a) Services revenue

Usage revenue from fixed network services, cellular services and interconnection and call transfer fees from other telecommunications companies and carriers are billed in arrears and are recognized based upon minutes of traffic processed when the services are provided in accordance with contract terms.

Other revenue is recognized as follows: (a) monthly fees are accrued every month, and (b) prepaid and recharge services are recognized as income based upon actual usage by customers.

b) Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

i. Far EasTone has transferred to the buyer the significant risks and rewards of ownership of the goods;

ii. Far EasTone retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

iii. The amount of revenue can be measured reliably;

iv. It is probable that the economic benefits associated with the transaction will flow to Far EasTone; and

v. The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Where the Group enters into transactions which involve both the service of air time bundled with products, revenue for service and product are recognized based on the allocation of the total consideration received from customers using the relative fair values and the sales of product are limited to the amount that customers pay for.

Services revenue and sales of goods that result in award credits for customers, under the Group's award scheme, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the services and inventories supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value, the amount for which the award credits could be sold separately. Such consideration is not recognized as revenue at the time of the initial sale transaction but is deferred and recognized as revenue when the award credits are redeemed and the Group's obligations have been fulfilled.

c) Dividend and interest income

Dividend income from investments is recognized when the stockholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

6) 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.

7) Taxation

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Except for the following, the same critical accounting judgments and key sources of estimation uncertainty 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, 2017.

a. Estimated impairment of financial assets - 2018

The provision for impairment of accounts receivable is based on assumptions about the risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs for the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 11. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Estimated impairment of accounts receivable - 2017

When there is objective evidence of impairment loss of receivables, the Group takes into consideration the estimation of future cash flows of such receivables. The amount of impairment loss is measured as the difference between such an asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	March 31, 2018	December 31, 2017	March 31, 2017
Cash on hand	$ 12,663	$ 18,029	$ 14,174
Checking and demand deposits	2,978,721	6,701,223	1,528,617
Cash equivalents			
Commercial paper purchased under resale agreements	1,552,936	1,544,093	3,200,086
Certificates of deposits	94,362	83,959	3,906,242
	$ 4,638,682	$ 8,347,304	$ 8,649,119

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

	March 31, 2018
Noncurrent	
Investments in equity instruments at FVTOCI	$ 257,544

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as financial assets measured at cost under IAS 39. Refer to Notes 3 and 10 for information relating to their reclassification and comparative information for 2017.

8. FINANCIAL ASSETS AT AMORTIZED COST - 2018

	March 31, 2018
Current	
Certificates of deposits with original maturities of more than 3 months	$ 617,649

The certificates of deposits were classified as debt investments with no active market under IAS 39. Refer to Notes 3 and 9 for information relating to their reclassification and comparative information for 2017.

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET- 2017

	December 31, 2017	March 31, 2017
Current		
Certificates of deposits with original maturities of more than 3 months	$ 658,765	$ 1,084,074

10. FINANCIAL ASSETS MEASURED AT COST- 2017

	December 31, 2017	March 31, 2017
Noncurrent		
Domestic unlisted common stock	$ 263,308	$ 263,308
Distinguish from the type of measure		
Available-for-sale	$ 263,308	$ 263,308

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

11. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	March 31, 2018	December 31, 2017	March 31, 2017
Notes receivable			
Notes receivable - operating	$ 70,886	$ 70,321	$ 68,298
Less: Allowance for doubtful accounts	-	-	-
	$ 70,886	$ 70,321	$ 68,298
Accounts receivable (including other noncurrent assets and related parties)			
At amortized cost			
Gross carrying amount	$ 8,279,647	$ 8,965,990	$ 7,535,049
Less: Allowance for doubtful accounts	(772,075)	(952,244)	(926,808)
Less: Unrealized interest income	(3,133)	(3,373)	-
	$ 7,504,439	$ 8,010,373	$ 6,608,241

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

	March 31, 2018	December 31, 2017	March 31, 2017
Gross amounts of accounts receivable	$ 61,695	$ 64,068	$ -
Unrealized interest income	(3,133)	(3,373)	-
	$ 58,562	$ 60,695	$ -

Accounts receivable expected to be recovered over one year are classified as noncurrent assets. The above accounts receivable are expected to be recovered before 2024.

Accounts Receivable

For the three months ended March 31, 2018

The Group's average credit period for the sale of inventories is 30 to 45 days, and the average credit period for telecommunications services is 30 to 60 days.

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

The Group applies the simplified approach to provisions for expected credit losses prescribed by IFRS 9, which permits the use of a lifetime expected losses provision for all accounts receivable. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to past default experience with the debtor and an analysis of the debtor's current financial position, adjusted for the general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for losses based on the past due status of receivables is not further distinguished according to different segments of the Group's customer base.

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

The Group's expected credit loss rate of receivables not overdue and receivables overdue were 0.05%-5.00% and 7.09%-100%, respectively.

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

March 31, 2018

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

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

	For the Three Months Ended March 31, 2018
Balance at January 1, 2018 per IAS 39	$ 952,244
Adjustment on initial application of IFRS 9	-
Balance at January 1, 2018 per IFRS 9	952,244
Add: Amounts recovered	81,633
Add: Net remeasurement of loss allowance	(89,397)
Less: Amounts written off	(172,405)
Balance at March 31, 2018	$ 772,075

For the three months ended March 31, 2017

The Group applied the same credit policy in 2018 and 2017. 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 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 for 120 days or more based on estimated irrecoverable amounts determined by reference to past default experience with the counterparty and the analysis of its current financial position.

The aging of receivables was as follows:

	December 31, 2017	March 31, 2017
Not overdue	$ 7,353,888	$ 6,193,445
Overdue		
0-60 days	414,342	303,365
61 days or more	242,143	111,431
	$ 8,010,373	$ 6,608,241

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	-	59,217	59,217
Add: Impairment losses/bad debts (reversed)	(40)	123,915	123,875
Less: Amounts written off during the period as uncollectable	(326)	(155,535)	(155,861)
Balance at March 31, 2017	$ 1,188	$ 925,620	$ 926,808

12. INVENTORIES

	March 31, 2018	December 31, 2017	March 31, 2017
Cellular phone equipment and accessories	$ 3,806,262	$ 4,180,175	$ 2,649,466
Others	661,632	596,372	392,890
	$ 4,467,894	$ 4,776,547	$ 3,042,356

Costs of inventories sold were $7,669,891 thousand and $6,156,029 thousand, respectively, for the three months ended March 31, 2018 and 2017.

The inventory write-downs (recognized) reversed amounting to $(11,907) thousand and $672 thousand were included in the cost of sales for the three months ended March 31, 2018 and 2017, 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 (%) March 31, 2018	December 31, 2017	March 31, 2017	Note
Far EasTone	NCIC	Type I, II telecommunications services	100.00	100.00	100.00	
	ARCOA	Sales of communications products and office equipment	61.63	61.63	61.63	
	KGEx.com	Type II telecommunications services	99.99	99.99	99.99	
	YSDT (former name was Hiiir Inc.)	Electronic information providing services	86.41	86.41	89.54	
	Yuan Cing	Call center services	100.00	100.00	100.00	
	FEIS	Investment	100.00	100.00	100.00	
	Omusic	Electronic information providing services	50.00	50.00	50.00	
	Qware	Type II telecommunications services	81.63	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	
	YSDT (former name was Hiiir Inc.)	Electronic information providing services	2.40	2.40	-	
New Diligent	FEND	Investment	100.00	100.00	100.00	
	Sino Lead	Telecommunications services	100.00	100.00	100.00	
	New Diligent Hong Kong Company Ltd.	Investment	100.00	100.00	-	
FEND	FETI	Computer software, data processing and network information providing services	58.33	58.33	58.33	
	FENCIT	Electronic information providing services	-	89.56	89.56	Dissolved on February 9, 2018 with the approval of the local government
FETI	FENCIT	Electronic information providing services	-	0.96	0.96	Dissolved on February 9, 2018 with the approval of the local government
DU (Cayman)	DUIT	Design, research, installment and maintenance of computer software and system	100.00	100.00	100.00	
ARCOA	DataExpress	Sale of communications products	70.00	70.00	70.00	
DataExpress	Linkwell	Sale of communications products	100.00	100.00	100.00	
	Home Master	Sale of communications products	100.00	100.00	100.00	

In order to simplify the Group's investment structure and to integrate wireless network services and mobile virtual network services, Far EasTone's board of directors resolved on May 4, 2018 that Far EasTone will proceed with a cash merger with Qware. Far EasTone will become the surviving company and Qware will merge into Far EasTone. The total cash merger consideration is preliminarily set at $397 thousand. The record date of the merger is targeted as on June 30, 2018.

Except for NCIC's and ARCOA's financial statements as of and for the three months ended March 31, 2018 and 2017, all the financial statements of investees were unreviewed.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	March 31, 2018	December 31, 2017	March 31, 2017
Material associate			
Far Eastern Electronic Toll Collection Co., Ltd.	$ 828,687	$ 816,685	$ 671,998
Associates that are not individually material	370,950	388,330	212,226
	1,199,637	1,205,015	884,224
Credit balance on carrying values of investments accounted for using equity method reclassified to other liabilities	-	-	101,031
	$ 1,199,637	$ 1,205,015	$ 985,255

Material associates:

			Interests and the Voting Rights		
Company	Nature of Business	Main Place	March 31, 2018	December 31, 2017	March 31, 2017
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
Cost									
Balance at January 1, 2018	$ 5,250,776	$ 7,910,971	$ 85,211,653	$ 14,628,610	$ 1,230,249	$ 4,645,579	$ 1,405,201	$ 2,623,257	$ 122,906,296
Additions	-	972	11,655	1,123	165	1,185	14,590	1,179,316	1,209,006
Disposals	-	(623)	(2,082,628)	(13,620)	(2,602)	(16,070)	(31,062)	(7,714)	(2,154,319)
Adjustments and reclassification	-	42,287	1,083,942	169,580	1,552	22,604	18,073	(1,338,038)	-
Balance at March 31, 2018	$ 5,250,776	$ 7,953,607	$ 84,224,622	$ 14,785,693	$ 1,229,364	$ 4,653,298	$ 1,406,802	$ 2,456,821	$ 121,960,983
Accumulated depreciation and impairment									
Balance at January 1, 2018	$ (95,894)	$ (3,905,177)	$ (53,948,462)	$ (12,499,174)	$ (1,224,064)	$ (3,863,838)	$ (1,135,980)	$ -	$ (76,672,589)
Depreciation expense	-	(58,361)	(2,063,379)	(315,683)	(7,236)	(83,001)	(34,314)	-	(2,561,974)
Disposals	-	623	2,001,119	13,601	2,541	7,784	25,096	-	2,050,764
Adjustments and reclassification	-	-	-	-	(48)	-	48	-	-
Balance at March 31, 2018	$ (95,894)	$ (3,962,915)	$ (54,010,722)	$ (12,801,256)	$ (1,228,807)	$ (3,939,055)	$ (1,145,150)	$ -	$ (77,183,799)
Carrying amount at January 1, 2018	$ 5,154,882	$ 4,005,794	$ 31,263,191	$ 2,129,436	$ 6,185	$ 781,741	$ 269,221	$ 2,623,257	$ 46,233,707
Carrying amount at March 31, 2018	$ 5,154,882	$ 3,990,692	$ 30,213,900	$ 1,984,437	$ 557	$ 714,243	$ 261,652	$ 2,456,821	$ 44,777,184

(Continued)

	Freehold Land	Building	Operating Equipment	Computer Equipment	Office Equipment	Leasehold Improvements	Miscellaneous Equipment	Construction-in-progress	Total
Cost									
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	-	351	8,026	749	281	4,403	4,638	1,452,375	1,470,823
Disposals	-	(846)	(295,292)	(20,540)	(1,263)	(9,062)	(17,562)	(7,049)	(351,614)
Effect of foreign currency exchange difference	-	-	(2)	(142)	(18)	(30)	-	-	(192)
Adjustments and reclassification	-	27,716	1,933,759	165,640	10,368	28,313	40,402	(2,200,564)	5,634
Balance at March 31, 2017	$ 5,320,000	$ 7,908,484	$ 129,392,942	$ 15,150,846	$ 1,240,224	$ 4,660,082	$ 1,583,980	$ 1,357,403	$ 166,613,961
Accumulated depreciation and impairment									
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	-	(61,611)	(1,950,978)	(295,699)	(8,936)	(98,855)	(31,399)	-	(2,447,478)
Disposals	-	846	122,676	19,295	1,097	7,290	16,210	-	167,414
Effect of foreign currency exchange difference	-	-	2	100	10	29	-	-	141
Adjustments and reclassification	-	-	(5,666)	-	-	87	-	-	(5,579)
Balance at March 31, 2017	$ (96,557)	$ (3,738,464)	$ (94,987,248)	$ (12,924,614)	$ (1,216,303)	$ (3,653,583)	$ (1,308,471)	$ -	$ (117,925,240)
Carrying amount at March 31, 2017	$ 5,223,443	$ 4,170,020	$ 34,405,694	$ 2,226,232	$ 23,921	$ 1,006,499	$ 275,509	$ 1,357,403	$ 48,688,721

(Concluded)

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

Buildings	
Main buildings	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 March 31, 2018 and December 31, 2017	$ 1,082,453
Balance at March 31, 2017	$ 1,041,406

The lease terms of investments properties were 1-6 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:

	March 31, 2018	December 31, 2017	March 31, 2017
No later than 1 year	$ 23,765	$ 24,745	$ 25,595
Later than 1 year and not later than 5 years	59,571	64,141	57,124
Later than 5 years	800	1,486	3,544
	$ 84,136	$ 90,372	$ 86,263

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

	March 31, 2018	December 31, 2017	March 31, 2017
Independent valuation	$ 1,082,453	$ 1,082,453	$ 1,041,406

The fair value of the investment properties as of December 31, 2017 and 2016 was based on the valuations carried out at January 2, 2018 and January 17, 2017, respectively, by independent qualified professional valuators, Ms. Chun-Chun Hu and Mr. Chia-ho Tsai from DTZ, Cushman & Wakefield, a member of certified ROC real estate appraisers.

In consultation with the appraisers, the Group determined that the fair values reported as of December 31, 2017 and 2016 were still valid as of March 31, 2018 and 2017, respectively.

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

	March 31, 2018	December 31, 2017	March 31, 2017
Expected future cash inflows	$ 1,756,230	$ 1,756,230	$ 1,685,023
Expected future cash outflows	(52,861)	(52,861)	(48,936)
Expected future cash inflows, net	$ 1,703,369	$ 1,703,369	$ 1,636,087
Discount rate	2.00%-2.235%	2.00%-2.235%	1.845%-2.33%

The market rentals in the area where the investment properties are located were between $1 thousand and $18 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 have been leased out under operating leases. The rental income generated for the three months ended March 31, 2018 and 2017 were $6,436 thousand and $6,272 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
Cost					
Balance at January 1, 2018	$ 57,129,000	$ 10,883,789	$ 17,173,627	$ 871,368	$ 86,057,784
Additions	-	-	211,648	-	211,648
Disposals	-	(57,615)	(396,862)	(132,641)	(587,118)
Balance at March 31, 2018	$ 57,129,000	$ 10,826,174	$ 16,988,413	$ 738,727	$ 85,682,314
Accumulated amortization and impairment					
Balance at January 1, 2018	$(15,308,490)	$ (74,888)	$(14,040,823)	$ (524,212)	$(29,948,413)
Amortization	(783,064)	-	(202,888)	(10,682)	(996,634)
Disposals	-	57,615	396,294	132,641	586,550
Balance at March 31, 2018	$(16,091,554)	$ (17,273)	$(13,847,417)	$ (402,253)	$(30,358,497)
Carrying amount at January 1, 2018	$ 41,820,510	$ 10,808,901	$ 3,132,804	$ 347,156	$ 56,109,371
Carrying amount at March 31, 2018	$ 41,037,446	$ 10,808,901	$ 3,140,996	$ 336,474	$ 55,323,817
Cost					
Balance at January 1, 2017	$ 50,614,000	$ 10,883,789	$ 16,304,182	$ 1,180,722	$ 78,982,693
Additions	-	-	222,005	-	222,005
Disposals	-	-	(45,958)	(3,934)	(49,892)
Adjustments and reclassification	-	-	-	(5,752)	(5,752)
Balance at March 31, 2017	$ 50,614,000	$ 10,883,789	$ 16,480,229	$ 1,171,036	$ 79,149,054
Accumulated amortization and impairment					
Balance at January 1, 2017	$(12,230,469)	$ (74,888)	$(13,438,409)	$ (780,470)	$(26,524,236)
Amortization	(755,946)	-	(189,427)	(13,568)	(958,941)
Disposals	-	-	45,906	3,934	49,840
Adjustments and reclassification	-	-	-	5,697	5,697
Balance at March 31, 2017	$(12,986,415)	$ (74,888)	$(13,581,930)	$ (784,407)	$(27,427,640)
Carrying amount at March 31, 2017	$ 37,627,585	$ 10,808,901	$ 2,898,299	$ 386,629	$ 51,721,414

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 16 of the consolidated financial statement for the year ended December 31, 2017 for the related information of goodwill.

18. OTHER NONCURRENT ASSETS

	March 31, 2018	December 31, 2017	March 31, 2017
Refundable deposits	$ 749,983	$ 699,385	$ 687,346
Others	66,924	69,054	39,304
	$ 816,907	$ 768,439	$ 726,650

19. BORROWINGS

a. Short-term borrowings

	March 31, 2018	December 31, 2017	March 31, 2017
Unsecured bank loans			
Credit loans	$ 440,000	$ 864,000	$ 2,499,000
Credit loans interest rate	1.11%-1.80%	0.76%-1.80%	0.68%-1.80%

b. Short-term bills payable

	March 31, 2018	December 31, 2017	March 31, 2017
Commercial paper payable	$ 310,000	$ 300,000	$ 2,850,000
Less: Unamortized discount	191	319	1,600
	$ 309,809	$ 299,681	$ 2,848,400
Interest rate	1.15%-1.50%	1.15%-1.17%	0.598%-1.188%

c. Long-term borrowings

	March 31, 2018	December 31, 2017	March 31, 2017
Unsecured bank loans			
Credit loans	$ 2,500,000	$ 10,100,000	$ 2,500,000
Long-term commercial paper payables	-	-	400,000
Less: Unamortized discount on commercial paper	-	-	203
Less: Current portion	2,500,000	2,500,000	-
Long-term borrowings	$ -	$ 7,600,000	$ 2,899,797
Credit loans interest rate	1.13%	0.72%-1.13%	1.13%
Commercial paper payables interest rate	-	-	1.0063%-1.0460%

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 December 2019.

2) The long-term commercial paper payables are treated as revolving credit facilities under contracts. The last repayment date is in December 2018. The long-term commercial paper payables were repaid in advance in 2017.

20. BONDS PAYABLE

	March 31, 2018	December 31, 2017	March 31, 2017
4th unsecured domestic bonds	$ 4,997,052	$ 4,996,723	$ 4,995,735
5th unsecured domestic bonds	3,999,218	3,998,855	4,997,519
6th unsecured domestic bonds	3,198,432	3,198,205	8,395,913
2016 1st unsecured domestic bonds	5,193,690	5,193,271	5,192,013
2017 1st unsecured domestic bonds	4,494,066	4,493,701	-
2017 2nd unsecured domestic bonds	1,996,739	1,996,612	-
2017 3rd unsecured domestic bonds	2,995,191	2,994,986	-
	26,874,388	26,872,353	23,581,180
Less: Current portion	6,499,061	6,498,533	6,198,144
	$ 20,375,327	$ 20,373,820	$ 17,383,036

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.

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

On April 30, 2018, the Taipei Exchange approved Far EasTone's application for the issuance of the 1st unsecured domestic bonds of 2018 on May 7, 2018, with an aggregate principal amount of $5,000,000 thousand and a par value of $10,000 thousand. The bonds included five-year bonds and seven-year bonds, with principal amounts of $1,500,000 thousand and $3,500,000 thousand and coupon interest rates of 0.85% and 1.01%, respectively, with the simple interest due annually. Repayment will be made in full at maturity.

21. OTHER LIABILITIES

	March 31, 2018	December 31, 2017	March 31, 2017
Current			
Other payables			
Commission	$ 1,774,241	$ 2,008,639	$ 2,372,887
Salary and bonus	742,165	1,313,784	810,794
Acquisition of properties	681,145	991,207	868,400

(Continued)

	March 31, 2018	December 31, 2017	March 31, 2017
Employees' compensation and remuneration of directors	$ 196,736	$ 368,299	$ 208,018
Other	2,668,200	2,849,101	2,834,257
	$ 6,062,487	$ 7,531,030	$ 7,094,356
Noncurrent			
Deferred revenue			
Cable and lease line service fees	$ -	$ 185,766	$ 187,220

(Concluded)

Cable and lease line service fees previously recognized in deferred revenue under IAS 18 were classified at contract liabilities - noncurrent under IFRS 15. As of March 31, 2018, cable and lease line service fees were $226,799 thousand.

22. PROVISIONS

	March 31, 2018	December 31, 2017	March 31, 2017
Current			
Dismantling obligation	$ 136,639	$ 134,571	$ 114,241
Product warranty	95,954	92,965	102,727
	$ 232,593	$ 227,536	$ 216,968
Noncurrent			
Dismantling obligation	$ 888,258	$ 887,441	$ 863,795

	Dismantling Obligation	Product Warranty
Balance at January 1, 2018	$ 1,022,012	$ 92,965
Additional provisions recognized	15,608	8,307
Reductions arising from payments	(12,723)	(5,318)
Balance at March 31, 2018	$ 1,024,897	$ 95,954
Balance at January 1, 2017	$ 975,571	$ 103,937
Additional provisions recognized	9,860	10,083
Reductions arising from payments	(7,395)	(11,293)
Balance at March 31, 2017	$ 978,036	$ 102,727

23. RETIREMENT BENEFIT PLANS

For defined benefit plans, employee benefit expenses as of and for the three months ended March 31, 2018 and 2017 were calculated as $5,269 thousand and $5,479 thousand by the actuarially determined pension cost discount rate as of December 31, 2017 and 2016, respectively.

24. EQUITY

a. Share capital

1) Common stock

	March 31, 2018	December 31, 2017	March 31, 2017
Stock authorized (in thousands)	4,200,000	4,200,000	4,200,000
Capital authorized	$ 42,000,000	$ 42,000,000	$ 42,000,000
Issued and fully paid stock (in thousands)	3,258,501	3,258,501	3,258,501
Issued capital	$ 32,585,008	$ 32,585,008	$ 32,585,008

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

2) Global depositary receipts

Far EasTone's global depositary receipts (GDRs) as of March 31, 2018 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)	24,828	372,420
GDRs transferred to common stock		(34,210)	(513,145)
Outstanding GDRs issued		421	6,322

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 March 31, 2018, there had been 165 thousand units of GDRs issued for the conversion of overseas unsecured convertible bonds representing 2,473 thousand common stock.

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 stock.

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 March 31, 2018, Far EasTone had reissued 24,828 thousand units of GDRs representing 372,420 thousand common stock.

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

	March 31, 2018	**December 31, 2017**	**March 31, 2017**
May be used to offset a deficit, distributed as cash dividends or transferred to capital stock*			
Stock issuance in excess of par value	$ -	$ -	$ 1,684,493
From business combinations	8,143,345	8,143,345	8,482,381
May be used to offset a deficit only			
Share of changes in equities of associates	6	-	-
	$ 8,143,351	$ 8,143,345	$ 10,166,874

* Such capital surplus may be used to offset a deficit; in addition, when Far EasTone has no deficit, such capital surplus may be distributed as cash dividends or may be transferred to capital stock once a year within a certain percentage of Far EasTone's capital surplus.

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the Articles, where Far EasTone made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses in previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by Far EasTone's board of directors as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends and bonuses to stockholders. For the policies on distribution of employees' compensation and remuneration to directors, refer to Note 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 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 2017 and 2016 have been proposed by the board of directors on February 23, 2018 and approved in the stockholders' meeting on June 23, 2017, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31		Dividends Per Share (NT$) For the Year Ended December 31	
	2017	**2016**	**2017**	**2016**
Legal reserve	$ 1,082,290	$ 1,134,683		
Special reserve	(157,139)	13,560		
Cash dividends	9,896,067	10,195,849	$3.037	$3.129

In addition to distributing cash dividends at NT$3.037 and NT$3.129 per share from the unappropriated earnings, the board of directors and stockholders resolved and approved to distribute cash of $2,323,311 thousand and $2,023,529 thousand, respectively, from the above-mentioned additional paid-in capital - stock issuance in excess of par value and from business combinations at NT$0.713 and NT$0.621 per share, respectively. Therefore, Far EasTone's stockholders will receive NT$3.75 (projected) and received NT$3.75 per share in 2018 and 2017, respectively.

The appropriation of earnings for 2017 are subject to the resolution of the stockholders' meeting to be held on June 14, 2018.

d. Other equity items

Other adjustment for the three months ended March 31, 2018 and 2017 are summarized as follows:

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

(Continued)

	Exchange Differences on Translating Foreign Operations	Unrealized Gains and Losses on Available-for-sale Financial Assets	Unrealized Gains and Losses on Financial Assets at Fair Value through Other Comprehen-sive Income	Unrealized Gains and Losses on Cash Flow Hedge	Gains and Losses on Heading Instruments	Total
For the three months ended March 31, 2017						
Beginning balance	$ 4,638	$ (45,872)	$ -	$ (92,245)	$ -	$ (133,479)
Recorded as adjustments to stockholders' equity	(1,843)	(8,096)	-	(696)	-	(10,635)
Recorded as profit or loss	-	-	-	17,639	-	17,639
Share of other comprehensive income of associates	32	-	-	18,631	-	18,663
Ending balance	$ 2,827	$ (53,968)	$ -	$ (56,671)	$ -	$ (107,812)

(Concluded)

e. Noncontrolling interests

	For the Three Months Ended March 31	
	2018	2017
Beginning balance	$ 687,801	$ 716,583
Attributable to noncontrolling interests		
Share of profit	4,470	7,409
Exchange differences on translating foreign operations	7	84
Remittance of cash due to liquidation of subsidiary	(360)	-
Ending balance	$ 691,918	$ 724,076

25. REVENUE

	For the Three Months Ended March 31	
	2018	2017
Contract revenue		
Sales of inventories	$ 7,136,815	$ 4,991,784
Telecommunications service revenue	13,195,626	16,093,757
	20,332,441	21,085,541
Other operating revenue	1,334,119	1,394,846
	$ 21,666,560	$ 22,480,387

a. Contract information

Refer to Note 4 d. 5) for information on revenue recognition for contracts.

b. Contract balances

	March 31, 2018
Contract assets	
Bundle sale of goods	$ 5,683,069
Less: Allowance for impairment loss	(152,707)
	$ 5,530,362
Contract assets - current	$ 3,698,728
Contract assets - noncurrent	1,831,634
	$ 5,530,362
Contract liabilities	
Goods	$ 626,833
Services	2,325,943
	$ 2,952,776
Contract liabilities - current	$ 2,725,977
Contract liabilities - noncurrent	226,799
	$ 2,952,776

For details of notes receivable and accounts receivable, refer to Note 11.

For the three months ended March 31, 2018, the changes in contract asset and contract liability balances primarily resulted from the timing difference between the Group's performance of obligations and the respective customer's payment. Except for the above changes, there are no other significant changes.

c. Assets related to contract costs

	March 31, 2018
Noncurrent	
Incremental costs of obtaining a contract	$ 1,525,025

The Group considered its past experience and believes the commission and subsidies paid for obtaining contracts are wholly recoverable. Amortization recognized in the three months ended March 31, 2018 is $460,482 thousand.

d. Disaggregation of revenue

Refer to Note 36 for information about the disaggregation of revenue.

26. CONSOLIDATED NET INCOME

a. Finance costs

	For the Three Months Ended March 31	
	2018	2017
Interest on financial liabilities measured at amortized cost	$ 88,973	$ 81,768
Interest expense on bank loans and commercial paper	12,148	17,586
Other finance costs	5,856	8,624
	$ 106,977	$ 107,978

b. Depreciation and amortization

	For the Three Months Ended March 31	
	2018	2017
Property, plant and equipment	$ 2,561,974	$ 2,447,478
Intangible assets	213,570	202,995
	$ 2,775,544	$ 2,650,473
Depreciation expense categorized by function		
Operating costs	$ 2,267,166	$ 2,151,746
Operating expenses	294,808	295,732
	$ 2,561,974	$ 2,447,478
Amortization expense categorized by function		
Operating costs	$ 73,395	$ 72,109
Marketing expenses	32,459	32,005
General and administrative expenses	107,716	98,881
	$ 213,570	$ 202,995

c. Employee benefits expense

	For the Three Months Ended March 31	
	2018	2017
Retirement benefits		
Defined contribution plans	$ 63,533	$ 80,493
Defined benefit plans	5,269	5,479
	68,802	85,972
Other employee benefits		
Salary	1,471,733	1,527,888
Insurance	137,999	138,965
Other	89,761	85,982
	1,699,493	1,752,835
	$ 1,768,295	$ 1,838,807

(Continued)

	For the Three Months Ended March 31	
	2018	2017
Categorized by function		
Operating costs	$ 307,921	$ 306,139
Operating expenses	1,460,374	1,532,668
	$ 1,768,295	$ 1,838,807

(Concluded)

d. Employees' compensation and remuneration of directors

Far EasTone decides the distribution of employees' compensation and remuneration of directors at the rates of 1% to 2% and no higher than 1%, respectively, of net profit before income tax, employees' compensation and remuneration of directors. For the three months ended March 31, 2018 and 2017, the employees' compensation and the remuneration of directors represented 2% and 0.72%, respectively, of the foregoing basis.

The accrued employees' compensation and remuneration of directors for the three months ended March 31, 2018 and 2017 were as follows:

	For the Three Months Ended March 31	
	2018	2017
Employees' compensation	$ 62,205	$ 68,303
Remuneration of directors	$ 22,394	$ 24,589

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

The appropriations of employees' compensation and remuneration of directors for 2017 and 2016 resolved by the board of directors on February 23, 2018 and February 15, 2017, respectively, are stated below:

	For the Years Ended December 31			
	2017		2016	
	Cash	Stocks	Cash Bonus	Stock Bonus
Employees' compensation	$ 261,539	$ -	$ 262,208	$ -
Remuneration of directors	94,154	-	94,395	-

There was no difference between the amounts of the employees' compensation and the remuneration of directors resolved by the board of directors and the respective amounts recognized in the consolidated financial statements for the years ended December 31, 2017 and 2016.

Information on employees' compensation and remuneration of directors resolved by Far EasTone's board of directors during 2018 and 2017 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 March 31	
	2018	2017
Current tax	$ 416,790	$ 550,656
Deferred tax	216,948	52,543
Income tax expense recognized in profit or loss	$ 633,738	$ 603,199

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

b. Income tax expense recognized in other comprehensive income

	For the Three Months Ended March 31	
	2018	2017
Deferred tax		
In respect of the current period		
Unrealized gains and losses on available-for-sale financial assets	$ -	$ 1,658
Fair value changes of hedging instruments for cash flow hedges	-	(3,471)
Income tax recognized in other comprehensive income	$ -	$ (1,813)

c. Income tax assessments

Income tax returns through 2015 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 administrative litigation for the reexamination of these returns. Nevertheless, Far EasTone accrued the related tax.

Income tax return through 2014 of NCIC has 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 ARCOA, Data Express, and Simple Infocomm had been assessed and cleared by the tax authorities. Income tax return through 2016 of Q-ware Com., ISSDU, Omusic, KGEx.com, Linkwell, YSDT, Yuan Cing, New Diligent and Home Master 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 March 31	
	2018	**2017**
Net income for the period attributable to Far EasTone	$ 2,453,198	$ 2,836,246
Effect of dilutive potential common stock:		
Employees' compensation	-	-
Earnings used in the calculation of diluted earnings per share	$ 2,453,198	$ 2,836,246

Weighted Average Number of Common Stock Outstanding

(In Thousand Shares)

	For the Three Months Ended March 31	
	2018	**2017**
Weighted average number of common stock used in the calculation of basic earnings per share	3,258,501	3,258,501
Effect of potentially dilutive common stock:		
Employees' compensation	2,936	2,766
Weighted average number of common stock used in the calculation of diluted earnings per share	3,261,437	3,261,267

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

29. 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-year market rental reviews.

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

	March 31, 2018	December 31, 2017	March 31, 2017
Not later than 1 year	$ 3,170,447	$ 3,179,189	$ 3,193,487
Later than 1 year and not later than 5 years	5,262,916	5,246,511	5,109,536
Later than 5 years	35,180	36,457	103,966
	$ 8,468,543	$ 8,462,157	$ 8,406,989

The lease payments recognized as expenses were as follows:

	For the Three Months Ended March 31	
	2018	2017
Minimum lease payments	$ 966,578	$ 959,888

b. The Group as lessor

Operating leases relate to the investment properties owned by the Group with lease terms; refer to Note 16.

30. FINANCIAL INSTRUMENTS

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

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

	March 31, 2018		December 31, 2017		March 31, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets						
Refundable deposits	$ 762,445	$ 760,634	$ 712,567	$ 711,260	$ 687,346	$ 685,215
Financial liabilities						
Bonds payable	26,874,388	27,085,572	26,872,353	27,105,492	23,581,180	23,739,536

2) Fair value hierarchy

March 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets				
Refundable deposits	$ -	$ -	$ 760,634	$ 760,634
Financial liabilities				
Bonds payable	$ 27,085,572	$ -	$ -	$ 27,085,572

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets				
Refundable deposits	$ -	$ -	$ 711,260	$ 711,260
Financial liabilities				
Bonds payable	$ 27,105,492	$ -	$ -	$ 27,105,492

March 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets				
Refundable deposits	$ -	$ -	$ 685,215	$ 685,215
Financial liabilities				
Bonds payable	$ 23,739,536	$ -	$ -	$ 23,739,536

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

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

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Overseas funds	$ -	$ 595,200	$ -	$ 595,200
Derivative financial assets for hedging				
Fair value hedges - foreign exchange swap contracts	$ -	$ -	$ 1,700	$ 1,700

	March 31, 2017			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Overseas funds	$ -	$ 588,378	$ -	$ 588,378
Derivative financial assets for hedging				
Cash flow hedges - foreign exchange swap contracts	$ -	$ -	$ 9,488	$ 9,488
Derivative financial liabilities for hedging				
Cash flow hedges - forward exchange contracts	$ -	$ -	$ 56,144	$ 56,144

There were no transfers of financial assets and liabilities between Level 1 and Level 2 for the three months ended March 31, 2018 and 2017.

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

	For the Three Months Ended March 31, 2018	
	Hedging Financial Instruments	Financial Assets Measured at Fair Value Through Other Comprehensive Income
Beginning balance	$ 1,700	$ 251,575
Recognized in profit or loss (included in other gains and losses)	(665)	-
Recognized in other comprehensive income	-	5,969
Ending balance	$ 1,035	$ 257,544

	For the Three Months Ended March 31, 2017
	Hedging Derivative Financial Instruments
Beginning balance	$ (45,694)
Recognized in profit or loss (included in other gains and losses)	21,252
Recognized in other comprehensive income	(22,214)
Ending balance	$ (46,656)

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
Domestic unlisted common stock	a) Asset-based approach. Valuation based on the fair value of an investee, calculated through each investment of the investee using the income approach, market approach or a combination of the two approaches, while also taking the liquidity premium into consideration. b) Transaction method of market approach. The approach is a valuation strategy that looks at market ratios of companies with similar profitability at the end of the reporting period, while taking the liquidity premium into consideration.
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 are 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 of counterparties.

c. Financial instruments

	March 31, 2018	December 31, 2017	March 31, 2017
Financial assets			
Derivative financial assets for hedging	$ -	$ 1,700	$ 9,488
Financial assets for hedging	1,035	-	-
Loans and receivables (Note 1)	-	20,684,670	20,330,901
Financial assets at fair value through profit or loss	575,507	595,200	-
Available-for-sale financial assets (Note 2)	-	263,308	851,686
Financial assets at amortized cost (Note 3)	16,469,511	-	-
Financial assets at fair value through other comprehensive income	257,544	-	-
Financial liabilities			
Derivative financial liabilities for hedging	-	-	56,144
Measured at amortized cost (Note 4)	42,464,910	53,014,548	44,848,979

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 cash and cash equivalents, debt investments, notes receivable, accounts receivable (including related parties), other receivables (including related parties), refundable deposits, and other financial assets, which were measured at amortized cost.

Note 4: 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 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 did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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

1) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see Note (a) below) and interest rates (see Note (b) below). The Group manages the risk of changes in the foreign currency exchange through 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. dollar 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 Three Months Ended March 31	
	2018	**2017**
Profit or loss		
USD	$ (30,628)	$ (13,566)
EUR	$ (173)	$ (94)

Hedge accounting

For the three months ended March 31, 2018

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

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

March 31, 2018

Hedging Instruments	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount		Change in Value Used for Calculating Hedge Ineffectiveness
						Asset	Liability	
Fair value hedge								
Foreign exchange swap contracts	US$to NT$	US$10,000 thousand	2018.4.16-2018.5.29	$29.114/ 29.169	Financial assets (liabilities) for hedging	$ 1,035	$ -	$ -

Hedged Items	Carrying Amount		Accumulated Amount of Fair Value Hedge Adjustments		Change in Value Used for Calculating Hedge Ineffectiveness	Accumulated Amount of Fair Value Hedge Adjustments for Hedged Items That Have Ceased to Be Adjusted for Hedging Gains And Losses
	Asset	Liability	Asset	Liability		
Fair value hedge						
Overseas mutual funds	$ 287,754	$ -	$ (8,250)	$ -	$ -	$ -

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

December 31, 2017

The hedging policy for foreign currency risk is the same in 2018 and December 2017 which used the following hedging instruments.

	December 31, 2017
Derivative financial assets under hedge accounting - current	
Fair value hedges - foreign exchange swap contracts	$ 1,700

These contracts were negotiated in accordance with contracts on hedged items. The outstanding contracts of the Group at December 31, 2017 were as follow:

	Currency	Maturity Date/Period	Contract Amount (In Thousands)
December 31, 2017			
Foreign exchange swap contracts	US$ to NT$	2018.02.26	US$ 10,000

The foreign exchange swap contracts were used to manage the exposure to foreign currency exchange rate fluctuations. The gains related to foreign exchange swap contracts were $1,700 thousand for the year ended December 31, 2017. The losses related to the hedged items due to the fluctuations of foreign currency exchange rates were $1,700 thousand for the year ended December 31, 2017.

For the three months ended March 31, 2017

The Group used foreign exchange swap contracts to hedge against adverse cash flow fluctuation on its foreign currency-denominated assets. Those foreign exchange swap contracts were designated as cash flow hedges, the Group also signed foreign exchange forward contracts to avoid exchange rate exposure to expected future purchase transactions. Those foreign exchange forward contracts were designated as cash flow hedges. The hedging instruments used by the Group were as follow:

	March 31, 2017
Financial assets - current	
Cash flow hedge	
Foreign exchange swap contracts	$ 9,488
Financial liabilities - current	
Cash flow hedge	
Forward exchange contracts	$ 56,144

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)
March 31, 2017			
Forward exchange contracts	NT$ to EUR	2017.04.25-2017.10.25	EUR 21,000
Foreign exchange swap contracts	US$ to NT$	2017.04.10-2017.05.15	US$ 20,000

For the three months ended March 31, 2017, expected future trading exposures on the above contracts, amounting to $16,942 thousand, were recognized in other comprehensive income. The expected cash flows occur when the hedge target is sold or expected future purchase transactions take place, and such cash flows will be reclassified from equity to profit or loss.

For the three months ended March 31, 2017, 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 March 31, 2017
Other gains and losses	$ (21,252)

b) Interest rate risk

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

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

	March 31, 2018	December 31, 2017	March 31, 2017
Fair value risk			
Financial assets	$ 5,309,626	$ 5,252,519	$ 11,254,709
Financial liabilities	30,738,860	36,794,604	30,435,926
Cash flow risk			
Financial assets	3,487,256	7,269,264	2,206,889
Financial liabilities	40,000	2,000,000	2,038,674

Sensitivity analysis

The sensitivity analysis described below was based on the Group's exposure to interest rates for financial assets and financial liabilities at the end of the reporting period. An increase or decrease of 25 basis points is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. For the financial assets and financial liabilities with fixed interest rate, their fair value will change as the market interest rates change. For the financial assets and financial liabilities with floating interest rate, their effective interest rates will change as the market interest rates change.

Had interest rates been 25 basis points higher/lower and all other variables been held constant, the income before income tax for the three months ended March 31, 2018 and 2017 would have increased (decreased) by $2,155 thousand and $105 thousand, respectively, which would have been mainly affected by bank deposits and borrowings with floating interest rates.

c) Other price risks

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

Sensitivity analysis

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

If equity prices had been 5% higher/lower, pre-tax profit for the three months ended March 31, 2018 would have increased/decreased by $28,775 thousand as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the three months ended March 31, 2018 would have increased/decreased by $12,877 thousand, as a result of the changes in fair value of financial assets at FVTOCI.

If equity prices had been 5% higher/lower, the pre-tax other comprehensive income for the three months ended March 31, 2017 would have increased/decreased by $29,419 thousand, as a result of the changes in fair value of available-for-sale investments.

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 due to the financial guarantees provided by the Group could arise from the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

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

The Group relies on bank borrowings as a significant source of liquidity. The Group's unutilized overdraft and bank loan facilities amounted to $41,933,975 thousand, $27,156,792 thousand and $47,602,550 thousand as of March 31, 2018, December 31, 2017 and March 31, 2017, 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:

	Book Value	**Contractual Cash Flows**	**Within 1 Year**	**1-5 Years**	**More than 5 Years**
March 31, 2018					
Short-term borrowings	$ 440,000	$ 441,997	$ 441,997	$ -	$ -
Short-term bills payable	309,809	310,000	310,000	-	-
Long-term borrowings	2,500,000	2,521,129	2,521,129	-	-
Bonds payable	26,874,388	28,060,555	6,847,750	16,126,180	5,086,625
	$ 30,124,197	$ 31,333,681	$ 10,120,876	$ 16,126,180	$ 5,086,625
December 31, 2017					
Short-term borrowings	$ 864,000	$ 866,963	$ 866,963	$ -	$ -
Short-term bills payable	299,681	300,000	300,000	-	-
Long-term borrowings	10,100,000	10,246,970	2,587,455	7,659,515	-
Bonds payable	26,872,353	28,121,395	6,847,750	16,187,020	5,086,625
	$ 38,136,034	$ 39,535,328	$ 10,602,168	$ 23,846,535	$ 5,086,625

(Continued)

	Book Value	Contractual Cash Flows	Within 1 Year	1-5 Years	More than 5 Years
March 31, 2017					
Short-term borrowings	$ 2,499,000	$ 2,503,145	$ 2,503,145	$ -	$ -
Short-term bills payable	2,848,400	2,850,000	2,850,000	-	-
Long-term borrowings	2,899,797	2,949,302	28,250	2,921,052	-
Bonds payable	23,581,180	24,462,420	6,521,740	17,940,680	-
	$ 31,828,377	$ 32,764,867	$ 11,903,135	$ 20,861,732	$ -

(Concluded)

31. TRANSACTIONS WITH RELATED PARTIES

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

a. The Group's related parties and their relationships

Related Party	Relationship with the Group
Far Eastern New Century Corporation (FENC)	Ultimate parent company
Far Eastern Electronic Toll Collection Co., Ltd. (FETC)	Subsidiaries of FENC
Ding Ding Integrated Marketing Service Co., Ltd.	Subsidiaries of FENC
Far Eastern Electronic Commerce Co., Ltd.	Subsidiaries of FENC (dissolved after merging with YSDT on August 1, 2017)
Far Eastern International Leasing Corp.	Other related parties (equity-method investee of subsidiary of FENC)
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 FENC)

(Continued)

Related Party	Relationship with the Group
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 Ai Mai CO., Ltd. (Ai Mai)	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)
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 FENC)
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 FENC)
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)
Far Eastern Polyclinic of Far Eastern Medical Foundation	Other related parties (same chairman as Far EasTone's)
FETC International Co., Ltd.	Subsidiaries of FENC
Far Eastern Polytex (Vietnam) Ltd.	Subsidiaries of FENC
U-Ming Marine Transport (Hong Kong) Ltd.	Other related parties (substantive related party)
U-Ming Marine Transport (Singapore) Pte. Ltd.	Other related parties (substantive related party)

(Concluded)

b. Operating revenue

	For the Three Months Ended March 31	
	2018	2017
FENC	$ 8,889	$ 15,834
Subsidiaries of FENC	47,610	89,693
Other related parties	52,605	55,262
	$ 109,104	$ 160,789

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

c. Operating costs and expenses

	For the Three Months Ended March 31	
	2018	2017
Costs of telecommunications services		
Subsidiaries of FENC	$ 13,208	$ 540
Other related parties	13,754	227
	$ 26,962	$ 767
Rental (including in operating costs)		
FENC	$ 340	$ 377
Subsidiaries of FENC	2,064	2,197
Other related parties	5,102	5,383
	$ 7,506	$ 7,957
Rental (including in operating expenses)		
FENC	$ 741	$ 719
Subsidiaries of FENC	14,962	14,967
Other related parties	26,765	23,041
	$ 42,468	$ 38,727
Marketing expenses		
Subsidiaries of FENC	$ 8,700	$ 8,333
Other related parties	3,079	2,123
	$ 11,779	$ 10,456
Service fees		
FENC	$ 144	$ 19
Subsidiaries of FENC		
FCHRC	37,883	35,285
Other related parties	40	39
	$ 38,067	$ 35,343

	For the Three Months Ended March 31	
	2018	2017
Other expenses		
FENC	$ 31,374	$ 33,683
Subsidiaries of FENC	789	1,649
Other related parties	2,148	13,683
	$ 34,311	$ 49,015

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

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

d. Property transactions

	For the Three Months Ended March 31	
	2018	2017
Acquisition of property, plant and equipment		
Subsidiaries of FENC		
FERD	$ 382,678	$ -
Other	-	366
	$ 382,678	$ 366

With the need for the expansion of space for network equipment, the board of directors of NCIC (Far EasTone's 100% owned subsidiary) resolved on May 4, 2017 that NCIC will purchase part of the land from FERD, which is located in the Taipei Far Eastern Telecom park, so as to build a new integrated building which will be utilized as an office and internet data center. The acquisition price for the aforesaid land amounting to $1,749,577 thousand was determined through price negotiations based on appraisal reports issued by independent qualified professional appraisers. The down payment and the second installment totaling to $1,420,072 thousand were paid as of March 31, 2018, with $382,678 thousand paid during the three months ended March 31, 2018.

e. Bank deposits, financial assets at amortized cost, debt investments with no active market and other financial assets

	March 31, 2018	December 31, 2017	March 31, 2017
Other related parties			
FEIB	$ 4,165,259	$ 8,628,732	$ 4,406,528

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

f. Financial assets for hedging - current

	March 31, 2018	December 31, 2017	March 31, 2017
Other related parties			
FEIB	$ 1,035	$ -	$ -

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

g. Derivative financial assets for hedging - current

	March 31, 2018	December 31, 2017	March 31, 2017
Other related parties			
FEIB	$ -	$ 1,700	$ 9,488

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$10,000 thousand and US$20,000 thousand as of December 31, 2017 and March 31, 2017, respectively. Related expenses were treated as finance costs.

h. Receivables and payables - related parties

	March 31, 2018	December 31, 2017	March 31, 2017
Accounts receivable - related parties			
FENC	$ 3,626	$ 4,600	$ 8,047
Subsidiaries of FENC	37,906	37,290	46,663
Other related parties	138,818	210,020	108,893
	$ 180,350	$ 251,910	$ 163,603
Other receivables - related parties (included in other current assets)			
Subsidiaries of FENC			
FETC	$ 3,298	$ 5,239	$ 3,602
Others	44	137	143
	3,342	5,376	3,745
Other related parties			
Ai Mai	8,265	10,288	-
FEIB	10,742	8,237	7,858
	19,007	18,525	7,858
	$ 22,349	$ 23,901	$ 11,603
Accounts payable - related parties (included in accounts payable)			
Subsidiaries of FENC	$ 5,437	$ 1,156	$ 697
Other related parties	7,504	5,160	1,533
	$ 12,941	$ 6,316	$ 2,230

	March 31, 2018	December 31, 2017	March 31, 2017
Other payables - related parties (included in other current liabilities)			
FENC	$ 31,401	$ 33,712	$ 36,642
Subsidiaries of FENC	88,808	84,887	79,200
Other related parties	6,743	9,626	6,428
	$ 126,952	$ 128,225	$ 122,270

i. Refundable deposits

	March 31, 2018	December 31, 2017	March 31, 2017
Subsidiaries of FENC	$ 64,879	$ 74,360	$ 65,609
Other related parties	1,466	1,466	1,496
	$ 66,345	$ 75,826	$ 67,105

j. Others

	For the Three Months Ended March 31	
	2018	2017
Interest income		
Subsidiaries of FENC	$ 6	$ 9
Other related parties		
FEIB	8,192	6,184
Others	9	6
	8,201	6,190
	$ 8,207	$ 6,199
Rental income		
Subsidiaries of FENC	$ 64	$ 72
Finance costs		
Other related parties	$ 1,845	$ 2,010

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

k. Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the three months ended March 31, 2018 and 2017 were as follows:

	For the Three Months Ended March 31	
	2018	**2017**
Short-term benefits	$ 116,458	$ 119,215
Post-employment benefits	1,009	1,111
	$ 117,467	$ 120,326

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

32. 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:

	March 31, 2018	**December 31, 2017**	**March 31, 2017**
Other financial assets - current	$ 1,776,401	$ 1,764,065	$ 1,759,903
Other noncurrent assets	2,300	2,300	21,291
	$ 1,778,701	$ 1,766,365	$ 1,781,194

33. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments of the Group as of March 31, 2018, December 31, 2017 and March 31, 2017 were as follows:

a.

	March 31, 2018	**December 31, 2017**	**March 31, 2017**
Acquisition of property, plant and equipment under contracts	$ 6,399,247	$ 7,841,219	$ 4,777,857
Less: Payments for acquisition of property, plant and equipment	2,672,616	2,809,176	1,536,848
	$ 3,726,631	$ 5,032,043	$ 3,241,009
Acquisition of inventories under contracts	$ 12,283,604	$ 14,004,339	$ 8,980,054
Less: Payments for acquisition of inventories	5,196,348	5,233,512	4,135,917
	$ 7,087,256	$ 8,770,827	$ 4,844,137

b. The Group provided a $100,000 thousand bank guarantee for its purchases as of March 31, 2018, December 31, 2017 and March 31, 2017, respectively.

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

(In Thousands, Except Exchange Rate)

	March 31, 2018		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 29,716	29.105	$ 864,875
EUR	137	35.87	4,929
Nonmonetary items			
USD	19,773	29.105	575,507
Financial liabilities			
Monetary items			
USD	8,669	29.105	252,309
EUR	41	35.87	1,465

	December 31, 2017		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 24,531	29.76	$ 730,041
EUR	119	35.57	4,250
Nonmonetary items			
USD	20,000	29.76	595,200
Financial liabilities			
Monetary items			
USD	10,184	29.76	303,089
EUR	42	35.57	1,499

	March 31, 2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 21,216	30.33	$ 643,478
EUR	262	32.43	8,504
Nonmonetary items			
USD	19,399	30.33	588,378
Financial liabilities			
Monetary items			
USD	12,270	30.33	372,163
EUR	204	32.43	6,621

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 March 31			
	2018		2017	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
NTD	1 (NTD:NTD)	$ 7,384	1 (NTD:NTD)	$ (5,385)
RMB	4.611 (RMB:NTD)	(1,050)	4.529 (RMB:NTD)	(430)
		$ 6,334		$ (5,815)

35. 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: None

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: Schedule C

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 D

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Schedule E

9) Trading in derivative instruments: Note 30

10) Intercompany relationships and significant intercompany transactions: Schedule F

11) Information on investees: Schedule G

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Schedule H

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: Schedule F

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

c) The amount of property transactions and the amount of the resultant gains or losses.

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

f) Other transactions that have material effect on profit or loss for the period or on the financial position, such as rendering or receiving of services.

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

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

	For the Three Months Ended March 31, 2018				
	Mobile Services Business	**Fixed-line Services Business**	**Sales Business**	**Adjustment and Elimination**	**Consolidation**
Revenues generated from external customers	$ 12,479,788	$ 1,861,014	$ 7,325,758	$ -	$ 21,666,560
Revenues generated within the Group (Note)	101,291	731,461	1,031	(833,783)	-
Total revenues	$ 12,581,079	$ 2,592,475	$ 7,326,789	$ (833,783)	$ 21,666,560
Segment operating income	$ 2,560,801	$ 471,147	$ 446,069	$ (386,611)	$ 3,091,406

	For the Three Months Ended March 31, 2017				
	Mobile Services Business	**Fixed-line Services Business**	**Sales Business**	**Adjustment and Elimination**	**Consolidation**
Revenues generated from external customers	$ 15,196,022	$ 2,090,150	$ 5,194,215	$ -	$ 22,480,387
Revenues generated within the Group (Note)	146,654	723,303	1,910	(871,867)	-
Total revenues	$ 15,342,676	$ 2,813,453	$ 5,196,125	$ (871,867)	$ 22,480,387
Segment operating income	$ 2,832,766	$ 534,243	$ 512,275	$ (432,430)	$ 3,446,854

Note: Represents sales between segments.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(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.	Qware Communications Co., Ltd.	Other receivables - related parties	Yes	$ 250,000	$ 250,000	$ 130,000	1.56-1.58%	Short-term financing	$ -	For business operations	$ -	-	$ -	$ 7,856,067	$ 39,280,333
1	New Century InfoComm Tech Co., Ltd.	Qware Communications Co., Ltd.	Other receivables - related parties	Yes	150,000	150,000	-	-	Short-term financing	-	For business operations	-	-	-	8,549,516	12,213,595
		Far EasTone Telecommunications Co., Ltd.	Other receivables - related parties	Yes	2,500,000	2,500,000	2,500,000	0.83%	Transaction	3,084,136	-	-	-	-	3,084,136	12,213,595
		Far EasTone Telecommunications Co., Ltd.	Other receivables - related parties	Yes	7,500,000	7,500,000	6,300,000	0.83%	Short-term financing	-	For business operations	-	-	-	8,549,516	12,213,595

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 Tech Co., Ltd. (NCIC) provides loans for business transactions and short-term financing needs, the amount of loans is limited to 50% of NCIC's net worth. A) For business transactions: The individual loan amount should not exceed the amount of business transaction amount between two parties. The business transaction amount 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 35% of NCIC's net worth.

SCHEDULE B

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
MARCH 31, 2018
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2018				Note
				Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Far EasTone Telecommunications Co., Ltd.	Stocks							
	App Works Fund II Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	15,000,000	$ 155,969	11.11	$ 155,969	Note B
	CDIB Capital Innovation Accelerator Limited	-	Financial assets at fair value through other comprehensive income - noncurrent	4,500,000	45,000	10.71	45,000	Note B
ARCOA Communication Co., Ltd.	Stock							
	THI consultants	-	Financial assets at fair value through other comprehensive income - noncurrent	1,213,594	12,190	18.32	12,190	Note B
	Web Point Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	160,627	1,618	0.63	1,618	Note B
New Century InfoComm Tech Co., Ltd.	Stock							
	Kaohsiung Rapid Transit Corporation	-	Financial assets at fair value through other comprehensive income - noncurrent	8,858,191	38,267	3.18	38,267	Note B
	Bank Pro E-service Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	450,000	4,500	3.33	4,500	Note B
	Overseas funds							
	Opas Fund Segregated Portfolio Tranche A	Other related party	Financial assets at fair value through profit or loss - current	13,491.781	431,177	-	431,177	Note A
	Opas Fund Segregated Portfolio Tranche B	Other related party	Financial assets at fair value through profit or loss - current	5,000.000	144,330	-	144,330	Note A

Note A: The market values of open-end mutual funds were calculated at their net asset values as of March 31, 2018.

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(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	$1,420,072 was paid ($382,678 was paid in 2018)	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 THREE MONTHS ENDED MARCH 31, 2018
(In Thousands of New Taiwan Dollars)

Purchaser (Seller) of Goods	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance		% to Total
Far EasTone Telecommunications Co., Ltd.	ARCOA Communication Co., Ltd.	Subsidiary	Cost of telecommunications services, marketing expenses and cost of sales	$ 1,997,978	15	Based on agreement	-	-	Accounts payable and other payables	$ (1,435,357)	(8)
	New Century InfoComm Tech Co., Ltd.	Subsidiary	Cost of telecommunications services	691,857	7	Based on agreement	-	-	Accounts payable and other payables (Note A)	(765,877)	(4)
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating revenue	(691,857)	(26)	Based on agreement	-	-	Accounts receivable (Note B)	765,877	44
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating revenue	(1,997,978)	(47)	Based on agreement	-	-	Accounts receivable	1,435,357	70
	Home Master Technology Ltd.	Subsidiary of DataExpress Infotech Co., Ltd.	Operating revenue	(133,042)	(3)	Based on agreement	-	-	Accounts receivable	92,672	4
DataExpress Infotech Co., Ltd.	Home Master Technology Ltd.	Subsidiary	Operating revenue	(122,589)	(10)	Based on agreement	-	-	Accounts receivable	38,826	10
Home Master Technology Ltd.	ARCOA Communication Co., Ltd.	Parent company	Operating costs	133,042	46	Based on agreement	-	-	Accounts payable	(92,672)	(58)
	DataExpress Infotech Co., Ltd.	Parent company	Operating costs	122,589	42	Based on agreement	-	-	Accounts payable	(38,826)	(24)

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

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

SCHEDULE E

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
MARCH 31, 2018
(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	$ 110,952	(Note A)	$ -	-	$ 94,968	$ -
	ARCOA Communication Co., Ltd.	Subsidiary	191,160	11.52	-	-	152,724	-
	Qware Communications Co., Ltd.	Subsidiary	148,622	(Note B)	-	-	139,291	-
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	9,723,040	(Note C)	-	-	9,317,073	-
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	1,435,357	5.33	-	-	712,893	-

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 Qware by Far EasTone.

Note C: All interconnect revenues, cost 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 (A) the collection of telecommunications bills by Far EasTone for NCIC, and (B) financing provided by NCIC to Far EasTone.

SCHEDULE F

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In Thousands of New Taiwan Dollars)

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
0	Far EasTone Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd.	1	Accounts receivable - related parties	$ 937	Note F	-
				Other receivables - related parties	110,015	Note F	-
				Refundable deposits	3,517	Note F	-
				Accounts payable - related parties	40,800	Note F	-
				Other payables - related parties	9,682,240	Note F	7
				Contract liabilities	7,344	Note F	-
				Telecommunications service revenue	79,177	Note F	-
				Cost of telecommunications services	691,857	Note F	3
				Operating expense	16,348	Note F	-
				Nonoperating income and gains	19,562	Note F	-
				Nonoperating expenses	17,873	Note F	-
		ARCOA Communication Co., Ltd.	1	Accounts receivable - related parties	189,834	Note F	-
				Other receivables - related parties	1,326	Note F	-
				Accounts payable - related parties	1,383,861	Note F	1
				Other payables - related parties	51,496	Note F	-
				Guarantee deposits received	148	Note F	-
				Contract liabilities	63,390	Note F	-
				Sales of inventories	55,475	Note F	-
				Telecommunications service revenue	928	Note F	-
				Cost of sales	1,854,215	Note F	9
				Cost of telecommunications services	11,627	Note F	-
				Operating expense	138,879	Note F	1
				Nonoperating income and gains	362	Note F	-
		KGEx.com Co., Ltd.	1	Accounts receivable - related parties	19,072	Note F	-
				Other receivables - related parties	1	Note F	-
				Refundable deposits	898	Note F	-
				Other payables - related parties	9,678	Note F	-
				Contract liabilities	63	Note F	-
				Telecommunications service revenue	18,969	Note F	-
				Cost of telecommunications services	4,043	Note F	-
				Operating expense	11,958	Note F	-
				Nonoperating income and gains	318	Note F	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		Yuan Cing Co., Ltd.	1	Other receivables - related parties	$ 3,325	Note F	-
				Other payables - related parties	12,261	Note F	-
				Operating expense	8,481	Note F	-
				Nonoperating income and gains	67	Note F	-
		Qware Communications Co., Ltd.	1	Accounts receivable - related parties	15,678	Note F	-
				Other receivables - related parties	132,944	Note F	-
				Accounts payable - related parties	3,431	Note F	-
				Telecommunications service revenue	1,257	Note F	-
				Cost of telecommunications services	10,286	Note F	-
				Nonoperating income and gains	889	Note F	-
		DataExpress Infotech Co., Ltd.	1	Accounts receivable - related parties	9,436	Note F	-
				Other receivables - related parties	2,331	Note F	-
				Accounts payable - related parties	1,891	Note F	-
				Other payables - related parties	2,849	Note F	-
				Sales of inventories	82,913	Note F	-
				Telecommunications service revenue	108	Note F	-
				Cost of telecommunications services	1,891	Note F	-
				Operating expense	3,435	Note F	-
				Nonoperating income and gains	110	Note F	-
		Omusic Co., Ltd.	1	Accounts receivable - related parties	243	Note F	-
				Accounts payable - related parties	29,311	Note F	-
				Telecommunications service revenue	131	Note F	-
				Cost of telecommunications services	42,796	Note F	-
				Gain on disposal of property, plant and equipment	5	Note F	-
				Nonoperating income and gains	32	Note F	-
		Linkwell Tech. Ltd.	1	Other payables - related parties	1,235	Note F	-
				Telecommunications service revenue	41	Note F	-
				Operating expense	1,147	Note F	-
		Home Master Technology Ltd.	1	Other payables - related parties	11,195	Note F	-
				Telecommunications service revenue	11	Note F	-
				Operating expense	4,923	Note F	-
		New Diligent Hong Kong Co., Ltd.	1	Accounts payable - related parties	573	Note F	-
		Information Security Services Digital United Inc.	1	Accounts receivable - related parties	91	Note F	-
				Other receivables - related parties	1,584	Note F	-
				Accounts payable - related parties	1,584	Note F	-
				Other payables - related parties	3,016	Note F	-
				Telecommunications service revenue	260	Note F	-
				Cost of telecommunications services	1,787	Note F	-
				Cost of sales	904	Note F	-
				Operating expense	2,661	Note F	-
				Nonoperating income and gains	86	Note F	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		Yuanshi Digital Technology Co., Ltd.	1	Accounts receivable - related parties	$ 42,688	Note F	-
				Other receivables - related parties	3,593	Note F	-
				Accounts payable - related parties	8,658	Note F	-
				Other payables - related parties	9,019	Note F	-
				Sales of inventories	84,587	Note F	-
				Telecommunications service revenue	1,680	Note F	-
				Operating expense	562	Note F	-
				Nonoperating income and gains	178	Note F	-
		Sino Lead Enterprise Limited	1	Other payables - related parties	5,333	Note F	-
1	New Century InfoComm Tech Co., Ltd.	ARCOA Communication Co., Ltd.	3	Accounts receivable - related parties	69	Note F	-
				Accounts payable - related parties	83	Note F	-
				Other payables - related parties	26	Note F	-
				Telecommunications service revenue	248	Note F	-
				Cost of sales	19	Note F	-
				Cost of telecommunications services	70	Note F	-
				Operating expense	26	Note F	-
		KGEx.com Co., Ltd.	3	Accounts receivable - related parties	1,705	Note F	-
				Accounts payable - related parties	11,043	Note F	-
				Other payables - related parties	9,451	Note F	-
				Telecommunications service revenue	7,860	Note F	-
				Cost of telecommunications services	21,746	Note F	-
				Operating expense	3,369	Note F	-
		Qware Communications Co., Ltd.	3	Other receivables - related parties	322	Note F	-
				Accounts payable - related parties	1,015	Note F	-
				Guarantee deposits received	720	Note F	-
				Telecommunications service revenue	4,351	Note F	-
				Cost of telecommunications services	2,232	Note F	-
				Nonoperating income and gains	426	Note F	-
		Omusic Co., Ltd.	3	Accounts receivable - related parties	7	Note F	-
				Other receivable - related parties	430	Note F	-
				Contract liabilities	75	Note F	-
				Telecommunications service revenue	35	Note F	-
				Nonoperating income and gains	327	Note F	-
		Sino Lead Enterprise Limited	3	Accounts payable - related parties	28,848	Note F	-
				Refundable deposits	1,170	Note F	-
				Cost of telecommunications services	27,496	Note F	-
		Yuan Cing Co., Ltd.	3	Accounts receivable - related parties	8	Note F	-
				Accounts payable - related parties	441	Note F	-
				Other payables - related parties	850	Note F	-
				Operating expense	1,270	Note F	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		Information Security Services Digital United Inc.	3	Accounts receivable - related parties	$ 114	Note F	-
				Other receivables - related parties	1,722	Note F	-
				Accounts payable - related parties	15,092	Note F	-
				Other payables - related parties	2,164	Note F	-
				Contract liabilities	111	Note F	-
				Guarantee deposits received	990	Note F	-
				Telecommunications service revenue	349	Note F	-
				Sales of inventories	2,271	Note F	-
				Cost of sales	4,156	Note F	-
				Other operating costs	4,675	Note F	-
				Operating expense	1,724	Note F	-
				Nonoperating income and gains	1,331	Note F	-
		Yuanshi Digital Technology Co., Ltd.	3	Accounts receivable - related parties	1,620	Note F	-
				Other receivables - related parties	1,455	Note F	-
				Telecommunications service revenue	1,751	Note F	-
				Sales of inventories	9	Note F	-
				Nonoperating income and gains	3,322	Note F	-
		DataExpress Infotech Co., Ltd.	3	Accounts receivable - related parties	1	Note F	-
				Other receivables - related parties	777	Note F	-
				Guarantee deposits received	588	Note F	-
				Telecommunications service revenue	575	Note F	-
				Nonoperating income and gains	876	Note F	-
		Linkwell Tech. Ltd.	3	Accounts receivable - related parties	6	Note F	-
				Telecommunications service revenue	42	Note F	-
		Home Master Technology Ltd.	3	Telecommunications service revenue	38	Note F	-
2	ARCOA Communication Co., Ltd.	KGEx.com Co., Ltd.	3	Other payables - related parties	182	Note F	-
				Operating expense	258	Note F	-
		Yuan Cing Co., Ltd.	3	Other payables - related parties	423	Note F	-
				Operating expense	401	Note F	-
		Yuanshi Digital Technology Co., Ltd.	3	Accounts receivable - related parties	4,181	Note F	-
				Other payables - related parties	12	Note F	-
				Telecommunications service revenue	2	Note F	-
				Sales of inventories	8,694	Note F	-
				Operating expense	22	Note F	-
		Qware Communications Co., Ltd.	3	Sales of inventories	31	Note F	-
		DataExpress Infotech Co., Ltd.	3	Accounts receivable - related parties	1,964	Note F	-
				Other receivables - related parties	605	Note F	-
				Accounts payable - related parties	1,219	Note F	-
				Other operating revenue	1,274	Note F	-
				Other operating costs	120	Note F	-
				Nonoperating income and gains	131	Note F	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		Linkwell Tech. Ltd.	3	Accounts receivable - related parties	$ 236	Note F	-
				Other operating revenue	144	Note F	-
		Home Master Technology Ltd.	3	Accounts receivable - related parties	92,672	Note F	-
				Other receivables - related parties	57	Note F	-
				Sales of inventories	133,042	Note F	1
				Other operating revenue	234	Note F	-
				Nonoperating income and gains	82	Note F	-
		Omusic Co., Ltd.	3	Sales of inventories	1	Note F	-
3	KGEx.com Co., Ltd. (Note E)	Qware Communications Co., Ltd.	3	Accounts receivable - related parties	12	Note F	-
				Telecommunications service revenue	36	Note F	-
4	Yuan Cing Co., Ltd. (Note E)	Yuanshi Digital Technology Co., Ltd.	3	Accounts receivable - related parties	6,379	Note F	-
				Other operating revenue	6,144	Note F	-
		DataExpress Infotech Co., Ltd.	3	Accounts receivable - related parties	91	Note F	-
				Other operating revenue	134	Note F	-
5	DataExpress Infotech Co., Ltd. (Note E)	Linkwell Tech. Ltd.	3	Accounts receivable - related parties	6,224	Note F	-
				Other receivables - related parties	5,484	Note F	-
				Accounts payable - related parties	9,490	Note F	-
				Sales of inventories	19,130	Note F	-
				Cost of sales	52,663	Note F	-
				Nonoperating income and gains	1,196	Note F	-
		Home Master Technology Ltd.	3	Accounts receivable - related parties	38,826	Note F	-
				Other receivables - related parties	1,100	Note F	-
				Accounts payable - related parties	2,526	Note F	-
				Sales of inventories	122,589	Note F	1
				Cost of sales	5,926	Note F	-
				Nonoperating income and gains	1,006	Note F	-
		Yuanshi Digital Technology Co., Ltd.	3	Accounts payable - related parties	5	Note F	-
				Other payables - related parties	32	Note F	-
6	Linkwell Tech. Ltd. (Note E)	Home Master Technology Ltd.	3	Accounts receivable - related parties	658	Note F	-
				Other receivables - related parties	14	Note F	-
				Accounts payable - related parties	15	Note F	-
				Sales of inventories	5,422	Note F	-
				Cost of sales	83	Note F	-
7	Yuanshi Digital Technology Co., Ltd.(Note E)	Omusic Co., Ltd.	3	Accounts payable - related parties	2	Note F	-
				Sales of inventories	2	Note F	-
				Cost of sales	2	Note F	-
		Information Security Services Digital United Inc.	3	Other payables - related parties	585	Note F	-
				Sales of inventories	10	Note F	-
				Operating expense	585	Note F	-

(Continued)

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

1. "0" for Far EasTone Telecommunications Co., Ltd. ("Far EasTone").
2. Subsidiaries are numbered from "1".

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

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

Note C: For assets and liabilities, amount is shown as a percentage to consolidated total assets as of March 31, 2018; while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the three months ended March 31, 2018.

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

Note E: The information was based on unreviewed financial statements as of March 31, 2018.

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

(Concluded)

SCHEDULE G

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of March 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				March 31, 2018	December 31, 2017	Shares	Percentage of Ownership (%)	Carrying Amount			
Far EasTone Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd.	Taiwan	Type I, II telecommunications services	$ 22,249,283	$ 22,249,283	2,100,000,000	100.00	$ 27,194,733	$ 418,824	$ 395,981	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	1,024,920	36,252	22,280	Notes A and B
	KGEx.com. Co., Ltd.	Taiwan	Type II telecommunications services	2,340,472	2,340,472	68,897,234	99.99	801,153	17,707	17,705	Notes A and D
	Yuanshi Digital Technology Co., Ltd. (formerly Hiiir Inc.)	Taiwan	Electronic information providing services	886,169	886,169	90,014,424	86.41	(212,143)	(112,249)	(96,998)	Notes A, D and H
	Yuan Cing Co., Ltd.	Taiwan	Call center services	-	-	2,000,000	100.00	38,187	3,916	3,916	Notes A, D and G
	Far Eastern Info Service (Holding) Ltd.	Bermuda	Investments	92,616	92,616	1,200	100.00	5,279	(37,474)	52,488	Notes A and D
	Omusic Co., Ltd.	Taiwan	Electronic information providing services	25,000	25,000	2,500,000	50.00	9,291	(350)	(175)	Notes A and D
	Qware Communications Co., Ltd.	Taiwan	Type II telecommunications services	832,038	832,038	175,430	81.63	(144,691)	(7,761)	(6,323)	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	828,687	53,441	22,237	Notes C and D
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	139,500	139,500	10,408,200	15.00	52,288	10,688	1,597	Notes C and D
	Alliance Digital Technology Co., Ltd.	Taiwan	Electronic information providing services	60,000	60,000	6,000,000	14.40	11,787	(19,829)	(2,664)	Notes C and D
	Yuan Hsin Digital Payment Co., Ltd.	Taiwan	Other financing and supporting services	600,000	600,000	37,432,782	30.00	289,445	(56,043)	(16,844)	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	185,460	10,982	-	Notes D and E
New Century InfoComm Tech Co., Ltd.	New Diligent Co., Ltd.	Taiwan	Investments	540,000	540,000	54,000,000	100.00	86,398	(53,957)	-	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	119,477	3,405	-	Notes D and E
	Digital United (Cayman) Ltd.	Cayman Islands	Investments	132,406	132,406	4,320,000	100.00	13,525	(695)	-	Notes D and E
	Yuanshi Digital Technology Co., Ltd. (formerly Hiiir Inc.)	Taiwan	Electronic information providing services	20,000	20,000	2,499,617	2.40	(5,891)	(112,249)	-	Notes A, D and H
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	46,500	46,500	3,469,400	5.00	17,430	10,688	-	Notes C and D
New Diligent Co., Ltd.	Sino Lead Enterprise Limited	Hong Kong	Telecommunications services	125	125	30,000	100.00	235	10	-	Notes D and E
	Far Eastern New Diligent Company Ltd.	British Virgin Islands	Investments	330,598	330,598	-	100.00	24,659	(53,994)	-	Notes D and E
	New Diligent Hong Kong Co., Ltd.	Hong Kong	Investments	3,051	3,051	-	100.00	2,774	(92)	-	Notes D and E
DataExpress Infotech Co., Ltd.	Linkwell Tech. Ltd.	Taiwan	Sale of communications products	10,000	10,000	-	100.00	41,786	110	-	Notes D and E
	Home Master Technology Ltd.	Taiwan	Sale of communications products	10,000	10,000	-	100.00	8,208	9,582	-	Notes D and E

Note A: Subsidiary.

Note B: The calculation was based on reviewed financial statements as of March 31, 2018.

Note C: Equity-method investee of Far EasTone.

Note D: The calculation was based on unreviewed financial statements as of March 31, 2018.

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: For investments in mainland China, refer to Schedule H.

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

Note H: Hiiir merged with FEEC on August 1, 2017. Hiiir is the surviving company and FEEC was dissolved. After the merger, Hiiir, the surviving company, was renamed as Yuanshi Digital Technology Co., Ltd.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(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, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of March 31, 2018	Accumulated Repatriation of Investment Income as of March 31, 2018
					Outward	Inward						
Digital United Information Technologies (Shanghai) Ltd. (Note G)	Design, research, installment and maintenance of computer software and system	$ 90,226 (US$ 3,100,000)	2	$ 90,226 (US$ 3,100,000)	$ -	$ -	$ 90,226 (US$ 3,100,000)	$ (203)	100.00	$ (203)	$ 2,035 (RMB 438,000)	$ -
Far Eastern New Century Information Technology (Beijing) Limited (Notes G and H)	Electronic information providing services	334,708 (US$ 11,500,000)	2	299,782 (US$ 10,300,000)	-	-	299,782 (US$ 10,300,000)	(1,035)	90.52 (Note B)	(937) (Note B)	- (Note B)	-
Far Eastern Tech-info Ltd. (Shanghai) (Note G)	Computer software, data processing and provision of network information	174,630 (US$ 6,000,000)	2	194,484 (Note F)	-	-	194,484 (Note F)	(89,920)	100.00 (Note C)	(89,920) (Note C)	12,245 (RMB 2,635,000) (Note C)	-

Company Name	Accumulated Outward Remittance for Investment in Mainland China as of March 31, 2018	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	$ 47,136,400
New Century InfoComm Tech Co., Ltd.	90,226 (US$ 3,100,000)	90,226 (US$ 3,100,000)	14,656,314
New Diligent Co., Ltd.	434,451 (US$14,927,000) (Note E)	434,451 (US$14,927,000) (Note E)	51,839

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: The amount includes Far Eastern New Diligent Company Ltd.'s 89.56% of ownership and Far Eastern Tech-Info Ltd. (Shanghai)'s 0.96% of ownership.

Note C: The amount includes Far Eastern New Diligent Company Ltd.'s 58.33% of ownership and Far Eastern Info Service (Holding) Ltd.'s 41.67% of ownership.

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

Note E: The amount includes US$1,127,000 from an investee company which was dissolved, but the registration of the investment amount had not been written off with the Investment Commission of the MDEA.

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

Note G: The calculation was based on unreviewed financial statements as of March 31, 2018.

Note H: The investee company was dissolved on February 9, 2018 with the approval of the local government.