Far EasTone Telecommunications Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Nine Months Ended September 30, 2017 and 2016 and Independent Auditors' Review Report

INDEPENDENT AUDITORS' REVIEW REPORT

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

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

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

As disclosed in Note 13 to the consolidated financial statements, the financial statements of certain nonsignificant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of September 30, 2017 and 2016, combined total assets of these nonsignificant subsidiaries were NT$3,635,371 thousand and NT$4,085,217 thousand, respectively, representing 2.9% and 2.9%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT$2,400,848 thousand and NT$2,171,504 thousand, respectively, representing 4.2% and 3.0%, respectively, of the consolidated total liabilities; for the three months ended September 30, 2017 and 2016, combined comprehensive income of these subsidiaries were NT$(56,254) thousand and NT$(35,127) thousand, respectively, representing (1.9%) and (1.1%), respectively, of the consolidated total comprehensive income; for the nine months ended September 30, 2017 and 2016, combined comprehensive income for these subsidiaries were NT$(153,122) thousand and NT$(148,457) thousand, respectively, representing (1.7%) and (1.6%), 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 September 30, 2017 and 2016 were NT$1,189,148 thousand and NT$1,062,328 thousand, respectively, the credit balance of investments accounted for using the equity method as of September 30, 2016 was NT$78,820 thousand, and the related investment comprehensive income (losses) for the three months ended September 30, 2017 and 2016 were NT$21,021 thousand and NT$19,679 thousand, respectively, and for the nine months ended September 30, 2017 and 2016 were NT$(13,816) thousand and NT$(22,889) thousand, respectively. These amounts referring to the equity-method investments and the related investees' information were based on unreviewed financial statements. Related information on Far EasTone's and subsidiaries' investments shown in Note 38 to the consolidated financial statements was not reviewed either.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

October 27, 2017

Notice to Readers

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	September 30, 2017 (Reviewed)		December 31, 2016 (Audited)		September 30, 2016 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Notes 6 and 34)	$ 6,548,826	5	$ 10,258,743	8	$ 16,545,602	12
Available-for-sale financial assets - current (Notes 4 and 7)	628,754	1	598,132	-	582,782	-
Derivative financial assets for hedging - current (Notes 4, 8 and 34)	3,522	-	2,073	-	6,300	-
Debt investments with no active market - current (Notes 4, 10 and 34)	705,161	1	910,396	1	861,951	1
Notes receivable, net (Notes 4 and 11)	57,778	-	64,361	-	41,614	-
Accounts receivable, net (Notes 4 and 11)	7,473,910	6	7,445,520	6	7,251,993	5
Accounts receivable - related parties (Notes 4, 11 and 34)	216,594	-	205,425	-	218,317	-
Inventories (Notes 4 and 12)	2,795,903	2	2,488,365	2	2,435,114	2
Prepaid expenses	1,401,857	1	1,190,030	1	1,379,382	1
Other financial assets - current (Notes 4, 34 and 35)	2,881,989	2	3,079,280	2	3,051,669	2
Other current assets (Note 34)	235,189	-	315,063	-	398,428	-
Total current assets	22,949,483	18	26,557,388	20	32,773,152	23
NONCURRENT ASSETS						
Financial assets carried at cost (Notes 4 and 9)	263,308	-	218,308	-	218,308	-
Investments accounted for using the equity method (Notes 4, 14 and 34)	1,189,148	1	1,025,081	1	1,062,328	1
Property, plant and equipment, net (Notes 4, 15 and 34)	46,827,390	37	49,849,572	37	51,147,764	36
Investment properties (Notes 4 and 16)	1,041,406	1	1,041,406	1	1,060,059	1
Concessions, net (Notes 1, 4 and 17)	36,088,574	29	38,383,531	29	39,105,021	28
Goodwill (Notes 4 and 17)	10,808,901	9	10,808,901	8	10,808,901	8
Other intangible assets (Notes 4 and 17)	3,419,220	3	3,266,025	2	3,088,779	2
Deferred income tax assets (Note 4)	876,340	1	943,784	1	877,057	1
Other noncurrent assets (Notes1, 4, 18, 34 and 35)	1,725,025	1	713,326	1	690,034	-
Total noncurrent assets	102,239,312	82	106,249,934	80	108,058,251	77
TOTAL	$ 125,188,795	100	$ 132,807,322	100	$ 140,831,403	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Notes 4 and 19)	$ 284,000	-	$ 2,800,000	2	$ 3,691,206	3
Short-term bills payable (Notes 4 and 19)	309,648	-	3,149,171	2	5,499,049	4
Derivative financial liabilities for hedging - current (Notes 4, 8 and 34)	2,535	-	47,767	-	34,059	-
Notes payable	33,076	-	15,425	-	26,179	-
Accounts payable (Note 34)	6,427,766	5	4,126,464	3	5,718,907	4
Other payables (Note 21)	7,199,577	6	8,795,001	7	9,020,658	6
Current tax liabilities (Note 4)	1,717,669	2	2,157,366	2	2,182,928	2
Provisions - current (Notes 4 and 22)	231,749	-	219,922	-	216,536	-
Unearned revenue (Note 4)	2,732,251	2	2,447,193	2	2,449,966	2
Current portion of long-term borrowings (Notes 4 and 20)	8,698,991	7	6,197,478	5	1,599,793	1
Guarantee deposits received - current	247,565	-	257,597	-	262,661	-
Other current liabilities (Note 34)	1,001,645	1	767,320	-	714,915	-
Total current liabilities	28,886,472	23	30,980,704	23	31,416,857	22
NONCURRENT LIABILITIES						
Bonds payable (Notes 4 and 20)	21,376,352	17	12,190,103	9	18,385,995	13
Long-term borrowings (Notes 4 and 19)	2,899,791	2	14,048,345	11	17,699,335	13
Provisions - noncurrent (Notes 4 and 22)	858,049	1	859,586	1	847,760	1
Deferred income tax liabilities (Note 4)	1,695,737	2	1,595,238	1	1,569,208	1
Deferred revenue - noncurrent (Notes 4 and 21)	175,418	-	193,188	-	199,459	-
Net defined benefit liabilities - noncurrent (Note 4)	753,675	1	764,232	1	724,590	1
Guarantee deposits received - noncurrent	299,139	-	310,364	-	315,809	-
Other noncurrent liabilities (Notes 4 and 14)	62,923	-	142,961	-	132,918	-
Total noncurrent liabilities	28,121,084	23	30,104,017	23	39,875,074	29
Total liabilities	57,007,556	46	61,084,721	46	71,291,931	51
EQUITY ATTRIBUTABLE TO OWNERS OF FAR EASTONE						
Capital stock						
Common stock	32,585,008	26	32,585,008	24	32,585,008	23
Capital surplus	8,143,345	7	10,166,874	8	10,181,262	7
Retained earnings						
Legal reserve	17,405,561	14	16,270,878	12	16,270,878	12
Special reserve	783,467	-	769,907	1	769,907	1
Unappropriated earnings	8,554,479	7	11,346,830	8	9,216,789	6
Total retained earnings	26,743,507	21	28,387,615	21	26,257,574	19
Other equity	3,135	-	(133,479)	-	(182,029)	-
Total equity attributable to owners of Far EasTone	67,474,995	54	71,006,018	53	68,841,815	49
NONCONTROLLING INTERESTS	706,244	-	716,583	1	697,657	-
Total equity	68,181,239	54	71,722,601	54	69,539,472	49
TOTAL	$ 125,188,795	100	$ 132,807,322	100	$ 140,831,403	100

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

(With Deloitte & Touche review report dated October 27, 2017)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 25 and 34)	$ 22,864,994	100	$ 23,318,608	100	$ 67,281,222	100	$ 70,205,239	100
OPERATING COSTS (Notes 4, 12, 26 and 34)	13,948,847	61	13,543,754	58	39,763,022	59	41,144,940	59
GROSS PROFIT	8,916,147	39	9,774,854	42	27,518,200	41	29,060,299	41
OPERATING EXPENSES (Notes 4, 26 and 34)								
Marketing	3,750,426	17	4,059,074	18	11,772,429	17	12,823,427	18
General and administrative	1,431,203	6	1,455,551	6	4,444,465	7	4,200,807	6
Total operating expenses	5,181,629	23	5,514,625	24	16,216,894	24	17,024,234	24
OPERATING INCOME	3,734,518	16	4,260,229	18	11,301,306	17	12,036,065	17
NONOPERATING INCOME AND EXPENSES								
Other income (Notes 4 and 34)	23,853	-	20,400	-	70,621	-	67,043	-
Other gains and losses (Notes 4 and 8)	21,387	-	36,843	-	87,718	-	92,898	-
Financial costs (Notes 4, 26 and 34)	(118,582)	-	(112,556)	-	(341,432)	-	(333,439)	-
Losses on disposal of property, plant, equipment and intangible assets (Note 4)	(199,051)	(1)	(323,711)	(1)	(608,043)	(1)	(659,051)	(1)
Share of the loss of associates (Note 4)	5,669	-	6,256	-	(57,984)	-	(37,979)	-
Total nonoperating income and expenses	(266,724)	(1)	(372,768)	(1)	(849,120)	(1)	(870,528)	(1)
INCOME BEFORE INCOME TAX	3,467,794	15	3,887,461	17	10,452,186	16	11,165,537	16
INCOME TAX (Notes 4 and 27)	606,864	2	670,587	3	1,829,133	3	1,926,055	3
NET INCOME	2,860,930	13	3,216,874	14	8,623,053	13	9,239,482	13
OTHER COMPREHENSIVE INCOME								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations (Notes 4 and 24)	491	-	264	-	(528)	-	821	-
Unrealized gains (losses) on available-for-sale financial assets (Notes 4 and 24)	14,667	-	(16,409)	-	25,416	-	(73,237)	-

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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 September 30				For the Nine Months Ended September 30			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
Cash flow hedges (Notes 4, 8 and 24)	$ 2,341	-	$ 3,014	-	$ 67,627	-	$ 1,320	-
Share of other comprehensive income of associates accounted for using the equity method (Notes 4 and 24)	15,352	-	13,423	-	44,168	-	15,090	-
Total other comprehensive income, net of income tax	32,851	-	292	-	136,683	-	(56,006)	-
TOTAL COMPREHENSIVE INCOME	$ 2,893,781	13	$ 3,217,166	14	$ 8,759,736	13	$ 9,183,476	13
NET INCOME ATTRIBUTABLE TO:								
Owners of Far EasTone	$ 2,853,691	13	$ 3,206,620	14	$ 8,607,272	13	$ 9,211,645	13
Noncontrolling interests	7,239	-	10,254	-	15,781	-	27,837	-
	$ 2,860,930	13	$ 3,216,874	14	$ 8,623,053	13	$ 9,239,482	13
COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of Far EasTone	$ 2,886,557	13	$ 3,206,535	14	$ 8,743,886	13	$ 9,154,828	13
Noncontrolling interests	7,224	-	10,631	-	15,850	-	28,648	-
	$ 2,893,781	13	$ 3,217,166	14	$ 8,759,736	13	$ 9,183,476	13
EARNINGS PER SHARE, NEW TAIWAN DOLLARS (Notes 4 and 28)								
Basic	$ 0.88		$ 0.98		$ 2.64		$ 2.83	
Diluted	$ 0.88		$ 0.98		$ 2.64		$ 2.82	

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

(With Deloitte & Touche review report dated October 27, 2017) (Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of Far EasTone										
			Retained Earnings			Other Equity					
	Share Capital (Note 24)	Capital Surplus (Notes 4 and 24)	Legal Reserve (Note 24)	Special Reserve (Note 24)	Unappropriated Earnings (Notes 4 and 24)	Exchange Differences on Translating Foreign Operations (Notes 4 and 24)	Unrealized Gains (Losses) on Available-for-sale Financial Assets (Notes 4 and 24)	Cash Flow Hedges (Notes 4 and 24)	Total	Noncontrolling Interests (Notes 4 and 24)	Total Equity
BALANCE AT JANUARY 1, 2016	$ 32,585,008	$ 12,058,158	$ 15,127,206	$ 824,480	$ 11,436,725	$ 829	$ 14,625	$ (140,666)	$ 71,906,365	$ 752,531	$ 72,658,896
Appropriation of the 2015 earnings											
Legal reserve	-	-	1,143,672	-	(1,143,672)	-	-	-	-	-	-
Special reserve	-	-	-	(54,573)	54,573	-	-	-	-	-	-
Cash dividends - NT$3.174 per share	-	-	-	-	(10,342,482)	-	-	-	(10,342,482)	-	(10,342,482)
Cash dividends from capital surplus - NT$0.576 per share	-	(1,876,896)	-	-	-	-	-	-	(1,876,896)	-	(1,876,896)
Cash capital reduction by subsidiaries	-	-	-	-	-	-	-	-	-	(15)	(15)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(83,507)	(83,507)
Net income for the nine months ended September 30, 2016	-	-	-	-	9,211,645	-	-	-	9,211,645	27,837	9,239,482
Other comprehensive income (losses) for the nine months ended September 30, 2016	-	-	-	-	-	(437)	(73,237)	16,857	(56,817)	811	(56,006)
BALANCE AT SEPTEMBER 30, 2016	$ 32,585,008	$ 10,181,262	$ 16,270,878	$ 769,907	$ 9,216,789	$ 392	$ (58,612)	$ (123,809)	$ 68,841,815	$ 697,657	$ 69,539,472
BALANCE AT JANUARY 1, 2017	$ 32,585,008	$ 10,166,874	$ 16,270,878	$ 769,907	$ 11,346,830	$ 4,638	$ (45,872)	$ (92,245)	$ 71,006,018	$ 716,583	$ 71,722,601
Appropriation of the 2016 earnings											
Legal reserve	-	-	1,134,683	-	(1,134,683)	-	-	-	-	-	-
Special reserve	-	-	-	13,560	(13,560)	-	-	-	-	-	-
Cash dividends - NT$3.129 per share	-	-	-	-	(10,195,849)	-	-	-	(10,195,849)	-	(10,195,849)
Cash dividends from capital surplus - NT$0.621 per share	-	(2,023,529)	-	-	-	-	-	-	(2,023,529)	-	(2,023,529)
Adjustments to share of changes in equities of associates	-	-	-	-	(5,166)	-	-	-	(5,166)	-	(5,166)
Difference between the price for acquisition or disposal of subsidiaries and carrying amount	-	-	-	-	(144)	-	-	-	(144)	4,726	4,582
Changes in ownership interests of subsidiaries	-	-	-	-	(50,221)	-	-	-	(50,221)	31,313	(18,908)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(62,228)	(62,228)
Net income for the nine months ended September 30, 2017	-	-	-	-	8,607,272	-	-	-	8,607,272	15,781	8,623,053
Other comprehensive income (losses) for the nine months ended September 30, 2017	-	-	-	-	-	(565)	25,416	111,763	136,614	69	136,683
BALANCE AT SEPTEMBER 30, 2017	$ 32,585,008	$ 8,143,345	$ 17,405,561	$ 783,467	$ 8,554,479	$ 4,073	$ (20,456)	$ 19,518	$ 67,474,995	$ 706,244	$ 68,181,239

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

(With Deloitte & Touche review report dated October 27, 2017)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

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

	For the Nine Months Ended September 30	
	2017	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 10,452,186	$ 11,165,537
Adjustments for:		
Depreciation	7,470,059	6,990,689
Amortization	625,913	593,380
Amortization of concessions	2,294,957	1,859,848
Allowance for doubtful accounts	357,866	291,594
Financial costs	341,432	333,439
Interest income	(43,625)	(33,900)
Dividend income	(810)	(766)
Share of the loss of associates	57,984	37,979
Transfer of property, plant and equipment to expense	132	-
Reversal of write-down of inventories	(7,456)	(33,525)
Loss on disposal of property, plant, equipment and intangible assets	608,043	659,051
Gain on disposal of financial assets	(945)	(265)
Deferred gain on derivative assets for hedging	34,797	15,900
Net changes in operating assets and liabilities		
Notes receivable	6,583	19,006
Accounts receivable	(355,356)	(747,954)
Accounts receivable - related parties	(11,169)	5,867
Inventories	(294,393)	2,103,606
Prepaid expenses	(207,661)	(118,554)
Other current assets	69,107	(88,869)
Notes payable	17,651	12,685
Accounts payable	2,024,154	1,191,949
Other payables	(1,066,424)	(434,614)
Provisions	(19,626)	(6,624)
Unearned revenue	265,045	4,993
Other current liabilities	200,002	302,364
Net defined benefit assets/liabilities	(11,206)	(7,724)
Cash generated from operations	22,807,240	24,115,092
Interest received	41,723	34,645
Dividend received	810	766
Interest paid	(126,099)	(176,414)
Income taxes paid	(2,119,944)	(1,468,509)
Net cash generated from operating activities	20,603,730	22,505,580
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds of the disposal of available-for-sale financial assets	-	190,134
Disposal of debt investments with no active market	205,235	660,101
Acquisition of financial assets carried at cost	(45,000)	-

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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 Nine Months Ended September 30 2017	For the Nine Months Ended September 30 2016
Proceeds of the disposal of financial assets carried at cost	$ 945	$ -
Acquisition of investments accounted for using the equity method	(274,497)	-
Acquisition of property, plant and equipment	(5,775,395)	(7,058,437)
Proceeds of the disposal of property, plant and equipment	38,090	19,272
Increase in refundable deposits	(203,839)	(216,993)
Decrease in refundable deposits	204,415	245,897
Acquisition of intangible assets	(747,506)	(8,768,614)
Cash received through merger	236,615	-
Decrease (increase) in other financial assets	194,899	(280,304)
Increase in other noncurrent assets	(1,000,000)	-
Net cash used in investing activities	(7,166,038)	(15,208,944)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term borrowings	(2,516,000)	3,184,235
(Decrease) increase in short-term bills payable	(2,839,523)	5,169,341
Proceeds from issuance of bonds payable	11,681,097	-
Proceeds of long-term borrowings	1,699,848	1,699,831
Repayment of long-term borrowings	(12,848,402)	(4,490,497)
Increase in guarantee deposits received	66,999	93,192
Decrease in guarantee deposits received	(99,522)	(100,329)
Decrease in deferred revenue	(17,770)	(14,908)
Cash dividends paid	(12,274,879)	(12,288,932)
Net changes in noncontrolling interests	1,091	(15)
Net cash used in financing activities	(17,147,061)	(6,748,082)
EFFECT OF EXCHANGE RATE CHANGES	(548)	2,281
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,709,917)	550,835
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	10,258,743	15,994,767
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 6,548,826	$ 16,545,602

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

(With Deloitte & Touche review report dated October 27, 2017) (Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

Far EasTone Telecommunications Co., Ltd. (Far EasTone) was incorporated in the Republic of China (ROC) on April 11, 1997 and began commercial operations on January 20, 1998. Far EasTone's shares began to be traded on the ROC over-the-counter (OTC) securities exchange (known as The Taipei Exchange, TPEx) on December 10, 2001. Later, Far EasTone's shares ceased to be traded on OTC exchange and became listed on the ROC Taiwan Stock Exchange (the TWSE) on August 24, 2005. Far EasTone provides wireless communications, leased circuit, Internet and international simple resale (ISR) services and also sells cellular phone equipment and accessories. As of September 30, 2017 and 2016, Far Eastern New Century Corporation (Far Eastern New Century) and its affiliates directly and indirectly owned 38.28% of Far EasTone's shares. Since Far Eastern New Century and its subsidiaries have the power to cast majority of votes at the meeting of Far EasTone's board of directors, Far Eastern New Century has control over Far EasTone's finances, operations and personnel affairs. Thus, Far Eastern New Century is the ultimate parent company of Far EasTone.

Far EasTone provides 2G (second-generation wireless communications services) by geographical sector under two type I licenses, GSM900 for the northern region of Taiwan and GSM1800 island-wide (GSM means global system for mobile communications), issued by the Directorate General of Telecommunications (DGT) of the ROC. These licenses allowed Far EasTone to provide services for 15 years from 1997. The National Communications Commission (NCC) approved the renewal of the licenses when they were due. The license of GSM1800 island-wide was returned to the NCC in April 2015. The license of GSM900 for the northern region of Taiwan was expired in June 2017 and 2G wireless communications services were terminated on June 30, 2017.

The DGT also issued to Far EasTone a type II license to provide internet and ISR services until December 2018. Far EasTone is also licensed to provide local/domestic long-distance land cable leased circuit services for 15 years from January 2003.

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

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

In order to continue providing the voice services and higher-speed data services to facilitate the response to future market demand and competition, the board of directors of Far EasTone resolved to participate in the bid for GSM2100 and GSM1800 spectrums. The deposit for bidding in the amount of $1,000,000 thousand were paid in August 2017 and included in other noncurrent assets.

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

2. REPORT OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were reported to Far EasTone's board of directors on October 27, 2017.

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

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

Except for the following, 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 did not have any material impact on the Group's accounting policies:

<u>Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers</u>

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

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

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

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions are enhanced. Refer to Note 34 for related disclosures.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

(Concluded)

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

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

1) IFRS 9 "Financial Instruments" and related amendment

Recognition, measurement and impairment of financial assets

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

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

a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;

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

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

The Group analyzed the facts and circumstances of its financial assets that exist at September 30, 2017 and performed a preliminary assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

a) Unlisted shares measured at cost will be measured as at fair value and the changes of fair value will be included in other comprehensive income;

b) Mutual funds classified as available-for-sale will be classified as at fair value through profit or loss 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 classified as debt investments with no active market and measured at amortized cost will be classified as measured at amortized cost under IFRS 9 because on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect the contractual cash flows.

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

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

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

<u>Hedge accounting</u>

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

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

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

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

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

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

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

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

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

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

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

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

a) The good or another asset that it then transfers to the customer.

b) The right to a service to be performed by other party, which gives the Group the ability to direct that party to provide the service to the customer on its behalf.

c) The good or service from the other party that it then combines with the other goods or services in providing the specified good or service to the customer.

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

a) The Group is primarily responsible for fulfilling the promise to provide the specified good or service.

b) The Group has inventory risk before or after the specified good or service is transferred to the customer.

c) The Group has discretion in establishing the price of the specified good or service.

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

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

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

a) The Group will not restate completed contracts on or before January 1, 2017.

b) The Group will identify the performance obligations, determine and allocate transaction price in the manner that reflects the aggregate effect of all modifications that occurred before December 31, 2016.

c) The Group will not disclose the comparative information in 2017 relating to the amount of the transaction price allocated to the remaining performance obligations and the explanation of when the Group expects to recognize that amount as revenue.

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

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

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019
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

(Continued)

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

(Concluded)

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

IFRS 16 “Leases”

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

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

c. Basis of consolidation

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

d. Other significant accounting policies

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

1) Retirement benefits

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

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

6. CASH AND CASH EQUIVALENTS

	September 30, 2017	December 31, 2016	September 30, 2016
Cash on hand	$ 12,777	$ 45,668	$ 14,226
Checking and demand deposits	2,924,057	1,317,818	3,324,158
Cash equivalents			
Commercial paper purchased under resell agreements	1,545,237	8,864,085	13,107,588
Certificates of deposits	2,066,755	31,172	99,630
	$ 6,548,826	$ 10,258,743	$ 16,545,602

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	September 30, 2017	December 31, 2016	September 30, 2016
Current			
Overseas investments			
Mutual funds	$ 628,754	$ 598,132	$ 582,782

8. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	September 30, 2017	December 31, 2016	September 30, 2016
Financial assets - current			
Cash flow hedge			
Forward exchange contracts	$ 3,522	$ 2,073	$ -
Foreign exchange swap contracts	-	-	6,300
	$ 3,522	$ 2,073	$ 6,300
Financial liabilities - current			
Cash flow hedge			
Forward exchange contracts	$ -	$ 40,229	$ 33,559
Foreign exchange swap contracts	2,535	7,538	500
	$ 2,535	$ 47,767	$ 34,059

Cash Flow Hedge

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

	Currency	Maturity Date/Period	Contract Amount (In Thousands)
September 30, 2017			
Forward exchange contracts	NT$ to EUR	2017.10.25	EUR 2,000
Foreign exchange swap contracts	US$ to NT$	2017.10.18-2017.11.13	US$ 20,000
December 31, 2016			
Forward exchange contracts	NT$ to EUR	2017.01.25-2017.10.25	EUR 29,500
Foreign exchange swap contracts	US$ to NT$	2017.01.11-2017.02.15	US$ 20,000
September 30, 2016			
Forward exchange contracts	NT$ to EUR	2016.10.25-2017.07.25	EUR 24,500
Foreign exchange swap contracts	US$ to NT$	2016.10.14-2016.11.15	US$ 20,000

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

For the three months and nine months ended September 30, 2017 and 2016, expected future trading exposures on above contracts, amounting to $2,341 thousand, $3,014 thousand, $67,627 thousand and $1,320 thousand, were recognized in other comprehensive income. The expected cash flows will occur when the hedge target is sold or expected future purchase transactions take place, and will be reclassified from equity to profit or loss.

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Other gains and losses	$ 9,885	$ (12,731)	$ (37,121)	$ (18,297)

9. FINANCIAL ASSETS CARRIED AT COST

	September 30, 2017	December 31, 2016	September 30, 2016
Noncurrent			
Domestic unlisted common stock	$ 263,308	$ 218,308	$ 218,308
Distinguish from the type of measure			
Available-for-sale	$ 263,308	$ 218,308	$ 218,308

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

10. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	September 30, 2017	December 31, 2016	September 30, 2016
Current			
Certificates of deposits with original maturity more than 3 months	$ 705,161	$ 910,396	$ 861,951

11. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	September 30, 2017	December 31, 2016	September 30, 2016
Notes receivable			
Notes receivable - operating	$ 57,778	$ 64,361	$ 41,614
Less: Allowance for doubtful accounts	-	-	-
	$ 57,778	$ 64,361	$ 41,614
Accounts receivable			
Accounts receivable	$ 8,638,802	$ 8,550,522	$ 8,475,913
Less: Allowance for doubtful accounts	(948,298)	(899,577)	(1,005,603)
	$ 7,690,504	$ 7,650,945	$ 7,470,310

Accounts Receivable

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

The aging of receivables was as follows:

	September 30, 2017	December 31, 2016	September 30, 2016
Not overdue	$ 7,139,942	$ 7,091,325	$ 6,897,151
Overdue			
0-60 days	402,984	381,567	447,155
61 days or more	147,578	178,053	126,004
	$ 7,690,504	$ 7,650,945	$ 7,470,310

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
Acquisition from business combination	-	151	151
Add: Accounts recovered during the period	-	180,248	180,248
Add: Impairment losses/bad debts (reversed)	(1,020)	358,886	357,866
Less: Amounts written off during the period as uncollectable	(266)	(489,278)	(489,544)
Balance at September 30, 2017	$ 268	$ 948,030	$ 948,298
Balance at January 1, 2016	$ 5,845	$ 1,050,538	$ 1,056,383
Add: Accounts recovered during the period	-	162,930	162,930
Add: Impairment losses/bad debts	-	291,594	291,594
Less: Amounts written off during the period as uncollectable	(5,845)	(499,459)	(505,304)
Balance at September 30, 2016	$ -	$ 1,005,603	$ 1,005,603

12. INVENTORIES

	September 30, 2017	December 31, 2016	September 30, 2016
Cellular phone equipment and accessories	$ 2,314,418	$ 2,020,733	$ 2,027,809
Others	481,485	467,632	407,305
	$ 2,795,903	$ 2,488,365	$ 2,435,114

Costs of inventories sold were $6,583,751 thousand, $6,360,895 thousand, $18,234,474 thousand and $19,966,680 thousand, respectively, for the three months and nine months ended September 30, 2017 and 2016.

The inventory reversal of write-down amounting to $3,720 thousand, $28,413 thousand, $7,456 thousand and $33,525 thousand were included in the cost of sales for the three months and nine months ended September 30, 2017 and 2016, respectively.

13. SUBSIDIARIES

Entities Included in the Consolidated Financial Statements

Intercompany relationships and percentages of ownership are shown as follows:

			Percentage of Ownership			
Investor Company	**Investee Company**	**Main Businesses and Products**	**September 30, 2017**	**December 31, 2016**	**September 30, 2016**	**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 is Hiiir)	Electronic information providing services	86.41	89.54	89.54	
	Yuan Cing	Call center services	100.00	100.00	99.99	
	FEIS	Investment	100.00	100.00	100.00	
	Omusic	Electronic information providing services	50.00	50.00	50.00	
	Q-ware com.	Type II telecommunications services	81.46	81.46	81.46	
FEIS	FETI	Computer software, data processing and network information providing services	41.67	41.67	41.67	
NCIC	ISSDU	Security and monitoring service via Internet	100.00	100.00	100.00	
	DU (Cayman)	Investment	100.00	100.00	100.00	
	New Diligent	Investment	100.00	100.00	100.00	
	Simple InfoComm	Electronic information providing services	-	-	-	Dissolved on December 19, 2015 and liquidated on April 6, 2016
	YSDT(former name is Hiiir)	Electronic information providing services	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	Investment	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	76.92	
FETI	FENCIT	Electronic information providing services	0.96	0.96	2.12	
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	

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

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	September 30, 2017	December 31, 2016	September 30, 2016
Material associate			
Far Eastern Electronic Toll Collection Co., Ltd.	$ 765,641	$ 685,125	$ 717,358
Associates that are not individually material	423,507	249,706	266,150
	1,189,148	934,831	983,508
Credit balance on carrying values of investments accounted for using equity method reclassified to other liabilities	-	90,250	78,820
	$ 1,189,148	$ 1,025,081	$ 1,062,328

Material associates:

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

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

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

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

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

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Building	Operating Equipment	Computer Equipment	Office Equipment	Leasehold Improvements	Miscellaneous Equipment	Construction-in-progress	Total
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	-	2,000	20,997	8,082	2,010	11,975	14,350	4,971,540	5,030,954
Disposals	-	(8,740)	(3,152,647)	(307,379)	(8,432)	(57,000)	(102,585)	(18,210)	(3,654,993)
Acquisitions through business combinations	-	-	64,133	9,357	691	22,218	-	-	96,399
Effects of foreign currency exchange differences	-	-	(1)	(45)	(6)	(9)	-	-	(61)
Adjustments and reclassification	-	46,309	4,110,991	878,451	13,568	68,992	106,225	(5,219,034)	5,502
Balance at September 30, 2017	$ 5,320,000	$ 7,920,832	$ 128,789,924	$ 15,593,605	$ 1,238,687	$ 4,682,634	$ 1,574,492	$ 1,846,937	$ 166,967,111
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	-	(185,305)	(5,942,771)	(929,772)	(25,963)	(290,838)	(95,410)	-	(7,470,059)
Disposals	-	8,682	2,568,030	305,561	8,062	46,320	82,816	-	3,019,471
Acquisitions through business combinations	-	-	(35,316)	(3,826)	(248)	(4,507)	-	-	(43,897)
Effects of foreign currency exchange differences	-	-	2	59	11	9	-	-	81
Adjustments and reclassification	-	-	(5,666)	-	-	87	-	-	(5,579)
Balance at September 30, 2017	$ (96,557)	$ (3,854,322)	$ (96,569,003)	$ (13,276,288)	$ (1,226,612)	$ (3,811,063)	$ (1,305,876)	$ -	$ (120,139,721)
Carrying amount at January 1, 2017	$ 5,223,443	$ 4,203,564	$ 34,593,169	$ 2,356,829	$ 22,382	$ 1,074,324	$ 263,220	$ 2,112,641	$ 49,849,572
Carrying amount at September 30, 2017	$ 5,223,443	$ 4,066,510	$ 32,220,921	$ 2,317,317	$ 12,075	$ 871,571	$ 268,616	$ 1,846,937	$ 46,827,390
Cost									
Balance at January 1, 2016	$ 5,320,095	$ 7,699,419	$ 130,628,779	$ 14,729,957	$ 1,227,400	$ 4,734,727	$ 1,511,620	$ 2,383,501	$ 168,235,498
Additions	-	1,589	60,314	8,876	3,250	24,820	8,222	6,633,153	6,740,224
Disposals	-	(31,466)	(6,965,027)	(130,035)	(6,330)	(39,005)	(43,662)	(23,977)	(7,239,502)
Effects of foreign currency exchange differences	-	-	(3)	(641)	(100)	(42)	-	-	(786)
Adjustments and reclassification	(95)	220,025	6,527,617	433,795	12,315	155,684	108,135	(7,425,059)	32,417
Balance at September 30, 2016	$ 5,320,000	$ 7,889,567	$ 130,251,680	$ 15,041,952	$ 1,236,535	$ 4,876,184	$ 1,584,315	$ 1,567,618	$ 167,767,851

(Continued)

	Freehold Land	Building	Operating Equipment	Computer Equipment	Office Equipment	Leasehold Improvements	Miscellaneous Equipment	Construction-in-progress	Total
Accumulated depreciation and impairment									
Balance at January 1, 2016	$ (96,557)	$ (3,517,115)	$ (94,773,850)	$ (11,897,767)	$ (1,185,615)	$ (3,460,931)	$ (1,258,008)	$ -	$ (116,189,843)
Depreciation expense	-	(176,095)	(5,515,202)	(878,018)	(29,400)	(300,706)	(91,268)	-	(6,990,689)
Disposals	-	31,462	6,315,126	129,823	6,142	34,171	43,152	-	6,559,876
Effects of foreign currency exchange differences	-	-	2	472	63	37	-	-	574
Adjustments and reclassification	-	-	-	(617)	(15)	-	627	-	(5)
Balance at September 30, 2016	$ (96,557)	$ (3,661,748)	$ (93,973,924)	$ (12,646,107)	$ (1,208,825)	$ (3,727,429)	$ (1,305,497)	$ -	$ (116,620,087)
Carrying amount at September 30, 2016	$ 5,223,443	$ 4,227,819	$ 36,277,756	$ 2,395,845	$ 27,710	$ 1,148,755	$ 278,818	$ 1,567,618	$ 51,147,764

(Concluded)

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

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

16. INVESTMENT PROPERTIES

Balance at September 30, 2017 and December 31, 2016	$ 1,041,406
Balance at September 30, 2016	$ 1,060,059

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

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

	September 30, 2017	December 31, 2016	September 30, 2016
No later than 1 year	$ 25,376	$ 20,480	$ 23,221
Later than 1 year and not later than 5 years	45,859	41,189	39,196
Later than 5 years	2,172	-	-
	$ 73,407	$ 61,669	$ 62,417

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

	September 30, 2017	December 31, 2016	September 30, 2016
Independent valuation	$ 1,041,406	$ 1,041,406	$ 1,060,059

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

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

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

	September 30, 2017	December 31, 2016	September 30, 2016
Expected future cash inflows	$ 1,685,023	$ 1,685,023	$ 1,332,772
Expected future cash outflows	(48,936)	(48,936)	(33,902)
Expected future cash inflows, net	$ 1,636,087	$ 1,636,087	$ 1,298,870
Discount rate	1.845%-2.33%	1.845%-2.33%	1.985%-2.39%

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

All of the investment properties had been leased out under operating leases. The rental incomes generated from the three months and nine months ended September 30, 2017 and 2016 were $6,405 thousand, $6,458 thousand, $19,052 thousand and $19,239 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 expenditure such as land value taxes, house taxes, insurance premium, management fee, maintenance costs, replacement allowance and depreciation. The expenditure is extrapolated on the basis of the current level of expenditure, 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, 2017	$ 50,614,000	$ 10,883,789	$ 16,304,182	$ 1,180,722	$ 78,982,693
Additions	-	-	747,506	-	747,506
Disposals	-	-	(165,512)	(14,461)	(179,973)

(Continued)

	Concessions	Goodwill	Computer Software	Other Intangible Assets	Total
Acquisitions through business combinations	$ -	$ -	$ 39,616	$ -	$ 39,616
Effects of foreign currency exchange differences	-	-	-	-	-
Adjustments and reclassification	-	-	-	(5,752)	(5,752)
Balance at September 30, 2017	$ 50,614,000	$ 10,883,789	$ 16,925,792	$ 1,160,509	$ 79,584,090
Accumulated amortization and impairment					
Balance at January 1, 2017	$(12,230,469)	$ (74,888)	$(13,438,409)	$ (780,470)	$(26,524,236)
Amortization	(2,294,957)	-	(585,299)	(40,614)	(2,920,870)
Disposals	-	-	165,451	14,461	179,912
Acquisitions through business combination	-	-	(7,898)	-	(7,898)
Effect of foreign currency exchange difference	-	-	-	-	-
Adjustments and reclassification	-	-	-	5,697	5,697
Balance at September 30, 2017	$(14,525,426)	$ (74,888)	$(13,866,155)	$ (800,926)	$(29,267,395)
Carrying amount at January 1, 2017	$ 38,383,531	$ 10,808,901	$ 2,865,773	$ 400,252	$ 52,458,457
Carrying amount at September 30, 2017	$ 36,088,574	$ 10,808,901	$ 3,059,637	$ 359,583	$ 50,316,695
Cost					
Balance at January 1, 2016	$ 41,484,000	$ 10,883,789	$ 16,980,015	$ 1,263,810	$ 70,611,614
Additions	9,130,000	-	638,614	-	9,768,614
Disposals	-	-	(776,505)	(7,536)	(784,041)
Effects of foreign currency exchange differences	-	-	(824)	(4,141)	(4,965)
Adjustments and reclassification	-	-	15,336	(4,693)	10,643
Balance at September 30, 2016	$ 50,614,000	$ 10,883,789	$ 16,856,636	$ 1,247,440	$ 79,601,865
Accumulated amortization and impairment					
Balance at January 1, 2016	$ (9,649,131)	$ (74,888)	$(14,432,589)	$ (777,010)	$(24,933,618)
Amortization	(1,859,848)	-	(535,705)	(57,675)	(2,453,228)
Disposals	-	-	776,500	7,536	784,036
Effects of foreign currency exchange differences	-	-	524	3,192	3,716
Adjustments and reclassification	-	-	-	(70)	(70)
Balance at September 30, 2016	$(11,508,979)	$ (74,888)	$(14,191,270)	$ (824,027)	$(26,599,164)
Carrying amount at September 30, 2016	$ 39,105,021	$ 10,808,901	$ 2,665,366	$ 423,413	$ 53,002,701

(Concluded)

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

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

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

18. OTHER NONCURRENT ASSETS

	September 30, 2017	December 31, 2016	September 30, 2016
Refundable deposits	$ 676,331	$ 674,144	$ 640,653
Other financial assets	30,601	21,209	31,244
Others	1,018,093	17,973	18,137
	$ 1,725,025	$ 713,326	$ 690,034

The deposits for the bidding price amounting to $1,000,000 thousand that Far EasTone used to bid for 4G wireless communication license, GSM2100 and GSM1800, were included in other noncurrent assets as of September 30, 2017.

19. BORROWINGS

a. Short-term borrowings

	September 30, 2017	December 31, 2016	September 30, 2016
Unsecured bank loans			
Credit loans	$ 284,000	$ 2,800,000	$ 3,691,206
Credit loans interest rate	1.12%-1.80%	0.70%-1.80%	0.70%-4.95%

b. Short-term bills payable

	September 30, 2017	December 31, 2016	September 30, 2016
Commercial paper payable	$ 310,000	$ 3,150,000	$ 5,500,000
Less: Unamortized discount	352	829	951
	$ 309,648	$ 3,149,171	$ 5,499,049
Interest rate	1.148%-1.50%	0.858%-1.50%	0.488%-1.20%

c. Long-term borrowings

	September 30, 2017	December 31, 2016	September 30, 2016
Unsecured bank loans			
Credit loans	$ 2,500,000	$ 12,150,000	$ 16,700,000
Long-term commercial paper payables	400,000	1,900,000	1,000,000
Less: Unamortized discount on commercial paper	209	1,655	665
Long-term borrowings	$ 2,899,791	$ 14,048,345	$ 17,699,335
Credit loans interest rate	1.13%	0.74%-1.13%	0.74%-1.13%
Commercial paper payables interest rate	0.9983%-1.0460%	0.9930%-1.0447%	0.969%-1.0133%

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 September 2019.

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

20. BONDS PAYABLE

	September 30, 2017	December 31, 2016	September 30, 2016
4th unsecured domestic bonds	$ 4,996,394	$ 4,995,406	$ 4,995,077
5th unsecured domestic bonds	4,998,474	4,997,042	4,996,565
6th unsecured domestic bonds	8,397,472	8,395,133	9,994,146
2016 1st unsecured domestic bonds	5,192,852	-	-
2017 1st unsecured domestic bonds	4,493,336	-	-
2017 2nd unsecured domestic bonds	1,996,815	-	-
	30,075,343	18,387,581	19,985,788
Less: Current portion	8,698,991	6,197,478	1,599,793
Long-term bonds payable	$ 21,376,352	$ 12,190,103	$ 18,385,995

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

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

On September 4, 2017, Far EasTone issued the seven-year unsecured domestic bonds of 2017, with an aggregate principal amount of $2,000,000 thousand and a par value of $10,000 thousand and a coupon interest rate of 1.17%, with simple interest due annually. Repayment will be made in full at maturity.

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

21. OTHER LIABILITIES

	September 30, 2017	December 31, 2016	September 30, 2016
Current			
Other payables			
Commission	$ 2,071,340	$ 2,440,718	$ 2,231,008
Salary and bonus	1,084,411	1,336,932	1,177,020
Acquisition of properties	747,991	1,534,809	1,887,033
Employees' compensation and remuneration to directors	386,916	376,011	409,051
Other	2,908,919	3,106,531	3,316,546
	$ 7,199,577	$ 8,795,001	$ 9,020,658
Noncurrent			
Deferred revenue			
Cable and lease line service fee	$ 175,418	$ 193,188	$ 199,459

22. PROVISIONS

	September 30, 2017	December 31, 2016	September 30, 2016
Current			
Dismantling obligation	$ 127,227	$ 115,985	$ 116,362
Product warranty	104,522	103,937	100,174
	$ 231,749	$ 219,922	$ 216,536
Noncurrent			
Dismantling obligation	$ 858,049	$ 859,586	$ 847,760

	Dismantling Obligation	Product Warranty
Balance at January 1, 2017	$ 975,571	$ 103,937
Additional provisions recognized	29,916	28,035
Reductions arising from payments	(20,211)	(27,450)
Balance at September 30, 2017	$ 985,276	$ 104,522
Balance at January 1, 2016	$ 926,125	$ 88,526
Additional provisions recognized	56,269	42,625
Reductions arising from payments	(18,272)	(30,977)
Balance at September 30, 2016	$ 964,122	$ 100,174

23. RETIREMENT BENEFIT PLANS

For defined benefit plans, employee benefit expenses as of and for the three months and nine months ended September 30, 2017 and 2016 were calculated as $5,479 thousand, $6,582 thousand, $16,438 thousand and $19,746 thousand by the actuarially determined pension cost discount rate as of December 31, 2016 and 2015.

24. EQUITY

a. Share capital

1) Common shares

	September 30, 2017	December 31, 2016	September 30, 2016
Shares 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 shares (in thousands)	3,258,501	3,258,501	3,258,501
Issued capital	$ 32,585,008	$ 32,585,008	$ 32,585,008

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

2) Global depositary receipts

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

		GDRs (In Thousand Units)	Equivalent Common Stock (In Thousand Shares)
Initial offering	a)	10,000	150,000
Converted from overseas unsecured convertible bonds	b)	165	2,473
Net decrease due to capital increase or capital reduction	c)	(362)	(5,426)
Reissued within authorized units	d)	24,809	372,128
GDRs transferred to common stock		(34,189)	(512,835)
Outstanding GDRs issued		423	6,340

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 September 30, 2017, there had been 165 thousand units of GDRs issued for the conversion of overseas unsecured convertible bonds representing 2,473 thousand common shares.

c) In 2003, Far EasTone issued 296 thousand units of GDRs as a result of a capital increase from capital surplus and retained earnings. The GDRs represent 4,448 thousand common shares. Furthermore, in 2008, Far EasTone canceled 658 thousand units of GDRs as a result of its capital reduction. These GDRs represent 9,874 thousand common shares.

d) Under the terms of the GDR offering, following the completion of an offering to the extent that previously issued GDRs have been withdrawn, GDR re-issuance is allowed up to the aggregate amount previously approved by the SFB. Thus, as of September 30, 2017, Far EasTone had reissued 24,809 thousand units of GDRs representing 372,128 thousand common shares.

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

a) Exercise voting rights;

b) Convert the GDRs into common stocks; and

c) Receive dividends and exercise preemptive rights or other rights and interests.

b. Capital surplus

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

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

2) Such capital surplus arises from the effect of changes in ownership interest in a subsidiary, with these changes treated as equity transactions instead of actual disposal or acquisition of ownership interests, or from changes in capital surplus of subsidiaries.

c. Retained earnings and dividend policy

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

Under the dividend policy as set forth in the amended Articles, where Far EasTone made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses in previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by Far EasTone's board of directors as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders. For the policies on distribution of employees' compensation and remuneration to directors and supervisors before and after amendment, please refer to Note 26, d. on employees' compensation and remuneration to directors.

At least 50% of the balance of net income less accumulated deficit, legal reserve and special reserve should be appropriated as dividends. The cash dividends should be at least 50% of total dividends declared. The adjustment of this percentage may be approved by the stockholders depending on the cash requirement for any significant future capital expenditures or plans to improve financial structure.

Legal reserve may be used to offset a deficit. If Far EasTone has no deficit and the legal reserve exceeds 25% of Far EasTone's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under Rule No. 1010012865 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", Far EasTone should appropriate or reverse to a special reserve.

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

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

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

In addition to distributing cash dividends at NT$3.129 and NT$3.174 per share from the unappropriated earnings, the board of directors and stockholders resolved and approved to distribute cash of $2,023,529 thousand and $1,876,896 thousand, respectively, from the above-mentioned additional paid-in capital - share issuance in excess of par value and from business combination at NT$0.621 and NT$0.576 per share, respectively. Therefore, Far EasTone's stockholders received NT$3.75 per share in 2017 and 2016, respectively.

d. Special reserve

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

e. Other equity items

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

	Exchange Differences on Translating Foreign Operations	Unrealized Gains and Losses on Available-for-sale Financial Assets	Unrealized Gains and Losses on Cash Flow Hedge	Total
For the nine months ended September 30, 2017				
Beginning balance	$ 4,638	$ (45,872)	$ (92,245)	$ (133,479)
Recorded as adjustments to stockholders' equity	(597)	25,416	36,817	61,636
Recorded as profit or loss	-	-	30,810	30,810
Share of other comprehensive income of associates	32	-	44,136	44,168
Ending balance	$ 4,073	$ (20,456)	$ 19,518	$ 3,135
For the nine months ended September 30, 2016				
Beginning balance	$ 829	$ 14,625	$ (140,666)	$ (125,212)
Recorded as adjustments to stockholders' equity	10	(66,003)	(13,867)	(79,860)
Recorded as profit or loss	-	(7,234)	15,187	7,953
Share of other comprehensive income of associates	(447)	-	15,537	15,090
Ending balance	$ 392	$ (58,612)	$ (123,809)	$ (182,029)

f. Noncontrolling interests

	For the Nine Months Ended September 30	
	2017	2016
Beginning balance	$ 716,583	$ 752,531
Attributable to noncontrolling interests		
Share of profit	15,781	27,837
Exchange differences on translating foreign operations	69	811
Subsidiary's cash dividends	(62,228)	(83,507)
Remittance of cash due to capital reduction of subsidiary	-	(15)
Equity transaction	36,039	-
Ending balance	$ 706,244	$ 697,657

25. REVENUE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Sales of inventories	$ 5,565,959	$ 5,268,047	$ 15,208,455	$ 15,996,387
Telecommunications service revenues	15,937,446	16,812,937	47,993,542	50,723,829
Other	1,361,589	1,237,624	4,079,225	3,485,023
	$ 22,864,994	$ 23,318,608	$ 67,281,222	$ 70,205,239

26. CONSOLIDATED NET INCOME

a. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Property, plant and equipment	$ 2,530,679	$ 2,415,080	$ 7,470,059	$ 6,990,689
Intangible asset	214,215	196,097	625,913	593,380
	$ 2,744,894	$ 2,611,177	$ 8,095,972	$ 7,584,069
Depreciation expense categorized by function				
Operating costs	$ 2,206,590	$ 2,125,504	$ 6,544,623	$ 6,132,128
Operating expenses	324,089	289,576	925,436	858,561
	$ 2,530,679	$ 2,415,080	$ 7,470,059	$ 6,990,689

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Amortization expense categorized by function				
Operating costs	$ 72,911	$ 78,943	$ 217,572	$ 245,225
Marketing expenses	28,054	24,606	89,874	70,720
General and administrative expenses	113,250	92,548	318,467	277,435
	$ 214,215	$ 196,097	$ 625,913	$ 593,380

(Concluded)

b. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Interest on financial liabilities measured at amortized cost	$ 97,761	$ 71,718	$ 271,740	$ 215,154
Interest expense on bank loans and commercial paper	11,527	28,739	42,699	96,735
Other finance costs	9,294	12,099	26,993	21,550
	$ 118,582	$ 112,556	$ 341,432	$ 333,439

c. Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Retirement benefits				
Defined contribution plans	$ 80,824	$ 81,706	$ 241,232	$ 245,210
Defined benefit plans	5,479	6,582	16,438	19,746
	86,303	88,288	257,670	264,956
Other employee benefits				
Salary	1,509,383	1,482,842	4,544,560	4,330,294
Insurance	135,404	128,600	410,932	389,352
Other	88,975	93,734	265,641	265,830
	1,733,762	1,705,176	5,221,133	4,985,476
	$ 1,820,065	$ 1,793,464	$ 5,478,803	$ 5,250,432
Categorized by function				
Operating cost	$ 309,706	$ 313,960	$ 925,256	$ 931,427
Operating expense	1,510,359	1,479,504	4,553,547	4,319,005
	$ 1,820,065	$ 1,793,464	$ 5,478,803	$ 5,250,432

d. Employees' compensation and remuneration to directors

Far EasTone decides the distribution of employees' compensation and remuneration to directors at the rates of 1% to 2% and no higher than 1%, respectively, of net profit before income tax, employees' compensation and remuneration to directors. For the three months and nine months ended September 30, 2017 and 2016, the employees' compensation and the remuneration to directors represented 2% and 0.72%, respectively, of the foregoing basis.

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Employees' compensation	$ 68,850	$ 68,262	$ 207,135	$ 212,217
Remuneration to directors	$ 24,785	$ 24,575	$ 74,568	$ 76,398

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

The appropriations of employees' compensation and remuneration to directors for 2016 and 2015 resolved by the board of directors on February 15, 2017 and February 17, 2016, respectively, were stated as below.

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

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

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

27. INCOME TAX

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Current tax	$ 570,663	$ 703,934	$ 1,680,247	$ 1,927,381
Deferred tax	36,201	(33,347)	148,886	(1,326)
Income tax recognized in profit or loss	$ 606,864	$ 670,587	$ 1,829,133	$ 1,926,055

b. Income tax expense recognized in other comprehensive income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Deferred tax				
In respect of the current period				
Unrealized gains (losses) on available-for-sale financial assets	$ (3,004)	$ -	$ (5,206)	$ (463)
Fair value changes of hedging instruments for cash flow hedges	(479)	2,494	(13,851)	6,147
Income tax recognized in other comprehensive income	$ (3,483)	$ 2,494	$ (19,057)	$ 5,684

c. Integrated income tax

	September 30, 2017	December 31, 2016	September 30, 2016
Unappropriated earnings			
Generated in and after 1998	$ 8,554,479	$ 11,346,830	$ 9,216,789
Balance of imputation credit account (ICA)			
Far EasTone	$ 369,939	$ 1,394,481	$ 519,210

	For the Years Ended December 31	
	2016	2015
Creditable ratio for distribution of earnings	17.37%	20.48%

d. Income tax assessments

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

28. EARNINGS PER SHARE

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

Net Income for the Period

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	**2016**	**2017**	**2016**
Net income for the period attributable to Far EasTone	$ 2,853,691	$ 3,206,620	$ 8,607,272	$ 9,211,645
Effect of dilutive potential common stock:				
Employees' compensation	-	-	-	-
Earnings used in the calculation of diluted earnings per share	$ 2,853,691	$ 3,206,620	$ 8,607,272	$ 9,211,645

Weighted Average Number of Common Shares Outstanding

(In Thousand Shares)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	**2016**	**2017**	**2016**
Weighted average number of common shares used in the calculation of basic earnings per share	3,258,501	3,258,501	3,258,501	3,258,501
Effect of potentially dilutive common stock:				
Employees' compensation	2,853	2,826	3,462	3,580
Weighted average number of common shares used in the calculation of diluted earnings per share	3,261,354	3,261,327	3,261,963	3,262,081

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

29. BUSINESS COMBINATIONS

a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Far Eastern Electronic Commerce Co., Ltd. (FEEC)	Electronic information providing services	August 1, 2017	100	$ 5,778

To fully integrate both parties' e-Commerce businesses and resources, and enhance the competitiveness in the industry, the Group acquired FEEC on August 1, 2017.

b. Considerations transferred

Hiiir issued 9,167,468 common shares with a par value of NT$10 as the consideration for the acquisition of FEEC. The fair value amounting to 5,778 thousand of the common shares issued was determined using the ratio of Hiiir's and FEEC's book value of equity at the date of acquisition.

After the merger, Hiiir is the surviving company and was renamed as Yuanshi Digital Technology Co., Ltd. (YSDT), while FEEC was dissolved.

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

	FEEC
Current assets	$ 296,771
Noncurrent assets	93,982
Current liabilities	(373,180)
Noncurrent liabilities	(11,795)
	$ 5,778

d. Noncontrolling interests

FEEC's noncontrolling interest, which became the noncontrolling interest of YSDT after the share exchange through the merger between YSDT and FEEC, was measured by reference to the fair value of the noncontrolling interest at the acquisition date and amounted to $4,582 thousand. Since YSDT and FEEC were both under the control of the ultimate parent company, the fair value was determined using YSDT's book value of equity at the acquisition date.

e. Impact of acquisitions on the results of the Group

The revenue and net loss of FEEC since the acquisition date included in the consolidated statements of comprehensive income were $363,237 thousand and $34,052 thousand, respectively.

Had the business combination been in effect at the beginning of the annual reporting period, the Group's revenue for the three months and nine months ended September 30, 2017 would have been $23,077,550 thousand and $68,684,535 thousand, respectively, and the Group's net income for the three months and nine months ended September 30, 2017 would have been $2,834,604 thousand and $8,514,182 thousand, respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2017, nor is it intended to be a projection of future results.

30. EQUITY TRANSACTION WITH NONCONTROLLING INTERESTS

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

The Group acquired 2.11% of Hiiir's common shares in July 2017, and increased its interest from 93.28% to 95.39%.

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

	June 2017	July 2017
Cash considerations paid	$ 348,909	$ 20,000
The proportionate share of the carrying amount of the net assets of the subsidiary transferred from noncontrolling interests	(316,783)	(1,905)
Differences arising from equity transaction	$ 32,126	$ 18,095
Line item adjusted for equity transaction		
Unappropriated earnings	$ (32,126)	$ (18,095)

31. NONCASH TRANSACTIONS

Noncash Transactions Arising from Investing and Financing Activities

YSDT issued common shares with an aggregate fair value of $5,778 thousand to acquire FEEC on August 1, 2017 (refer to Note 29).

32. OPERATING LEASE ARRANGEMENTS

a. The Group as lessee

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

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

	September 30, 2017	December 31, 2016	September 30, 2016
Not later than 1 year	$ 3,168,947	$ 3,223,541	$ 3,304,757
Later than 1 year and not later than 5 years	5,190,907	5,163,828	5,383,182
Later than 5 years	98,424	108,070	111,806
	$ 8,458,278	$ 8,495,439	$ 8,799,745

The lease payments recognized as expenses were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	**2016**	**2017**	**2016**
Minimum lease payment	$ 959,239	$ 954,412	$ 2,869,823	$ 2,866,880

b. The Group as lessor

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

33. 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.

	September 30, 2017		December 31, 2016		September 30, 2016	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial assets						
Refundable deposits	$ 676,331	$ 674,556	$ 674,144	$ 671,743	$ 640,653	$ 639,198
Financial liabilities						
Bonds payable	30,075,343	30,321,110	18,387,581	18,585,857	19,985,788	20,122,681

2) Fair value hierarchy

September 30, 2017

	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Refundable deposits	$ -	$ -	$ 674,556	$ 674,556
Financial liabilities				
Bonds payable	$ 30,321,110	$ -	$ -	$ 30,321,110

December 31, 2016

	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Refundable deposits	$ -	$ -	$ 671,743	$ 671,743
Financial liabilities				
Bonds payable	$ 18,585,857	$ -	$ -	$ 18,585,857

September 30, 2016

	Level 1	Level 2	Level 3	Total
Financial assets				
Refundable deposits	$ -	$ -	$ 639,198	$ 639,198
Financial liabilities				
Bonds payable	$ 20,122,681	$ -	$ -	$ 20,122,681

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

	September 30, 2017			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Overseas funds	$ -	$ 628,754	$ -	$ 628,754
Hedging derivative financial assets				
Forward exchange contracts	$ -	$ -	$ 3,522	$ 3,522
Hedging derivative financial liabilities				
Foreign exchange swap contracts	$ -	$ -	$ 2,535	$ 2,535

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Overseas funds	$ -	$ 598,132	$ -	$ 598,132
Hedging derivative financial assets				
Forward exchange contracts	$ -	$ -	$ 2,073	$ 2,073
Hedging derivative financial liabilities				
Forward exchange contracts	$ -	$ -	$ 40,229	$ 40,229
Foreign exchange swap contracts	-	-	7,538	7,538
	$ -	$ -	$ 47,767	$ 47,767

	September 30, 2016			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Overseas funds	$ -	$ 582,782	$ -	$ 582,782
Hedging derivative financial assets				
Foreign exchange swap contracts	$ -	$ -	$ 6,300	$ 6,300
Hedging derivative financial liabilities				
Forward exchange contracts	$ -	$ -	$ 33,559	$ 33,559
Foreign exchange swap contracts	-	-	500	500
	$ -	$ -	$ 34,059	$ 34,059

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

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

	For the Nine Months Ended September 30	
	2017	2016
Hedging derivative financial instruments		
Beginning balance	$ (45,694)	$ (5,001)
Recognized in profit or loss (included in other gains and losses)	37,121	18,297
Recognized in other comprehensive income	9,560	(41,055)
Ending balance	$ 987	$ (27,759)

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

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

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

Financial Instrument	Valuation Techniques and Inputs
Forward exchange contracts	Cash flow is discounted. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates discounted at a rate that reflect the credit risk of various counterparties.
Foreign exchange swap contracts	Cash flow is discounted. Future cash flows are estimated based on observable spot exchange rates at the end of the reporting period and contract rates, discounted at a 0% rate; the counterparties' high credit ratings and short contract terms indicate a low credit risk on counterparties.

c. Financial instruments

	September 30, 2017	December 31, 2016	September 30, 2016
Financial assets			
Derivative financial assets for hedging	$ 3,522	$ 2,073	$ 6,300
Loans and receivables (Note 1)	18,705,579	22,840,573	28,828,857
Available-for-sale financial assets (Note 2)	892,062	816,440	801,090
Financial liabilities			
Derivative financial liabilities for hedging	2,535	47,767	34,059
Measured at amortized cost (Note 3)	48,013,104	52,132,400	62,435,041

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

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

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

d. Financial risk management objectives and policies

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

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

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

1) Market risk

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

a) Foreign currency risk

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

Sensitivity analysis

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

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

	Impact	
	For the Nine Months Ended September 30	
	2017	**2016**
Profit or loss		
USD	$ (20,136)	$ (17,336)
EUR	$ 218	$ 34,667

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:

	September 30, 2017	December 31, 2016	September 30, 2016
Fair value risk			
Financial assets	$ 7,275,262	$ 12,856,252	$ 16,962,156
Financial liabilities	33,756,355	35,660,914	44,565,357
Cash flow risk			
Financial assets	3,519,284	2,025,100	4,104,983
Financial liabilities	469,743	3,398,283	2,999,335

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 nine months ended September 30, 2017 and 2016 would have increased by $5,718 thousand and $2,073 thousand, respectively, mainly because bank deposits and borrowings had floating interest rates.

c) Other price risks

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

Sensitivity analysis

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

Had equity prices been 5% higher/lower, the fair value of available-for-sale financial assets as of September 30, 2017 and 2016 would have increased/decreased by $31,438 thousand and $29,139 thousand, respectively.

2) Credit risk

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

a) The carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets; and

b) The amount of contingent liabilities in relation to financial guarantee issued by the Group.

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

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

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, the management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. The Group had unused overdraft and bank loan facilities amounting to $52,940,755 thousand, $36,269,977 thousand and $31,146,733 thousand as of September 30, 2017, December 31, 2016 and September 30, 2016, respectively.

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

September 30, 2017

	Carry Value	Contractual Cash Flows	Within 1 Year	1-5 Years	Over 5 Years
Short-term borrowings	$ 284,000	$ 284,763	$ 284,763	$ -	$ -
Short-term bills payable	309,648	310,000	310,000	-	-
Long-term borrowings	2,899,791	2,935,216	28,250	2,906,966	-
Bonds payable	30,075,343	31,322,970	9,097,790	20,178,380	2,046,800
	$ 33,568,782	$ 34,852,949	$ 9,720,803	$ 23,085,346	$ 2,046,800

December 31, 2016

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

September 30, 2016

	Carry Value	Contractual Cash Flows	Within 1 Year	1-5 Years	Over 5 Years
Short-term borrowings	$ 3,691,206	$ 3,695,700	$ 3,695,700	$ -	$ -
Short-term bills payable	5,499,049	5,500,000	5,500,000	-	-
Long-term borrowings	17,699,335	17,992,757	142,973	17,849,784	-
Bonds payable	19,985,788	20,771,340	1,879,620	18,891,720	-
	$ 46,875,378	$ 47,959,797	$ 11,218,293	$ 36,741,504	$ -

34. TRANSACTIONS WITH RELATED PARTIES

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

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

Related Party	Relationship with the Group
Far Eastern New Century Corporation	Ultimate parent company
Far Eastern Electronic Toll Collection Co., Ltd.	Subsidiaries of FENC
Ding Ding Integrated Marketing Service Co., Ltd. (DDIM)	Subsidiaries of FENC
Far Eastern Electronic Commerce Co., Ltd. (FEEC)	Subsidiaries of FENC (dissolved after merging with YSDT on August 1, 2017)
Far Eastern International Leasing Corp.	Other related parties (same chairman as parent company's)
Telecommunication and Transportation Foundation	Other related parties (Far EasTone's donation is over one third of the foundation's fund)
Far Eastern Apparel Co., Ltd.	Subsidiaries of FENC
Far Cheng Human Resources Consultant Corp. (FCHRC)	Subsidiaries of FENC
Far Eastern Resource Development Co., Ltd. (FERD)	Subsidiaries of FENC
Pacific Sogo Department Stores Co., Ltd. (SOGO)	Other related parties (same chairman as parent company's)
Far Eastern Big City Shopping Malls Co., Ltd.	Subsidiary of SOGO
Far Eastern Citysuper Co., Ltd.	Other related parties (same chairman as parent company's)
Ya Tung Department Store Co., Ltd.	Other related parties (same chairman as parent company's)

(Continued)

Related Party	Relationship with the Group
Fu Dar Transportation Corporation	Other related parties (same chairman as parent company's)
Fu-Ming Transportation Co., Ltd.	Other related parties (same chairman as parent company's)
YDT Technology International Co., Ltd.	Subsidiaries of FENC
Nan Hwa Cement Corporation	Other related parties (same chairman as parent company's)
Ya Tung Ready Mixed Concrete Co., Ltd.	Other related parties (same chairman as parent company's)
Oriental Securities Corporation Ltd.	Other related parties (equity-method investee of ultimate parent company)
Yuan Ding Co., Ltd. (Yuan Ding)	Subsidiaries of FENC
Far Eastern Department Stores Co., Ltd. (Far Eastern Department Stores)	Other related parties (same chairman as Far EasTone's)
Asia Cement Co., Ltd.	Other related parties (same chairman as Far EasTone's)
Oriental Union Chemical Corporation	Other related parties (same chairman as Far EasTone's)
Far Eastern Geant Company Ltd.	Other related parties (same chairman as Far EasTone's)
Far Eastern Hospital	Other related parties (same chairman as Far EasTone's)
Oriental Institute of Technology	Other related parties (same chairman as Far EasTone's)
Far Eastern Plaza Hotel	Subsidiaries of FENC
Yuan-Ze University	Other related parties (same chairman as Far EasTone's)
U-Ming Marine Transport Corporation	Other related parties (same chairman as Far EasTone's)
Chiahui Power Corporation	Other related parties (same chairman as Far EasTone's)
Far Eastern Medical Foundation	Other related parties (same chairman as Far EasTone's)
Far Eastern International Bank (FEIB)	Other related parties (Far EasTone's chairman is FEIB's vice chairman)
Far Eastern Construction Co., Ltd.	Subsidiaries of FENC
Fu Kwok Garment Manufacturing Co., Ltd.	Subsidiaries of FENC
Oriental Petrochemical (Taiwan) Co., Ltd.	Subsidiaries of FENC
Air Liquide Far Eastern Co., Ltd.	Other related parties (equity-method investee of ultimate parent company)
Far Eastern General Contractor Inc.	Subsidiaries of FENC
Oriental Resources Development Limited	Subsidiaries of FENC
Far Eastern Fibertech Co., Ltd.	Subsidiaries of FENC
Far Eastern Realty Management Co., Ltd.	Subsidiaries of FENC
Ding & Ding Management Consultant Co., Ltd.	Other related parties (equity-method investee of ultimate parent company)
Yuan Hsin Digital Payment Co., Ltd.	Subsidiaries of FENC
Alliance Digital Technology Co., Ltd.	Associate
Far Eastern Memorial Foundation	Other related parties (same chairman as Far EasTone's)
OPAS Fund Segregated Portfolio Company	Other related parties (substantive related party)

(Concluded)

b. Operating revenue

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
FENC	$ 27,086	$ 20,557	$ 55,236	$ 44,418
Subsidiaries of FENC	78,197	85,997	265,608	237,076
Other related parties	60,906	55,340	178,990	166,234
	$ 166,189	$ 161,894	$ 499,834	$ 447,728

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

c. Operating costs and expenses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Cost of telecommunications service				
Subsidiaries of FENC	$ 14,861	$ 152	$ 16,025	$ 489
Other related parties	2,681	148	2,988	647
	$ 17,542	$ 300	$ 19,013	$ 1,136
Rental (including in operating cost)				
FENC	$ 393	$ 464	$ 1,109	$ 1,213
Subsidiaries of FENC	2,095	2,239	6,699	6,635
Other related parties	5,365	6,063	15,865	16,837
	$ 7,853	$ 8,766	$ 23,673	$ 24,685
Rental (including in operating expense)				
FENC	$ 741	$ 719	$ 2,193	$ 2,148
Subsidiaries of FENC	16,931	14,916	46,815	45,108
Other related parties	23,337	15,841	67,457	77,003
	$ 41,009	$ 31,476	$ 116,465	$ 124,259
Marketing expense				
Subsidiaries of FENC	$ 12,634	$ 10,935	$ 36,373	$ 36,735
Other related parties	5,692	5,222	11,872	9,236
	$ 18,326	$ 16,157	$ 48,245	$ 45,971

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Service fee				
FENC	$ 141	$ 141	$ 442	$ 454
Subsidiaries of FENC				
FCHRC	36,162	34,079	107,364	100,012
Other related parties	144	46	223	124
	$ 36,447	$ 34,266	$ 108,029	$ 100,590
Other expense				
FENC	$ 28,891	$ 32,551	$ 89,638	$ 96,591
Subsidiaries of FENC	3,807	3,928	10,165	13,763
Other related parties	2,897	17,961	20,173	22,445
	$ 35,595	$ 54,440	$ 119,976	$ 132,799

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

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

d. Property transactions

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Acquisition of securities				
Subsidiaries of FENC				
FEEC	$ -	$ -	$ 124,497	$ -
YHDP	150,000	-	150,000	-
Others	3,804	-	3,804	-
	153,804	-	278,301	-
Other related parties	20,667	-	20,667	-
	$ 174,471	$ -	$ 298,968	$ -
Acquisition of properties, plants and equipment				
Subsidiaries of FENC				
FERD	$ -	$ -	$ 437,394	$ -
Others	205	205	5,099	1,423
	$ 205	$ 205	$ 442,493	$ 1,423

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

The Group acquired FEEC's common shares with a consideration of $4,471 thousand on August 1, 2017 from subsidiaries of FENC (including DDIM and Yuan Ding) and other related parties (including SOGO and Far Eastern Department Stores).

With the need in expansion of space for network equipment, the board of directors of NCIC (Far EasTone's 100% owned subsidiary) resolved on May 4, 2017, that NCIC will purchase partial land from FERD, which is located in Taipei Far Eastern Telecom park, to build a new integrated building utilized as an office and internet data center. The aforesaid acquisition price amounting to $1,749,577 thousand was determined through the price negotiation based on the appraisal reports issued by independent qualified professional appraisers. The down payment amounting to 437,394 thousand was paid in June 2017.

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

	September 30, 2017	December 31, 2016	September 30, 2016
Other related parties			
FEIB	$ 4,078,752	$ 4,109,041	$ 4,342,107

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

f. Hedging derivative financial assets (liabilities) - current

	September 30, 2017	December 31, 2016	September 30, 2016
Other related parties			
FEIB	$ (2,535)	$ (7,538)	$ 5,800

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

g. Receivables and payables - related parties

	September 30, 2017	December 31, 2016	September 30, 2016
Accounts receivable - related parties			
FENC	$ 7,182	$ 1,157	$ 3,953
Subsidiaries of FENC	33,460	54,197	45,978
Other related parties	175,952	150,071	168,386
	$ 216,594	$ 205,425	$ 218,317
Other receivables - related parties (included in other current assets)			
Subsidiaries of FENC	$ 2,948	$ 2,651	$ 2,379
Other related parties	26,525	4,244	10,537
	$ 29,473	$ 6,895	$ 12,916

	September 30, 2017	December 31, 2016	September 30, 2016
Accounts payable - related parties (included in accounts payable)			
Subsidiaries of FENC	$ 643	$ 687	$ 181
Other related parties	1,241	943	1,135
	$ 1,884	$ 1,630	$ 1,316
Other payables - related parties (included in other current liabilities)			
FENC	$ 33,106	$ 32,456	$ 28,311
Subsidiaries of FENC	81,937	96,780	66,354
Other related parties	11,543	7,077	9,941
	$ 126,586	$ 136,313	$ 104,606

h. Refundable deposits

	September 30, 2017	December 31, 2016	September 30, 2016
Subsidiaries of FENC	$ 71,749	$ 75,916	$ 73,612
Other related parties	1,466	1,491	1,491
	$ 73,215	$ 77,407	$ 75,103

i. Others

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Interest revenue				
Subsidiaries of FENC	$ 8	$ 6	$ 23	$ 19
Other related parties				
FEIB	9,247	6,626	21,032	24,051
Others	1	1	8	6
	9,248	6,627	21,040	24,057
	$ 9,256	$ 6,633	$ 21,063	$ 24,076
Rent revenue				
Subsidiaries of FENC	$ 64	$ 72	$ 208	$ 1,092
Other related parties	-	-	-	326
	$ 64	$ 72	$ 208	$ 1,418
Finance costs				
Subsidiaries of FENC	$ 2	$ -	$ 2	$ -
Other related parties	2,294	1,423	6,480	3,278
	$ 2,296	$ 1,423	$ 6,482	$ 3,278

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

j. Compensation of key management personnel

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	**2016**	**2017**	**2016**
Short-term benefits	$ 85,887	$ 82,477	$ 277,725	$ 265,051
Post-employment benefits	1,090	875	3,494	2,610
	$ 86,977	$ 83,352	$ 281,219	$ 267,661

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

35. 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:

	September 30, 2017	December 31, 2016	September 30, 2016
Other financial assets - current	$ 1,751,538	$ 1,759,889	$ 1,734,656
Other financial assets - noncurrent	1,030,601	21,209	31,244
	$ 2,782,139	$ 1,781,098	$ 1,765,900

36. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

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

a.

	September 30, 2017	December 31, 2016	September 30, 2016
Acquisition of property, plant and equipment under contracts	$ 6,906,651	$ 5,762,054	$ 4,493,279
Less: Payments for acquisition of property, plant and equipment	2,113,372	1,666,888	1,135,434
	$ 4,793,279	$ 4,095,166	$ 3,357,845
Acquisition of cellular phone equipment under contracts	$ 9,412,751	$ 14,299,303	$ 13,722,377
Less: Payments for acquisition of cellular phone equipment	3,841,526	7,803,864	4,684,951
	$ 5,571,225	$ 6,495,439	$ 9,037,426

b. The Group provided a $100,000 thousand bank guarantee for its purchases as of September 30, 2017, December 31, 2016 and September 30, 2016.

37. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

(In Thousands, Except Exchange Rate)

	September 30, 2017		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 25,478	30.26	$ 770,976
EUR	35	35.75	1,254
Nonmonetary items			
USD	20,778	30.26	628,754
Financial liabilities			
Monetary items			
USD	12,170	30.26	368,259
EUR	157	35.75	5,618

	December 31, 2016		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 22,853	32.25	$ 737,007
EUR	151	33.90	5,133
Nonmonetary items			
USD	18,547	32.25	598,132
Financial liabilities			
Monetary items			
USD	10,913	32.25	351,952
EUR	6,927	33.90	234,828

	September 30, 2016		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 21,293	31.36	$ 667,756
EUR	4,563	35.08	160,063
Nonmonetary items			
USD	18,584	31.36	582,782
Financial liabilities			
Monetary items			
USD	10,237	31.36	321,043
EUR	24,328	35.08	853,411

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 September 30			
	2017		2016	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
NTD	1 (NTD:NTD)	$ 2,297	1 (NTD:NTD)	$ 12,861
RMB	4.535 (RMB:NTD)	(532)	4.750 (RMB:NTD)	95
		$ 1,765		$ 12,956

	For the Nine Months Ended September 30			
	2017		2016	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
NTD	1 (NTD:NTD)	$ (8,286)	1 (NTD:NTD)	$ 11,899
RMB	4.492 (RMB:NTD)	(1,360)	4.918 (RMB:NTD)	469
		$ (9,646)		$ 12,368

38. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees

1) Financing provided to others: Schedule A

2) Endorsements/guarantees provided: None

3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures): Schedule B

4) Marketable securities acquired or disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: Schedule C

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

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None

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

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

9) Trading in derivative instruments: Note 8

10) Intercompany relationships and significant intercompany transactions: Schedule G

11) Information on investees: Schedule H

b. Information on investments in mainland China

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

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

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

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

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

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

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

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

39. SEGMENT INFORMATION

Products and services from which reportable segments derive revenues:

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

a. Mobile services business: Providing mobile telecommunications services;

b. Fixed-line services business: Providing international direct dial, local network, long-distance network and broadband access services; and

c. Sales business: Selling cellular phones, computers and accessories.

Segment operating income represented the profit generated by each operating segment, which included specifically attributable segment revenue, interest revenue, other revenue, equity in investees' net losses, interest expense, other expense and general and administrative expense. The profits were the measure reported to the chief operating decision maker to allocate resources to the segments and assess their performance. However, the measure of segment assets was not provided to the chief operating decision maker.

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

	For the Nine Months Ended September 30, 2017				
	Mobile Services Business	**Fixed-line Services Business**	**Sales Business**	**Adjustment and Elimination**	**Consolidation**
Revenues generated from external customers	$ 45,188,206	$ 6,214,748	$ 15,878,268	$ -	$ 67,281,222
Revenues generated within the Group (Note)	444,340	2,167,892	30,664	(2,642,896)	-
Total revenues	$ 45,632,546	$ 8,382,640	$ 15,908,932	$ (2,642,896)	$ 67,281,222
Segment operating income	$ 8,907,938	$ 1,614,342	$ 1,343,213	$ (1,413,307)	$ 10,452,186

	For the Nine Months Ended September 30, 2016				
	Mobile Services Business	**Fixed-line Services Business**	**Sales Business**	**Adjustment and Elimination**	**Consolidation**
Revenues generated from external customers	$ 46,924,312	$ 6,803,946	$ 16,476,981	$ -	$ 70,205,239
Revenues generated within the Group (Note)	586,857	2,981,254	20,256	(3,588,367)	-
Total revenues	$ 47,511,169	$ 9,785,200	$ 16,497,237	$ (3,588,367)	$ 70,205,239
Segment operating income	$ 8,705,183	$ 2,410,753	$ 1,679,505	$ (1,629,904)	$ 11,165,537

Note: Represents sales between segments.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

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

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes A and B)	Aggregate Financing Limits (Notes A and B)
													Item	Value		
0	Far EasTone Telecommunications Co., Ltd.	Q-ware Communications Co., Ltd.	Other receivables - related parties	Yes	$ 250,000	$ 250,000	$ 130,000	1.49%-1.61%	Short-term financing	$ -	For business operations	$ -	-	$ -	$ 6,747,500	$ 33,737,498
1	New Century InfoComm Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Other receivables - related parties	Yes	5,500,000	5,500,000	5,500,000	0.83%	Short-term financing	-	For business operations	-	-	-	5,903,260	11,806,519
		Far EasTone Telecommunications Co., Ltd.	Other receivables - related parties	Yes	4,000,000	2,500,000	1,000,000	0.83%	Transaction	3,201,372	-	-	-	-	3,201,372	11,806,519
		Q-ware Communications Co., Ltd.	Other receivables - related parties	Yes	250,000	-	-	1.33%	Short-term financing	-	For business operations	-	-	-	5,903,260	11,806,519

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

Note B: Where New Century InfoComm Co., Ltd. (NCIC) provides loans for business transactions and short-term financing needs, the amount of loans is limited to 50% of NCIC's net worth. A) For business transactions: The individual loan amount should not exceed the amount of business transaction amount between two parties. The business transaction amount referred to the estimated amount of the year of loan contract signing or the prior year's actual transaction amount. B) For short-term financing needs, the individual loan amount should not exceed 25% of NCIC's net worth.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	September 30, 2017				Note
				Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Far EasTone Telecommunications Co., Ltd.	Stock							
	App Works Fund II Co., Ltd.	-	Financial assets carried at cost - noncurrent	15,000,000	$ 150,000	11.11	$ -	Note B
	CDIB Capital Innovation Accelerator Limited	-	Financial assets carried at cost - noncurrent	4,500,000	45,000	12.00	-	Note B
ARCOA Communication Co., Ltd.	Stock							
	THI consultants	-	Financial assets carried at cost - noncurrent	1,213,594	12,190	18.32	-	Note B
	Web Point Co., Ltd.	-	Financial assets carried at cost - noncurrent	160,627	1,618	0.63	-	Note B
New Century InfoComm Tech Co., Ltd.	Stock							
	Kaohsiung Rapid Transit Corporation	-	Financial assets carried at cost - noncurrent	8,858,191	50,000	3.18	-	Note B
	Bank Pro E-service Technology Co., Ltd.	-	Financial assets carried at cost - noncurrent	450,000	4,500	3.33	-	Note B
	Overseas funds							
	Opas Fund Segregated Portfolio Tranche A	Other related party	Available-for-sale financial assets - current	14,561.612	467,824	-	467,824	Note A
	Opas Fund Segregated Portfolio Tranche C	Other related party	Available-for-sale financial assets - current	4,133.591	160,930	-	160,930	Note A

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

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

SCHEDULE C

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

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

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance (Note 1)		Acquisition (Note 2)		Disposal				Ending Balance (Note 1)	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount
Far EasTone Telecommunications Co., Ltd.	Stock Yuanshi Digital Technology Co., Ltd. (former Hiiir Inc.)	Investments accounted for using the equity method	Capital injection	Subsidiary	53,726,000	$ (109,380)	34,890,875	$ 348,909	-	$ -	$ -	$ -	90,014,424 (Note 3)	$ (9,233) (Note 3)

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

Note 2: The amount is the cost of investments. The shares include a) 34,890,875 shares acquired through subscription of new common shares issued by Hiiir Inc. and b) 1,397,549 shares acquired through share exchange due to the merger between Hiiir and FEEC.

Note 3: The ending balance of shares includes 1,397,549 shares acquired through share exchange due to the merger between YSDT (former Hiiir Inc.) and FEEC.

SCHEDULE D

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017
(In Thousands of New Taiwan Dollars)

Purchaser (Seller) of Goods	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance		% to Total
Far EasTone Telecommunications Co., Ltd.	ARCOA Communication Co., Ltd.	Subsidiary	Cost of telecommunications services, marketing expenses and cost of sales	$ 7,904,884	19	Based on agreement	-	-	Accounts payable and other payables	$ (767,894)	(5)
	New Century InfoComm Tech Co., Ltd.	Subsidiary	Operating revenues	(355,292)	(1)	Based on agreement	-	-	Accounts receivable	1,416	-
			Cost of telecommunications services	2,045,737	7	Based on agreement	-	-	Accounts payable and other payables (Note A)	(693,053)	(4)
	Omusic Co., Ltd.	Subsidiary	Cost of telecommunications services	152,393	1	Based on agreement	-	-	Accounts payable	(34,915)	(1)
	DataExpress Infotech Co., Ltd.	Subsidiary	Operating revenues	(161,260)	-	Based on agreement	-	-	Accounts receivable	14,923	-
	Yuanshi Digital Technology Co., Ltd. (former Hiiir Inc.)	Subsidiary	Operating revenues	(138,621)	-	Based on agreement	-	-	Accounts receivable	19,761	-
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating revenues	(2,045,737)	(24)	Based on agreement	-	-	Accounts receivable (Note B)	693,053	47
			Cost of telecommunications services	355,292	6	Based on agreement	-	-	Accounts payable	(1,416)	-
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating revenues	(7,904,884)	(64)	Based on agreement	-	-	Accounts receivable	767,894	42
Omusic Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating revenues	(152,393)	(98)	Based on agreement	-	-	Accounts receivable	34,915	97
DataExpress Infotech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Cost of sales	161,260	8	Based on agreement	-	-	Accounts payable	(14,923)	(4)
	Linkwell Tech. Ltd.	Subsidiary	Cost of sales	117,233	6	Based on agreement	-	-	Accounts payable	(10,028)	(3)
	Home Master Technology Ltd.	Subsidiary	Operating revenues	(172,225)	(7)	Based on agreement	-	-	Accounts receivable	60,290	18
Yuanshi Digital Technology Co., Ltd. (former Hiiir Inc.)	Far EasTone Telecommunications Co., Ltd.	Parent company	Cost of sales	138,621	12	Based on agreement	-	-	Accounts payable	(19,761)	(7)
Linkwell Tech. Ltd.	DataExpress Infotech Co., Ltd.	Parent company	Sales of inventories	(117,233)	(23)	Based on agreement	-	-	Accounts receivable	10,028	43
Home Master Technology Ltd.	DataExpress Infotech Co., Ltd.	Parent company	Operating cost	172,225	41	Based on agreement	-	-	Accounts payable	(60,290)	(53)

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

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

SCHEDULE F

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
SEPTEMBER 30, 2017
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
Far EasTone Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd.	Subsidiary	$ 108,086	(Note A)	$ -	-	$ 93,878	$ -
	ARCOA Communication Co., Ltd.	Subsidiary	153,157	9.95	-	-	123,739	-
	Q-ware Communications Co., Ltd.	Subsidiary	162,355	(Note B)	-	-	7,667	-
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	7,283,022	(Note C)	-	-	334,744	-
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	767,894	11.52	-	-	767,894	-

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

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

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

SCHEDULE G

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

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

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount (Note D)	Payment Terms	% to Consolidated Assets/Revenue (Note C)
0	Far EasTone Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd.	1	Accounts receivable - related parties	$ 1,416	Note F	-
				Other receivables - related parties	106,670	Note F	-
				Refundable deposits	3,517	Note F	-
				Accounts payable - related parties	54,762	Note F	-
				Other payables - related parties	7,228,260	Note F	6
				Unearned revenue	4,152	Note F	-
				Sales of inventories	1,791	Note F	-
				Telecommunications service revenues	353,501	Note F	1
				Cost of telecommunications services	2,045,737	Note F	3
				Operating expense	50,886	Note F	-
				Nonoperating income and gains	61,383	Note F	-
				Interest expense	29,889	Note F	-
		ARCOA Communication Co., Ltd.	1	Accounts receivable - related parties	151,348	Note F	-
				Other receivables - related parties	1,809	Note F	-
				Accounts payable - related parties	724,777	Note F	1
				Other payables - related parties	43,117	Note F	-
				Guarantee deposits received	148	Note F	-
				Unearned revenue	53,825	Note F	-
				Sales of inventories	79,326	Note F	-
				Telecommunications service revenues	2,680	Note F	-
				Cost of sales	7,483,604	Note F	11
				Cost of telecommunications services	52,879	Note F	-
				Operating expense	378,365	Note F	1
				Nonoperating income and gains	1,219	Note F	-
		KGEx.com Co., Ltd.	1	Accounts receivable - related parties	24,709	Note F	-
				Other receivables - related parties	4	Note F	-
				Refundable deposits	898	Note F	-
				Other payables - related parties	10,631	Note F	-
				Unearned revenue	49	Note F	-
				Telecommunications service revenues	78,803	Note F	-
				Cost of telecommunications services	16,812	Note F	-
				Operating expense	35,959	Note F	-
				Nonoperating income and gains	1,058	Note F	-
		Yuan Cing Co., Ltd.	1	Other receivables - related parties	3,050	Note F	-
				Other payables - related parties	9,096	Note F	-
				Operating expense	9,667	Note F	-
				Nonoperating income and gains	113	Note F	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount (Note D)	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		Q-ware Communications Co., Ltd.	1	Accounts receivable - related parties	$ 27,583	Note F	-
				Other receivables - related parties	134,772	Note F	-
				Accounts payable - related parties	3,434	Note F	-
				Telecommunications service revenues	4,463	Note F	-
				Cost of telecommunications services	30,857	Note F	-
				Operating expense	226	Note F	-
				Nonoperating income and gains	2,182	Note F	-
		DataExpress Infotech Co., Ltd.	1	Accounts receivable - related parties	14,923	Note F	-
				Other receivables - related parties	1,953	Note F	-
				Accounts payable - related parties	586	Note F	-
				Other payables - related parties	1,031	Note F	-
				Sales of inventories	160,787	Note F	-
				Telecommunications service revenues	473	Note F	-
				Cost of sales	95	Note F	-
				Cost of telecommunications services	7,814	Note F	-
				Operating expense	5,569	Note F	-
				Nonoperating income and gains	279	Note F	-
		Omusic Co., Ltd.	1	Accounts receivable - related parties	495	Note F	-
				Accounts payable - related parties	34,915	Note F	-
				Telecommunications service revenues	391	Note F	-
				Cost of telecommunications services	152,393	Note F	-
				Nonoperating income and gains	31	Note F	-
		Linkwell Tech. Ltd.	1	Other payables - related parties	250	Note F	-
				Sales of inventories	8,084	Note F	-
				Telecommunications service revenues	128	Note F	-
				Operating expense	1,690	Note F	-
		Home Master Technology Ltd.	1	Other payables - related parties	4,536	Note F	-
				Telecommunications service revenues	45	Note F	-
				Operating expense	11,103	Note F	-
		Information Security Service Digital United Inc.	1	Accounts receivable - related parties	80	Note F	-
				Other receivables - related parties	564	Note F	-
				Accounts payable - related parties	927	Note F	-
				Other payables - related parties	2,159	Note F	-
				Telecommunications service revenues	699	Note F	-
				Cost of telecommunications services	2,778	Note F	-
				Cost of sales	8,917	Note F	-
				Operating expense	3,806	Note F	-
				Nonoperating income and gains	56	Note F	-
		Yuanshi Digital Technology Co., Ltd. (former Hiiir Inc.)	1	Accounts receivable - related parties	19,761	Note F	-
				Other receivables - related parties	2,588	Note F	-
				Accounts payable - related parties	9,370	Note F	-
				Other payables - related parties	9,248	Note F	-
				Unearned revenue	366	Note F	-
				Sales of inventories	135,150	Note F	-
				Telecommunications service revenues	3,471	Note F	-
				Operating expense	6,173	Note F	-
				Nonoperating income and gains	280	Note F	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details: Financial Statement Account	Amount (Note D)	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		Sino Lead Enterprise Limited	1	Other payables - related parties	$ 5,362	Note F	-
1	New Century InfoComm Tech Co., Ltd.	ARCOA Communication Co., Ltd.	3	Accounts receivable - related parties	100	Note F	-
				Accounts payable - related parties	47	Note F	-
				Other payables - related parties	26	Note F	-
				Telecommunications service revenues	854	Note F	-
				Cost of sales	108	Note F	-
				Cost of telecommunications services	228	Note F	-
				Operating expense	154	Note F	-
		KGEx.com Co., Ltd.	3	Accounts receivable - related parties	2,477	Note F	-
				Accounts payable - related parties	17,942	Note F	-
				Other payables - related parties	5,415	Note F	-
				Telecommunications service revenues	19,885	Note F	-
				Cost of telecommunications services	87,197	Note F	-
				Operating expense	10,107	Note F	-
		Q-ware Communications Co., Ltd.	3	Accounts receivable - related parties	2,244	Note F	-
				Other receivables - related parties	831	Note F	-
				Guarantee deposits received	720	Note F	-
				Accounts payable - related parties	16,997	Note F	-
				Telecommunications service revenues	16,656	Note F	-
				Other operating revenue	1,758	Note F	-
				Cost of sales	16,307	Note F	-
				Cost of telecommunications services	7,015	Note F	-
				Operating expense	44	Note F	-
				Nonoperating income and gains	3,758	Note F	-
		Omusic Co., Ltd.	3	Other receivables - related parties	22	Note F	-
				Unearned revenue	22	Note F	-
				Telecommunications service revenues	34	Note F	-
				Nonoperating income and gains	16	Note F	-
		Sino Lead Enterprise Limited	3	Refundable deposits	1,204	Note F	-
				Accounts payable - related parties	28,288	Note F	-
				Cost of telecommunications services	87,911	Note F	-
		Yuan Cing Co., Ltd.	3	Accounts receivable - related parties	10	Note F	-
				Accounts payable - related parties	4,289	Note F	-
				Cost of telecommunications services	4,289	Note F	-
		Information Security Service Digital United Inc.	3	Accounts receivable - related parties	1,392	Note F	-
				Other receivables - related parties	1,397	Note F	-
				Accounts payable - related parties	5,143	Note F	-
				Other payables - related parties	950	Note F	-
				Guarantee deposits received	990	Note F	-
				Unearned revenue	59	Note F	-
				Telecommunications service revenues	3,713	Note F	-
				Cost of sales	2,085	Note F	-
				Other operating costs	15,209	Note F	-
				Operating expense	1,249	Note F	-
				Nonoperating income and gains	3,900	Note F	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount (Note D)	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		Digital United Information Technologies (Shanghai) Co., Ltd.	3	Telecommunications service revenues	$ 308	Note F	-
				Operating expense	763	Note F	-
		Yuanshi Digital Technology Co., Ltd. (former Hiiir Inc.)	3	Accounts receivable - related parties	3,160	Note F	-
				Other receivables - related parties	1,305	Note F	-
				Unearned revenue	519	Note F	-
				Telecommunications service revenues	4,731	Note F	-
				Sales of inventories	79	Note F	-
				Operating expense	1,155	Note F	-
				Nonoperating income and gains	6,500	Note F	-
		DataExpress Infotech Co., Ltd.	3	Other receivables - related parties	493	Note F	-
				Guarantee deposits received	588	Note F	-
				Telecommunications service revenues	1,209	Note F	-
				Cost of sales	124	Note F	-
				Operating expense	44	Note F	-
				Nonoperating income and gains	2,575	Note F	-
		Linkwell Tech. Ltd.	3	Accounts receivable - related parties	4	Note F	-
				Telecommunications service revenues	116	Note F	-
		Home Master Technology Ltd.	3	Telecommunications service revenues	90	Note F	-
2	ARCOA Communication Co., Ltd.	KGEx.com Co., Ltd.	3	Other payables - related parties	181	Note F	-
				Operating expense	796	Note F	-
		Yuan Cing Co., Ltd.	3	Other payables - related parties	422	Note F	-
				Operating expense	1,217	Note F	-
		Yuanshi Digital Technology Co., Ltd. (former Hiiir Inc.)	3	Accounts receivable - related parties	3,818	Note F	-
				Sales of inventories	42,814	Note F	-
				Telecommunications service revenues	3	Note F	-
				Operating expense	6	Note F	-
		DataExpress Infotech Co., Ltd.	3	Accounts receivable - related parties	1,285	Note F	-
				Other receivables - related parties	16,477	Note F	-
				Accounts payable - related parties	105	Note F	-
				Other operating revenue	2,849	Note F	-
				Other operating costs	297	Note F	-
				Nonoperating income and gains	580	Note F	-
		Linkwell Tech. Ltd.	3	Accounts receivable - related parties	698	Note F	-
				Sales of inventories	4,275	Note F	-
				Other operating revenue	552	Note F	-
		Home Master Technology Ltd.	3	Accounts receivable - related parties	28,742	Note F	-
				Accounts payable - related parties	805	Note F	-
				Sales of inventories	58,764	Note F	-
				Other operating revenue	280	Note F	-
				Cost of sales	805	Note F	-
		Omusic Co., Ltd.	3	Accounts receivable - related parties	1	Note F	-
3	KGEx.com Co., Ltd.(Note E)	Q-ware Communications Co., Ltd.	3	Accounts receivable - related parties	13	Note F	-
				Telecommunications service revenues	108	Note F	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount (Note D)	Payment Terms	% to Consolidated Assets/Revenue (Note C)
4	Yuan Cing Co., Ltd.(Note E)	Yuanshi Digital Technology Co., Ltd. (former Hiiir Inc.)	3	Accounts receivable - related parties	$ 7,302	Note F	-
				Other operating revenue	10,319	Note F	-
		DataExpress Infotech Co., Ltd.	3	Accounts receivable - related parties	91	Note F	-
				Other operating revenue	491	Note F	-
5	DataExpress Infotech Co., Ltd.(Note E)	Linkwell Tech. Ltd.	3	Accounts receivable - related parties	5,874	Note F	-
				Other receivables - related parties	10,823	Note F	-
				Accounts payable - related parties	10,028	Note F	-
				Other payables - related parties	24	Note F	-
				Sales of inventories	59,918	Note F	-
				Cost of sales	117,233	Note F	-
				Nonoperating income and gains	6,390	Note F	-
		Home Master Technology Ltd.	3	Accounts receivable - related parties	60,290	Note F	-
				Other receivables - related parties	15,327	Note F	-
				Accounts payable - related parties	298	Note F	-
				Other payables - related parties	14	Note F	-
				Sales of inventories	172,225	Note F	-
				Cost of sales	18,096	Note F	-
				Nonoperating income and gains	1,980	Note F	-
		Yuanshi Digital Technology Co., Ltd. (former Hiiir Inc.)	3	Sales of inventories	267	Note F	-
		Omusic Co., Ltd.	3	Sales of inventories	56	Note F	-
				Other operating revenue	4	Note F	-
				Cost of sales	52	Note F	-
6	Linkwell Tech. Ltd.(Note E)	Home Master Technology Ltd.	3	Accounts receivable - related parties	1,456	Note F	-
				Other receivables - related parties	151	Note F	-
				Accounts payable - related parties	13	Note F	-
				Other payables - related parties	2	Note F	-
				Sales of inventories	16,136	Note F	-
				Cost of sales	2,452	Note F	-
		Omusic Co., Ltd.	3	Other operating revenue	1	Note F	-
7	Home Master Technology Ltd.(Note E)	Omusic Co., Ltd.	3	Other operating revenue	2	Note F	-
8	Yuanshi Digital Technology Co., Ltd. (former Hiiir Inc.) (Note E)	Omusic Co., Ltd.	3	Telecommunications service revenue	35	Note F	-
9	New Diligent Co., Ltd. (Note E)	New Diligent Hong Kong Co., Ltd.	3	Other receivables - related parties	107	Note F	-

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

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

(Continued)

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 September 30, 2017; while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the nine months ended September 30, 2017.

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

Note E: The information was based on unreviewed financial statements as of September 30, 2017.

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

(Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of September 30, 2017			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				September 30, 2017	December 31, 2016	Shares	Percentage of Ownership (%)	Carrying Amount			
Far EasTone Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd.	Taiwan	Type I, II telecommunications services	$ 22,249,283	$ 22,249,283	2,100,000,000	100.00	$ 26,402,434	$ 1,330,863	$ 1,335,958	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	1,266,243	90,342	55,609	Notes A and B
	KGEx.com. Co., Ltd.	Taiwan	Type II telecommunications services	2,440,457	2,440,457	78,895,760	99.99	862,058	57,402	57,394	Notes A and D
	Yuanshi Digital Technology Co., Ltd. (former Hiiir Inc.)	Taiwan	Electronic information providing services	886,169	537,260	90,014,424	86.41	(9,233)	(247,989)	(217,366)	Notes A, D and H
	Yuan Cing Co., Ltd.	Taiwan	Call center services	-	-	2,000,000	100.00	30,989	9,902	9,902	Notes A, D and G
	Far Eastern Info Service (Holding) Ltd.	Bermuda	Investment	92,616	92,616	1,200	100.00	(49,331)	275	275	Notes A and D
	Omusic Co., Ltd.	Taiwan	Electronic information providing services	25,000	25,000	2,500,000	50.00	8,783	1,274	637	Notes A and D
	Q-ware Communication Co., Ltd.	Taiwan	Type II telecommunications services	832,038	832,038	33,982,812	81.46	(81,617)	(5,893)	(4,800)	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	765,641	90,949	36,379	Notes C and D
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	139,500	139,500	10,408,200	15.00	47,271	(18,871)	(4,295)	Notes C and D
	Alliance Digital Technology Co., Ltd.	Taiwan	Electronic information providing services	60,000	60,000	6,000,000	14.40	27,593	(40,780)	(6,276)	Notes C and D
	Yuan Hsin Digital Payment Co., Ltd.	Taiwan	Other financing and supporting services	600,000	450,000	37,432,782	30.00	332,886	(179,752)	(54,478)	Notes C and D
	Far Eastern Electronic Commerce Co., Ltd.	Taiwan	Electronic information providing services	-	80,893	-	-	-	-	-	Notes H
ARCOA Communication Co., Ltd.	DataExpress Infotech Co., Ltd.	Taiwan	Sale of communications products	141,750	141,750	12,866,353	70.00	164,103	10,414	-	Notes D and E
New Century InfoComm Tech Co., Ltd.	New Diligent Co., Ltd.	Taiwan	Investments	540,000	1,060,000	54,000,000	100.00	141,130	28,291	-	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	110,205	6,852	-	Notes D and E
	Digital United (Cayman) Ltd.	Cayman Islands	Investments	132,406	132,406	4,320,000	100.00	14,557	(16,643)	-	Notes D and E
	Yuanshi Digital Technology Co., Ltd. (former Hiiir Inc.)	Taiwan	Electronic information providing services	20,000	-	2,499,617	2.40	(225)	(247,989)	-	Notes A, D and H
	Far Eastern Electronic Commerce Co., Ltd.	Taiwan	Electronic information providing services	-	28,922	-	-	-	-	-	Note H
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	46,500	46,500	3,469,400	5.00	15,757	(18,871)	-	Notes C and D
New Diligent Co., Ltd.	Sino Lead Enterprise Limited	Hong Kong	Telecommunications services	125	125	30,000	100.00	219	71	-	Notes D and E
	Far Eastern New Diligent Company Ltd.	British Virgin Islands	Investments	330,598	330,598	-	100.00	79,810	27,430	-	Notes D and E
	New Diligent Hong Kong Co., Ltd.	Hong Kong	Investments	3,051	-	-	100.00	2,571	(480)	-	Notes E
DataExpress Infotech Co., Ltd.	Linkwell Tech. Ltd.	Taiwan	Sale of communications products	10,000	10,000	-	100.00	37,901	(1,700)	-	Notes D and E
	Home Master Technology Ltd.	Taiwan	Sale of communications products	10,000	10,000	-	100.00	(6,940)	1,476	-	Notes D and E

Note A: Subsidiary.

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

Note C: Equity-method investee of Far EasTone.

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

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

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

Note G: 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 NINE MONTHS ENDED SEPTEMBER 30, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note A)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2017	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2017	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of September 30, 2017	Accumulated Repatriation of Investment Income as of September 30, 2017
					Outward	Inward						
Digital United Information Technologies (Shanghai) Ltd. (Note F)	Design, research, installment and maintenance of computer software and system	$ 93,806 (US$ 3,100,000)	2	$ 93,806 (US$ 3,100,000)	$ -	$ -	$ 93,806 (US$ 3,100,000)	$ (8,303)	100.00	$ (8,303)	$ 2,530 (RMB 556,000)	$ -
Far Eastern New Century Information Technology (Beijing) Limited (Note F)	Electronic information providing services	347,990 (US$ 11,500,000)	2	311,678 (US$ 10,300,000)	-	-	311,678 (US$ 10,300,000)	31,075	90.52 (Note B)	28,129 (Note B)	100,577 (RMB 22,100,000) (Note B)	-
Far Eastern Tech-info Ltd. (Shanghai) (Note F)	Computer software, data processing and provision of network information	181,560 (US$ 6,000,000)	2	198,526 (Note G)	-	-	198,526 (Note G)	681	100.00 (Note C)	681 (Note C)	99,207 (RMB 21,799,000) (Note C)	-
New Diligence Corporation (Shanghai) (Note E)	Consulting services, supporting services, and wholesale of machinery and equipment	-	1	34,103 (US$ 1,127,000)	-	-	34,103 (US$ 1,127,000)	-	-	-	-	-

Company Name	Accumulated Outward Remittance for Investment in Mainland China as of September 30, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note D)
Far EasTone Telecommunications Co., Ltd.	$ 92,616	$ 92,616	$ 40,908,743
New Century InfoComm Tech Co., Ltd.	93,806 (US$ 3,100,000)	93,806 (US$ 3,100,000)	14,167,823
New Diligent Co., Ltd.	451,691 (US$ 14,927,000)	451,691 (US$ 14,927,000)	84,678

Note A: Investment type as follows:

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

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

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

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

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

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

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