Far EasTone Telecommunications Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Three Months Ended March 31, 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 March 31, 2017 and 2016, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months then ended. These consolidated financial statements are the responsibility of Far EasTone's and subsidiaries' management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

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

As disclosed in Note 13 to the consolidated financial statements, the financial statements of certain nonsignificant subsidiaries used as basis for the consolidated financial statements were unreviewed. As of March 31, 2017 and 2016, the unreviewed assets amounted to NT$3,586,910 thousand and NT$4,236,645 thousand (2.8% and 3.0% of the consolidated assets, respectively), and the unreviewed liabilities amounted to NT$1,981,348 thousand and NT$2,274,351 thousand (3.6% and 3.4% of the consolidated liabilities, respectively). The unreviewed comprehensive losses for the three months ended March 31, 2017 and 2016 were NT$(49,992) thousand and NT$(52,923) thousand ((1.7)% and (1.8)%) of the consolidated comprehensive income, respectively). As stated in Note 14 to the consolidated financial statements, the investments accounted for using the equity method as of March 31, 2017 and 2016 were NT$985,255 thousand and NT$1,028,881 thousand, respectively, the credit balance of investments accounted for using the equity method as of March 31, 2017 and 2016 were NT$101,031 thousand and NT$55,841 thousand, respectively, and the related investment comprehensive losses for the three months ended March 31, 2017 and 2016 were NT$(50,606) thousand and NT$(33,357) 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 36 to the consolidated financial statements was not reviewed either.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 4, 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)

	March 31, 2017 (Reviewed)		December 31, 2016 (Audited)		March 31, 2016 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Notes 6 and 31)	$ 8,649,119	7	$ 10,258,743	8	$ 16,305,367	12
Available-for-sale financial assets - current (Notes 4 and 7)	588,378	1	598,132	-	582,010	-
Derivative financial assets for hedging - current (Notes 4, 8 and 31)	9,488	-	2,073	-	34,976	-
Debt investments with no active market - current (Notes 4, 10 and 31)	1,084,074	1	910,396	1	1,009,899	1
Notes receivable, net (Notes 4 and 11)	68,298	-	64,361	-	48,013	-
Accounts receivable, net (Notes 4 and 11)	6,444,638	5	7,445,520	6	6,723,939	5
Accounts receivable - related parties (Notes 4, 11 and 31)	163,603	-	205,425	-	169,232	-
Inventories (Notes 4 and 12)	3,042,356	2	2,488,365	2	3,166,500	2
Prepaid expenses	1,207,656	1	1,190,030	1	1,303,640	1
Other financial assets - current (Notes 4, 31 and 32)	3,080,749	2	3,079,280	2	2,780,681	2
Other current assets (Note 31)	272,893	-	315,063	-	321,354	-
Total current assets	24,611,252	19	26,557,388	20	32,445,611	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 and 14)	985,255	1	1,025,081	1	1,028,881	1
Property, plant and equipment, net (Notes 4, 15 and 31)	48,688,721	38	49,849,572	37	51,432,604	36
Investment properties (Notes 4 and 16)	1,041,406	1	1,041,406	1	1,107,586	1
Concessions, net (Notes 1, 4 and 17)	37,627,585	29	38,383,531	29	40,410,178	28
Goodwill (Notes 4 and 17)	10,808,901	8	10,808,901	8	10,808,901	8
Other intangible assets (Notes 4 and 17)	3,284,928	2	3,266,025	2	3,028,457	2
Deferred income tax assets (Note 4)	922,691	1	943,784	1	758,621	1
Other noncurrent assets (Notes 4, 18, 31 and 32)	726,650	1	713,326	1	714,690	-
Total noncurrent assets	104,349,445	81	106,249,934	80	109,508,226	77
TOTAL	$ 128,960,697	100	$ 132,807,322	100	$ 141,953,837	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Notes 4 and 19)	$ 2,499,000	2	$ 2,800,000	2	$ 3,424,990	2
Short-term bills payable (Notes 4 and 19)	2,848,400	2	3,149,171	2	229,698	-
Derivative financial liabilities for hedging - current (Notes 4, 8 and 31)	56,144	-	47,767	-	-	-
Notes payable	41,727	-	15,425	-	32,103	-
Accounts payable (Note 31)	5,116,025	4	4,126,464	3	5,355,596	4
Other payables (Note 21)	7,094,356	5	8,795,001	7	8,693,385	6
Current tax liabilities (Note 4)	2,710,057	2	2,157,366	2	2,298,052	2
Provisions - current (Notes 4 and 22)	216,968	-	219,922	-	209,267	-
Unearned revenue (Note 4)	2,424,623	2	2,447,193	2	2,441,233	2
Current portion of long-term borrowings (Notes 4 and 20)	6,198,144	5	6,197,478	5	1,599,339	1
Guarantee deposits received - current	253,560	-	257,597	-	260,724	-
Other current liabilities (Note 31)	736,655	1	767,320	-	625,692	1
Total current liabilities	30,195,659	23	30,980,704	23	25,170,079	18
NONCURRENT LIABILITIES						
Bonds payable (Notes 4 and 20)	17,383,036	14	12,190,103	9	18,382,823	13
Long-term borrowings (Notes 4 and 19)	2,899,797	2	14,048,345	11	19,097,181	13
Provisions - noncurrent (Notes 4 and 22)	863,795	1	859,586	1	816,854	1
Deferred income tax liabilities (Note 4)	1,628,501	1	1,595,238	1	1,501,225	1
Deferred revenue - noncurrent (Notes 4 and 21)	187,220	-	193,188	-	208,670	-
Net defined benefit liabilities - noncurrent (Note 4)	760,715	1	764,232	1	729,852	1
Guarantee deposits received - noncurrent	295,412	-	310,364	-	314,086	-
Other noncurrent liabilities (Notes 4 and 14)	154,555	-	142,961	-	127,291	-
Total noncurrent liabilities	24,173,031	19	30,104,017	23	41,177,982	29
Total liabilities	54,368,690	42	61,084,721	46	66,348,061	47
EQUITY ATTRIBUTABLE TO OWNERS OF FAR EASTONE						
Capital stock						
Common stock	32,585,008	25	32,585,008	24	32,585,008	23
Capital surplus	10,166,874	8	10,166,874	8	12,058,158	9
Retained earnings						
Legal reserve	16,270,878	13	16,270,878	12	15,127,206	11
Special reserve	769,907	-	769,907	1	824,480	-
Unappropriated earnings	14,183,076	11	11,346,830	8	14,436,883	10
Total retained earnings	31,223,861	24	28,387,615	21	30,388,569	21
Other equity	(107,812)	-	(133,479)	-	(188,685)	-
Total equity attributable to owners of Far EasTone	73,867,931	57	71,006,018	53	74,843,050	53
NONCONTROLLING INTERESTS	724,076	1	716,583	1	762,726	-
Total equity	74,592,007	58	71,722,601	54	75,605,776	53
TOTAL	$ 128,960,697	100	$ 132,807,322	100	$ 141,953,837	100

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

(With Deloitte & Touche review report dated May 4, 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 March 31			
	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 25 and 31)	$ 22,480,387	100	$ 23,819,456	100
OPERATING COSTS (Notes 4, 12, 26 and 31)	13,198,877	59	14,207,575	60
GROSS PROFIT	9,281,510	41	9,611,881	40
OPERATING EXPENSES (Notes 4, 26 and 31)				
Marketing	4,051,437	18	4,288,621	18
General and administrative	1,448,752	6	1,479,224	6
Total operating expenses	5,500,189	24	5,767,845	24
OPERATING INCOME	3,781,321	17	3,844,036	16
NONOPERATING INCOME AND EXPENSES				
Other income (Notes 4 and 31)	18,806	-	22,965	-
Other gains and losses (Notes 4 and 8)	5,144	-	30,179	-
Financial costs (Notes 4, 26 and 31)	(107,978)	-	(116,120)	-
Loss on disposal of property, plant and equipment and intangible assets (Note 4)	(181,170)	(1)	(124,527)	(1)
Share of the loss of associates (Note 4)	(69,269)	-	(18,761)	-
Total nonoperating income and expenses	(334,467)	(1)	(206,264)	(1)
INCOME BEFORE INCOME TAX	3,446,854	16	3,637,772	15
INCOME TAX (Notes 4 and 27)	603,199	3	627,516	3
NET INCOME	2,843,655	13	3,010,256	12
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Notes 4 and 24)	(1,758)	-	251	-
Unrealized losses on available-for-sale financial assets (Notes 4 and 24)	(8,096)	-	(73,878)	-

(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2017		2016	
	Amount	%	Amount	%
Cash flow hedges (Notes 4, 8 and 24)	$ 16,942	-	$ 24,847	-
Share of other comprehensive income of associates accounted for using the equity method (Notes 4 and 24)	18,663	-	(14,596)	-
Total other comprehensive income, net of income tax	25,751	-	(63,376)	-
TOTAL COMPREHENSIVE INCOME	$ 2,869,406	13	$ 2,946,880	12
NET INCOME ATTRIBUTABLE TO:				
Owners of Far EasTone	$ 2,836,246	13	$ 3,000,158	13
Noncontrolling interests	7,409	-	10,098	-
	$ 2,843,655	13	$ 3,010,256	13
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of Far EasTone	$ 2,861,913	13	$ 2,936,685	12
Noncontrolling interests	7,493	-	10,195	-
	$ 2,869,406	13	$ 2,946,880	12
EARNINGS PER SHARE, NEW TAIWAN DOLLARS (Notes 4 and 28)				
Basic	$ 0.87		$ 0.92	
Diluted	$ 0.87		$ 0.92	

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

(With Deloitte & Touche review report dated May 4, 2017) (Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of Far EasTone										
			Retained Earnings			Other Equity					
	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 (Losses) Gains 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
Net income for the three months ended March 31, 2016	-	-	-	-	3,000,158	-	-	-	3,000,158	10,098	3,010,256
Other comprehensive income (losses) for the three months ended March 31, 2016, net of income tax	-	-	-	-	-	(275)	(73,878)	10,680	(63,473)	97	(63,376)
BALANCE AT MARCH 31, 2016	$ 32,585,008	$ 12,058,158	$ 15,127,206	$ 824,480	$ 14,436,883	$ 554	$ (59,253)	$ (129,986)	$ 74,843,050	$ 762,726	$ 75,605,776
BALANCE AT JANUARY 1, 2017	$ 32,585,008	$ 10,166,874	$ 16,270,878	$ 769,907	$ 11,346,830	$ 4,638	$ (45,872)	$ (92,245)	$ 71,006,018	$ 716,583	$ 71,722,601
Net income for the three months ended March 31, 2017	-	-	-	-	2,836,246	-	-	-	2,836,246	7,409	2,843,655
Other comprehensive income (losses) for the three months ended March 31, 2017, net of income tax	-	-	-	-	-	(1,811)	(8,096)	35,574	25,667	84	25,751
BALANCE AT MARCH 31, 2017	$ 32,585,008	$ 10,166,874	$ 16,270,878	$ 769,907	$ 14,183,076	$ 2,827	$ (53,968)	$ (56,671)	$ 73,867,931	$ 724,076	$ 74,592,007

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

(With Deloitte & Touche review report dated May 4, 2017)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 3,446,854	$ 3,637,772
Adjustments for:		
Depreciation	2,447,478	2,255,657
Amortization	202,995	197,447
Amortization of concessions	755,946	554,691
Allowance for doubtful accounts	123,875	101,578
Financial costs	107,978	116,120
Interest income	(10,682)	(12,115)
Share of the loss of associates	69,269	18,761
Loss on disposal of property, plant and equipment and intangible assets	181,170	124,527
Gain on disposal of financial assets	(945)	(265)
(Reversal of write-down) write-down of inventories	(672)	8,433
Deferred gain (loss) on derivative assets for hedging	21,375	(18,490)
Net changes in operating assets and liabilities		
Notes receivable	(3,937)	12,607
Accounts receivable	877,007	(29,884)
Accounts receivable - related parties	41,822	54,952
Inventories	(553,319)	1,330,262
Prepaid expenses	(17,626)	(42,812)
Other current assets	15,503	(11,261)
Notes payable	26,302	18,609
Accounts payable	989,561	828,638
Other payables	(1,104,678)	(540,146)
Provisions	(8,605)	328
Unearned revenue	(22,570)	(3,740)
Other current liabilities	(21,220)	225,739
Net defined benefit liabilities	(3,557)	(2,356)
Cash generated from operations	7,559,324	8,825,052
Interest received	6,634	10,430
Interest paid	(24,057)	(43,447)
Income taxes paid	(5,381)	(2,422)
Net cash generated from operating activities	7,536,520	8,789,613
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds of the disposal of available-for-sale financial assets	-	190,134
(Acquisition) proceeds of the disposal of debt investments with no active market	(173,678)	512,153
Acquisition of financial assets carried at cost	(45,000)	-
Proceeds of the disposal of financial asset carried at cost	945	-

(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31	
	2017	**2016**
Acquisition of property, plant and equipment	$ (2,118,560)	$ (2,270,727)
Proceeds of the disposal of property, plant and equipment	12,279	5,979
Increase in refundable deposits	(67,056)	(83,540)
Decrease in refundable deposits	53,854	81,578
Acquisition of intangible assets	(222,005)	(8,320,514)
Increase in other financial assets	(1,551)	(3,212)
Net cash used in investing activities	(2,560,772)	(9,888,149)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term borrowings	(301,000)	2,918,019
Decrease in short-term bills payable	(300,771)	(100,010)
Proceeds of the issuance of bonds payable	5,191,611	-
Repayment of long-term borrowings	(11,148,548)	(1,392,820)
Increase in guarantee deposits received	17,919	26,457
Decrease in guarantee deposits received	(36,908)	(37,254)
Decrease in deferred revenue	(5,968)	(5,697)
Net cash (used in) generated from financing activities	(6,583,665)	1,408,695
EFFECT OF EXCHANGE RATE CHANGES	(1,707)	441
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,609,624)	310,600
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	10,258,743	15,994,767
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 8,649,119	$ 16,305,367

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

(With Deloitte & Touche review report dated May 4, 2017) (Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 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 March 31, 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, and the license of GSM900 for the northern region of Taiwan was renewed and is valid from the application date to June 30, 2017.

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

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

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

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

2. REPORT OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were reported to Far EasTone's board of directors on May 4, 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) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

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

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

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

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

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

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions are enhanced. Refer to Note 31 for related disclosures.

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

The Group has not applied the following IFRSs issued by the IASB but not yet endorsed and issued into effect by the FSC.

The FSC announced that amendments to IFRS 9 and IFRS 15 will take effect starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendments to IFRS 2 “Classification and Measuremet of Share-based Payment Transactions”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
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 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendment to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
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

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

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

1) IFRS 9 “Financial Instruments”

Recognition and measurement 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 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 impairment of financial assets

IFRS 9 requires that impairment loss on financial assets is recognized by using the "Expected Credit Losses Model". The credit 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.

Hedge accounting

The main changes in hedge accounting amended the application requirements for hedge accounting to better reflect the entity's risk management activities. Compared with IAS 39, the main changes include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the risk eligible for hedge accounting of non-financial items; (2) changing the way hedging 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.

Transition

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period and restatement of prior periods is not required. The requirements for general hedge accounting shall be applied prospectively and the accounting for hedging options shall be applied retrospectively.

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 supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations from January 1, 2018.

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

a) Identify the contract with the customer;
b) Identify the performance obligations in the contract;

c) Determine the transaction price;
d) Allocate the transaction price to the performance obligations in the contract; and
e) Recognize revenue when the entity satisfies a performance obligation.

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.

Direct and 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. This will lead to the later recognition of charges for certain customer-obtaining costs.

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. Under current standard, 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.

Under current standard, the Group determines whether it is a principal or an agent based on its exposure to the significant risks and rewards of the transaction.

When IFRS 15 and related amendment are effective, an entity may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

3) 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 consolidation

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

c. 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

	March 31, 2017	December 31, 2016	March 31, 2016
Cash on hand	$ 14,174	$ 45,668	$ 13,917
Checking and demand deposits	1,528,617	1,317,818	5,658,961
Cash equivalents			
Commercial paper purchased under resell agreements	3,200,086	8,864,085	10,482,656
Certificates of deposits	3,906,242	31,172	149,833
	$ 8,649,119	$ 10,258,743	$ 16,305,367

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	March 31, 2017	December 31, 2016	March 31, 2016
Current			
Overseas investments			
Mutual funds	$ 588,378	$ 598,132	$ 582,010

8. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	March 31, 2017	December 31, 2016	March 31, 2016
Financial assets - current			
Cash flow hedge			
Forward exchange contracts	$ -	$ 2,073	$ 11,286
Foreign exchange swap contracts	9,488	-	23,690
	$ 9,488	$ 2,073	$ 34,976

(Continued)

	March 31, 2017	December 31, 2016	March 31, 2016
Financial liabilities - current			
Cash flow hedge			
Forward exchange contracts	$ 56,144	$ 40,229	$ -
Foreign exchange swap contracts	-	7,538	-
	$ 56,144	$ 47,767	$ -

(Concluded)

Cash Flow Hedge

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

	Currency	Maturity Date/Period	Contract Amount (In Thousands)
March 31, 2017			
Forward exchange contracts	NT$ to EUR	2017.04.25-2017.10.25	EUR 21,000
Foreign exchange swap contracts	US$ to NT$	2017.04.10-2017.05.15	US$ 20,000
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
March 31, 2016			
Forward exchange contracts	NT$ to EUR	2016.04.25-2016.09.26	EUR 19,000
Foreign exchange swap contracts	US$ to NT$	2016.04.15-2016.05.31	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 ended March 31, 2017 and 2016, expected future trading exposures on above contracts, amounting to $16,942 thousand and $24,847 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 March 31	
	2017	2016
Other gains and losses	$ (21,252)	$ (10,018)

9. FINANCIAL ASSETS CARRIED AT COST

	March 31, 2017	December 31, 2016	March 31, 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 range of reasonable fair value estimates was so significant; therefore they were measured at cost less impairment at the end of reporting period.

10. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	March 31, 2017	December 31, 2016	March 31, 2016
Current			
Certificates of deposits with original maturity more than 3 months	$ 1,084,074	$ 910,396	$ 1,009,899

11. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	March 31, 2017	December 31, 2016	March 31, 2016
Notes receivable			
Notes receivable - operating	$ 68,298	$ 64,361	$ 48,013
Less: Allowance for doubtful accounts	-	-	-
	$ 68,298	$ 64,361	$ 48,013
Accounts receivable			
Accounts receivable	$ 7,535,049	$ 8,550,522	$ 7,934,048
Less: Allowance for doubtful accounts	(926,808)	(899,577)	(1,040,877)
	$ 6,608,241	$ 7,650,945	$ 6,893,171

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:

	March 31, 2017	December 31, 2016	March 31, 2016
Not overdue	$ 6,193,445	$ 7,091,325	$ 6,421,357
Overdue			
0-60 days	303,365	381,567	331,510
61 days or more	111,431	178,053	140,304
	$ 6,608,241	$ 7,650,945	$ 6,893,171

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

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

Movements of the allowance for doubtful accounts were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	$ 1,554	$ 898,023	$ 899,577
Add: Accounts recovered during the period	-	59,217	59,217
Add: Impairment losses/bad debts (reversed)	(40)	123,915	123,875
Less: Amounts written off during the period as uncollectable	(326)	(155,535)	(155,861)
Balance at March 31, 2017	$ 1,188	$ 925,620	$ 926,808
Balance at January 1, 2016	$ 5,845	$ 1,050,538	$ 1,056,383
Add: Accounts recovered during the period	-	55,686	55,686
Add: Impairment losses/bad debts	-	101,578	101,578
Less: Amounts written off during the period as uncollectable	(5,845)	(166,925)	(172,770)
Balance at March 31, 2016	$ -	$ 1,040,877	$ 1,040,877

12. INVENTORIES

	March 31, 2017	December 31, 2016	March 31, 2016
Cellular phone equipment and accessories	$ 2,649,466	$ 2,020,733	$ 2,585,751
Others	392,890	467,632	580,749
	$ 3,042,356	$ 2,488,365	$ 3,166,500

Costs of inventories sold were $6,156,029 thousand and $7,308,195 thousand, respectively, for the three months ended March 31, 2017 and 2016.

The inventory reversal of write-down (write-down) amounting to $672 thousand and $(8,433) thousand were included in the cost of sales for the three months ended March 31, 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**	**March 31, 2017**	**December 31, 2016**	**March 31, 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	
	Hiiir	Electronic information providing services	89.54	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
New Diligent	FEND	Investment	100.00	100.00	100.00	
	Sino Lead	Telecommunications services	100.00	100.00	100.00	
	New Diligent Hong Kong Company Ltd.	Investment	-	-	-	Establishment completed on December 4, 2014, but the investment amount had not been remitted to the investee as of March 31, 2017
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 three months ended March 31, 2017 and 2016, all the financial statements were unreviewed.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	March 31, 2017	December 31, 2016	March 31, 2016
Material associate			
Far Eastern Electronic Toll Collection Co., Ltd.	$ 671,998	$ 685,125	$ 634,040
Associates that are not individually material	212,226	249,706	339,000
	884,224	934,831	973,040
Credit balance on carrying values of investments accounted for using equity method reclassified to other liabilities	101,031	90,250	55,841
	$ 985,255	$ 1,025,081	$ 1,028,881

Material associates:

			Interests and the Voting Rights		
Company	Nature of Business	Main Place	March 31, 2017	December 31, 2016	March 31, 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	-	351	8,026	749	281	4,403	4,638	1,452,375	1,470,823
Disposals	-	(846)	(295,292)	(20,540)	(1,263)	(9,062)	(17,562)	(7,049)	(351,614)
Effect of foreign currency exchange difference	-	-	(2)	(142)	(18)	(30)	-	-	(192)
Adjustments and reclassification	-	27,716	1,933,759	165,640	10,368	28,313	40,402	(2,200,564)	5,634
Balance at March 31, 2017	$ 5,320,000	$ 7,908,484	$ 129,392,942	$ 15,150,846	$ 1,240,224	$ 4,660,082	$ 1,583,980	$ 1,357,403	$ 166,613,961
Accumulated depreciation and impairment									
Balance at January 1, 2017	$ (96,557)	$ (3,677,699)	$ (93,153,282)	$ (12,648,310)	$ (1,208,474)	$ (3,562,134)	$ (1,293,282)	$ -	$ (115,639,738)
Depreciation expense	-	(61,611)	(1,950,978)	(295,699)	(8,936)	(98,855)	(31,399)	-	(2,447,478)
Disposals	-	846	122,676	19,295	1,097	7,290	16,210	-	167,414

(Continued)

	Freehold Land	Building	Operating Equipment	Computer Equipment	Office Equipment	Leasehold Improvements	Miscellaneous Equipment	Construction-in-progress	Total
Effect of foreign currency exchange difference	$ -	$ -	$ 2	$ 100	$ 10	$ 29	$ -	$ -	$ 141
Adjustments and reclassification	-	-	(5,666)	-	-	87	-	-	(5,579)
Balance at March 31, 2017	$ (96,557)	$ (3,738,464)	$ (94,987,248)	$ (12,924,614)	$ (1,216,303)	$ (3,653,583)	$ (1,308,471)	$ -	$ (117,925,240)
Carrying amount at 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 March 31, 2017	$ 5,223,443	$ 4,170,020	$ 34,405,694	$ 2,226,232	$ 23,921	$ 1,006,499	$ 275,509	$ 1,357,403	$ 48,688,721
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	-	386	9,720	-	567	9,808	17,087	1,733,154	1,770,722
Disposals	-	(335)	(671,663)	(4,218)	(1,648)	(7,641)	(7,141)	(4,391)	(697,037)
Effect of foreign currency exchange difference	-	-	-	(154)	(8)	(3)	-	-	(165)
Adjustments and reclassification	-	88,822	2,132,799	145,304	2,690	78,637	32,627	(2,482,116)	(1,237)
Balance at March 31, 2016	$ 5,320,095	$ 7,788,292	$ 132,099,635	$ 14,870,889	$ 1,229,001	$ 4,815,528	$ 1,554,193	$ 1,630,148	$ 169,307,781
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	-	(56,299)	(1,760,960)	(300,615)	(10,669)	(98,594)	(28,520)	-	(2,255,657)
Disposals	-	335	551,852	4,095	1,549	5,315	7,129	-	570,275
Effect of foreign currency exchange difference	-	-	-	39	5	4	-	-	48
Adjustments and reclassification	-	-	-	-	-	-	-	-	-
Balance at March 31, 2016	$ (96,557)	$ (3,573,079)	$ (95,982,958)	$ (12,194,248)	$ (1,194,730)	$ (3,554,206)	$ (1,279,399)	$ -	$ (117,875,177)
Carrying amount at March 31, 2016	$ 5,223,538	$ 4,215,213	$ 36,116,677	$ 2,676,641	$ 34,271	$ 1,261,322	$ 274,794	$ 1,630,148	$ 51,432,604

(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 March 31, 2017 and December 31, 2016	$ 1,041,406
Balance at March 31, 2016	$ 1,107,586

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

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

	March 31, 2017	December 31, 2016	March 31, 2016
No later than 1 year	$ 25,595	$ 20,480	$ 23,669
Later than 1 year and not later than 5 years	57,124	41,189	46,097
Later than 5 years	3,544	-	678
	$ 86,263	$ 61,669	$ 70,444

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

	March 31, 2017	December 31, 2016	March 31, 2016
Independent valuation	$ 1,041,406	$ 1,041,406	$ 1,107,586

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 March 31, 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.

	March 31, 2017	December 31, 2016	March 31, 2016
Expected future cash inflows	$ 1,685,023	$ 1,685,023	$ 1,392,344
Expected future cash outflows	(48,936)	(48,936)	(36,476)
Expected future cash inflows, net	$ 1,636,087	$ 1,636,087	$ 1,355,868
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 ended March 31, 2017 and 2016 were $6,272 thousand and $6,431 thousand, respectively.

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

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

17. INTANGIBLE ASSETS

	Concessions	Goodwill	Computer Software	Other Intangible Assets	Total
Cost					
Balance at January 1, 2017	$ 50,614,000	$ 10,883,789	$ 16,304,182	$ 1,180,722	$ 78,982,693
Additions	-	-	222,005	-	222,005
Disposals	-	-	(45,958)	(3,934)	(49,892)
Effect of foreign currency exchange difference	-	-	-	-	-
Adjustments and reclassification	-	-	-	(5,752)	(5,752)
Balance at March 31, 2017	$ 50,614,000	$ 10,883,789	$ 16,480,229	$ 1,171,036	$ 79,149,054
Accumulated amortization and impairment					
Balance at January 1, 2017	$(12,230,469)	$ (74,888)	$(13,438,409)	$ (780,470)	$(26,524,236)
Amortization	(755,946)	-	(189,427)	(13,568)	(958,941)
Disposals	-	-	45,906	3,934	49,840
Effect of foreign currency exchange difference	-	-	-	-	-
Adjustments and reclassification	-	-	-	5,697	5,697
Balance at March 31, 2017	$(12,986,415)	$ (74,888)	$(13,581,930)	$ (784,407)	$(27,427,640)
Carrying amount at January 1, 2017	$ 38,383,531	$ 10,808,901	$ 2,865,773	$ 400,252	$ 52,458,457
Carrying amount at March 31, 2017	$ 37,627,585	$ 10,808,901	$ 2,898,299	$ 386,629	$ 51,721,414
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	-	190,514	-	9,320,514
Disposals	-	-	(39)	(708)	(747)
Effect of foreign currency exchange difference	-	-	(62)	(332)	(394)
Adjustments and reclassification	-	-	1,237	-	1,237
Balance at March 31, 2016	$ 50,614,000	$ 10,883,789	$ 17,171,665	$ 1,262,770	$ 79,932,224
Accumulated amortization and impairment					
Balance at January 1, 2016	$ (9,649,131)	$ (74,888)	$(14,432,589)	$ (777,010)	$(24,933,618)
Amortization	(554,691)	-	(177,793)	(19,654)	(752,138)
Disposals	-	-	39	708	747
Effect of foreign currency exchange difference	-	-	45	276	321
Adjustments and reclassification	-	-	-	-	-
Balance at March 31, 2016	$(10,203,822)	$ (74,888)	$(14,610,298)	$ (795,680)	$(25,684,688)
Carrying amount at March 31, 2016	$ 40,410,178	$ 10,808,901	$ 2,561,367	$ 467,090	$ 54,247,536

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

	March 31, 2017	December 31, 2016	March 31, 2016
Refundable deposits	$ 687,346	$ 674,144	$ 671,519
Other financial assets	21,291	21,209	25,140
Others	18,013	17,973	18,031
	$ 726,650	$ 713,326	$ 714,690

19. BORROWINGS

a. Short-term borrowings

	March 31, 2017	December 31, 2016	March 31, 2016
Unsecured bank loans			
Credit loans	$ 2,499,000	$ 2,800,000	$ 3,424,990
Credit loans interest rate	0.68%-1.80%	0.70%-1.80%	0.80%-4.95%

b. Short-term bills payable

	March 31, 2017	December 31, 2016	March 31, 2016
Commercial paper payable	$ 2,850,000	$ 3,150,000	$ 230,000
Less: Unamortized discount	1,600	829	302
	$ 2,848,400	$ 3,149,171	$ 229,698
Interest rate	0.598%-1.188%	0.858%-1.50%	1.20%-1.27%

c. Long-term borrowings

	March 31, 2017	December 31, 2016	March 31, 2016
Unsecured bank loans			
Credit loans	$ 2,500,000	$ 12,150,000	$ 14,400,000
Long-term commercial paper payables	400,000	1,900,000	4,700,000
Less: Unamortized discount on commercial paper	203	1,655	2,819
Long-term borrowings	$ 2,899,797	$ 14,048,345	$ 19,097,181
Credit loans interest rate	1.13%	0.74%-1.13%	0.85%-1.10%
Commercial paper payables interest rate	1.0063%-1.0460%	0.9930%-1.0447%	1.0247%-1.0812%

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 March 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

	March 31, 2017	December 31, 2016	March 31, 2016
4th unsecured domestic bonds	$ 4,995,735	$ 4,995,406	$ 4,994,419
5th unsecured domestic bonds	4,997,519	4,997,042	4,995,610
6th unsecured domestic bonds	8,395,913	8,395,133	9,992,133
2016 1st unsecured domestic bonds	5,192,013	-	-
	23,581,180	18,387,581	19,982,162
Less: Current portion	6,198,144	6,197,478	1,599,339
Long-term bonds payable	$ 17,383,036	$ 12,190,103	$ 18,382,823

On January 5, 2017, Far EasTone issued the first five-year unsecured domestic bonds of 2016, with an aggregate principal amount of $5,200,000 thousand and a par value of $10,000 thousand and a coupon interest rate of 1.17%, with simple interest due annually. Repayment will be made in full at maturity. Far EasTone had no additional issuance or repayment of the bonds during the three months ended March 31, 2016.

21. OTHER LIABILITIES

	March 31, 2017	December 31, 2016	March 31, 2016
Current			
Other payables			
Commission	$ 2,372,887	$ 2,440,718	$ 2,397,336
Acquisition of properties	868,400	1,534,809	1,737,356
Salary and bonus	810,794	1,336,932	707,844
Employees' compensation and remuneration to directors	208,018	376,011	511,544
Other	2,834,257	3,106,531	3,339,305
	$ 7,094,356	$ 8,795,001	$ 8,693,385
Noncurrent			
Deferred revenue			
Cable and lease line service fee	$ 187,220	$ 193,188	$ 208,670

22. PROVISIONS

	March 31, 2017	December 31, 2016	March 31, 2016
Current			
Dismantling obligation	$ 114,241	$ 115,985	$ 114,780
Product warranty	102,727	103,937	94,487
	$ 216,968	$ 219,922	$ 209,267
Noncurrent			
Dismantling obligation	$ 863,795	$ 859,586	$ 816,854

	Dismantling Obligation	Product Warranty
Balance at January 1, 2017	$ 975,571	$ 103,937
Additional provisions recognized	9,860	10,083
Reductions arising from payments	(7,395)	(11,293)
Balance at March 31, 2017	$ 978,036	$ 102,727
Balance at January 1, 2016	$ 926,125	$ 88,526
Additional provisions recognized	11,143	16,140
Reductions arising from payments	(5,634)	(10,179)
Balance at March 31, 2016	$ 931,634	$ 94,487

23. RETIREMENT BENEFIT PLANS

For defined benefit plans, employee benefit expenses as of and for the three months ended March 31, 2017 and 2016 were calculated as $5,479 thousand and $6,579 thousand by the actuarially determined pension cost discount rate as of December 31, 2016 and 2015.

24. EQUITY

a. Share capital

1) Common shares

	March 31, 2017	December 31, 2016	March 31, 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 March 31, 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	372,127
GDRs transferred to common stock		(34,028)	(510,420)
Outstanding GDRs issued		584	8,754

a) On June 1, 2004, the Securities and Futures Bureau (SFB) approved Far EasTone's request to sell to foreign investors 150,000 thousand shares of Far EasTone's common stock in the form of 10,000 thousand units of GDRs. One GDR unit represents 15 shares of Far EasTone's common stock. The issuance of the GDRs was completed on June 17, 2004 and the GDRs were traded and listed on the Luxembourg Stock Exchange with a price of US$13.219 per unit.

b) On July 20, 2004, the SFB approved Far EasTone's request to issue new common stock in the form of GDRs amounting to US$114,500 thousand to be used for the conversion of overseas convertible bonds. As of March 31, 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 March 31, 2017, Far EasTone had reissued 24,809 thousand units of GDRs representing 372,127 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

	March 31, 2017	**December 31, 2016**	**March 31, 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	$ 3,561,389
From business combination	8,482,381	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
	$ 10,166,874	$ 10,166,874	$ 12,058,158

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 proposed by the board of directors on February 15, 2017 and approved in the stockholders' meeting on 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 will receive NT$3.75 (projected) and received NT$3.75 per share in 2017 and 2016, respectively.

The appropriation of earnings for 2016 are subject to the resolution of the stockholders' meeting to be held on June 23, 2017.

d. Other equity items

Other adjustment for the three months ended March 31, 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 three months ended March 31, 2017				
Beginning balance	$ 4,638	$ (45,872)	$ (92,245)	$ (133,479)
Recorded as adjustments to stockholders' equity	(1,843)	(8,096)	(696)	(10,635)
Recorded as profit or loss	-	-	17,639	17,639
Share of other comprehensive income of associates	32	-	18,631	18,663
Ending balance	$ 2,827	$ (53,968)	$ (56,671)	$ (107,812)
For the three months ended March 31, 2016				
Beginning balance	$ 829	$ 14,625	$ (140,666)	$ (125,212)
Recorded as adjustments to stockholders' equity	154	(66,644)	16,532	(49,958)
Recorded as profit or loss	-	(7,234)	8,315	1,081
Share of other comprehensive income of associates	(429)	-	(14,167)	(14,596)
Ending balance	$ 554	$ (59,253)	$ (129,986)	$ (188,685)

e. Noncontrolling interests

	For the Three Months Ended March 31	
	2017	2016
Beginning balance	$ 716,583	$ 752,531
Attributable to noncontrolling interests		
Share of profit	7,409	10,098
Exchange differences on translating foreign operations	84	97
Ending balance	$ 724,076	$ 762,726

25. REVENUE

	For the Three Months Ended March 31	
	2017	2016
Sales of inventories	$ 4,991,784	$ 5,782,295
Telecommunications service revenues	16,093,757	16,931,355
Other	1,394,846	1,105,806
	$ 22,480,387	$ 23,819,456

26. CONSOLIDATED NET INCOME

a. Depreciation and amortization

	For the Three Months Ended March 31	
	2017	2016
Property, plant and equipment	$ 2,447,478	$ 2,255,657
Intangible asset	202,995	197,447
	$ 2,650,473	$ 2,453,104
Depreciation expense categorized by function		
Operating costs	$ 2,151,746	$ 1,972,507
Operating expenses	295,732	283,150
	$ 2,447,478	$ 2,255,657
Amortization expense categorized by function		
Operating costs	$ 72,109	$ 82,744
Marketing expenses	32,005	22,045
General and administrative expenses	98,881	92,658
	$ 202,995	$ 197,447

b. Finance costs

	For the Three Months Ended March 31	
	2017	2016
Interest on financial liabilities measured at amortized cost	$ 81,768	$ 70,757
Interest expense on bank loans and commercial paper	17,586	40,314
Other finance costs	8,624	5,049
	$ 107,978	$ 116,120

c. Employee benefits expense

	For the Three Months Ended March 31	
	2017	2016
Retirement benefits		
Defined contribution plans	$ 80,493	$ 81,425
Defined benefit plans	5,479	6,579
	85,972	88,004
Other employee benefits		
Salary	1,527,888	1,491,600
Insurance	138,965	131,015
Other	85,982	88,532
	1,752,835	1,711,147
	$ 1,838,807	$ 1,799,151
Categorized by function		
Operating cost	$ 306,139	$ 303,909
Operating expense	1,532,668	1,495,242
	$ 1,838,807	$ 1,799,151

d. Employees' compensation and remuneration to directors

In compliance with the Company Act as amended in May 2015 and the amended Articles resolved by the stockholders' meeting in June 2016, the amendments stipulate distribution of employees' compensation and remuneration to directors at the rates of 1% to 2% and no higher than 1%, respectively, of net profit before income tax, employees' compensation and remuneration to directors. For the three months ended March 31, 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 ended March 31, 2017 and 2016 were as follows:

	For the Three Months Ended March 31	
	2017	2016
Employees' compensation	$ 68,303	$ 72,701
Remuneration to directors	$ 24,589	$ 26,172

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 March 31	
	2017	**2016**
Current tax	$ 550,656	$ 586,013
Deferred tax	52,543	41,503
Income tax recognized in profit or loss	$ 603,199	$ 627,516

b. Income tax expense recognized in other comprehensive income

	For the Three Months Ended March 31	
	2017	**2016**
Deferred tax		
In respect of the current period		
Unrealized gains (losses) on available-for-sale financial assets	$ 1,658	$ (463)
Fair value changes of hedging instruments for cash flow hedges	(3,471)	(1,477)
Income tax recognized in other comprehensive income	$ (1,813)	$ (1,940)

c. Integrated income tax

	March 31, 2017	**December 31, 2016**	**March 31, 2016**
Unappropriated earnings			
Generated in and after 1998	$ 14,183,076	$ 11,346,830	$ 14,436,883
Balance of imputation credit account (ICA)			
Far EasTone	$ 1,394,481	$ 1,394,481	$ 2,197,359

	For the Years Ended December 31	
	2016 (Expected)	**2015**
Creditable ratio for distribution of earnings	18.30%	20.48%

d. Income tax assessments

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

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

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

28. EARNINGS PER SHARE

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

Net Income for the Period

	For the Three Months Ended March 31	
	2017	**2016**
Net income for the period attributable to Far EasTone	$ 2,836,246	$ 3,000,158
Effect of dilutive potential common stock:		
Employees' compensation	-	-
Earnings used in the calculation of diluted earnings per share	$ 2,836,246	$ 3,000,158

Weighted Average Number of Common Shares Outstanding

(In Thousand Shares)

	For the Three Months Ended March 31	
	2017	**2016**
Weighted average number of common shares used in the calculation of basic earnings per share	3,258,501	3,258,501
Effect of potentially dilutive common stock:		
Employees' compensation	2,766	3,207
Weighted average number of common shares used in the calculation of diluted earnings per share	3,261,267	3,261,708

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

29. 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:

	March 31, 2017	December 31, 2016	March 31, 2016
Not later than 1 year	$ 3,193,487	$ 3,223,541	$ 3,368,703
Later than 1 year and not later than 5 years	5,109,536	5,163,828	5,815,109
Later than 5 years	103,966	108,070	131,385
	$ 8,406,989	$ 8,495,439	$ 9,315,197

The lease payments recognized as expenses were as follows:

	For the Three Months Ended March 31	
	2017	2016
Minimum lease payment	$ 959,888	$ 956,614

b. The Group as lessor

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

30. FINANCIAL INSTRUMENTS

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

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

	March 31, 2017		December 31, 2016		March 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets						
Refundable deposits	$ 687,346	$ 685,215	$ 674,144	$ 671,743	$ 671,519	$ 669,348
Financial liabilities						
Bonds payable	23,581,180	23,739,536	18,387,581	18,585,857	19,982,162	20,057,038

2) Fair value hierarchy

March 31, 2017

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

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

March 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets				
Refundable deposits	$ -	$ -	$ 669,348	$ 669,348
Financial liabilities				
Bonds payable	$ 20,057,038	$ -	$ -	$ 20,057,038

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

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

1) Fair value hierarchy

	March 31, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Available-for-sale financial assets				
Overseas funds	$ -	$ 588,378	$ -	$ 588,378

(Continued)

	March 31, 2017			
	Level 1	Level 2	Level 3	Total
Hedging derivative financial assets				
Foreign exchange swap contracts	$ -	$ -	$ 9,488	$ 9,488
Hedging derivative financial liabilities				
Forward exchange contracts	$ -	$ -	$ 56,144	$ 56,144

(Concluded)

	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

	March 31, 2016			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Overseas funds	$ -	$ 582,010	$ -	$ 582,010
Hedging derivative financial assets				
Forward exchange contracts	$ -	$ -	$ 11,286	$ 11,286
Foreign exchange swap contracts	-	-	23,690	23,690
	$ -	$ -	$ 34,976	$ 34,976

There were no transfers of financial assets and liabilities between Level 1 and Level 2 for the three months ended March 31, 2017 and 2016.

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

	For the Three Months Ended March 31	
	2017	**2016**
Hedging derivative financial instruments		
Beginning balance	$ (45,694)	$ (5,001)
Recognized in profit or loss (included in other gains and losses)	21,252	10,018
Recognized in other comprehensive income	(22,214)	29,959
Ending balance	$ (46,656)	$ 34,976

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

	March 31, 2017	**December 31, 2016**	**March 31, 2016**
Financial assets			
Derivative financial assets for hedging	$ 9,488	$ 2,073	$ 34,976
Loans and receivables (Note 1)	20,330,901	22,840,573	27,897,299
Available-for-sale financial assets (Note 2)	851,686	816,440	800,318
Financial liabilities			
Derivative financial liabilities for hedging	56,144	47,767	-
Measured at amortized cost (Note 3)	44,848,979	52,132,400	57,622,338

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.

<u>Sensitivity analysis</u>

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 Three Months Ended March 31	
	2017	**2016**
Profit or loss		
USD	$ (13,566)	$ (13,824)
EUR	$ (94)	$ 14,054

b) Interest rate risk

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

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

	March 31, 2017	**December 31, 2016**	**March 31, 2016**
Fair value risk			
Financial assets	$ 11,254,709	$ 12,856,252	$ 14,003,745
Financial liabilities	30,435,926	35,660,914	36,175,828
Cash flow risk			
Financial assets	2,206,889	2,025,100	6,734,581
Financial liabilities	2,038,674	3,398,283	7,247,181

Sensitivity analysis

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

Had interest rates been 25 basis points higher/lower and all other variables been held constant, the income before income tax for the three months ended March 31, 2017 and 2016 would have increased (decreased) by $105 thousand and $(320) 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 March 31, 2017 and 2016 would have increased/decreased by $29,419 thousand and $29,101 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, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. The Group's had unused overdraft and bank loan facilities amounting to $47,602,550 thousand, $36,269,977 thousand and $37,596,064 thousand as of March 31, 2017, December 31, 2016 and March 31, 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:

March 31, 2017

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

December 31, 2016

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

March 31, 2016

	Carry Value	Contractual Cash Flows	Within 1 Year	1-5 Years
Short-term borrowings	$ 3,424,990	$ 3,430,116	$ 3,430,116	$ -
Short-term bills payable	229,698	230,000	230,000	-
Long-term borrowings	19,097,181	19,399,760	139,192	19,260,568
Bonds payable	19,982,162	20,837,840	1,879,620	18,958,220
	$ 42,734,031	$ 43,897,716	$ 5,678,928	$ 38,218,788

31. TRANSACTIONS WITH RELATED PARTIES

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

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

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

(Continued)

Related Party	Relationship with the Group
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 March 31	
	2017	2016
FENC	$ 15,834	$ 9,810
Subsidiaries of FENC	89,693	68,368
Other related parties	55,262	52,693
	$ 160,789	$ 130,871

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 March 31	
	2017	2016
Cost of telecommunications service		
Subsidiaries of FENC	$ 540	$ 707
Other related parties	227	284
	$ 767	$ 991
Rental (including in operating cost)		
FENC	$ 377	$ 399
Subsidiaries of FENC	2,197	2,197
Other related parties	5,383	5,402
	$ 7,957	$ 7,998
Rental (including in operating expense)		
FENC	$ 719	$ 783
Subsidiaries of FENC	14,967	15,244
Other related parties	23,041	32,986
	$ 38,727	$ 49,013
Marketing expense		
Subsidiaries of FENC	$ 8,333	$ 11,310
Other related parties	2,123	1,972
	$ 10,456	$ 13,282
Service fee		
FENC	$ 19	$ 31
Subsidiaries of FENC		
FCHRC	35,285	33,043
Other related parties	39	31
	$ 35,343	$ 33,105
Other expense		
FENC	$ 33,683	$ 32,568
Subsidiaries of FENC	1,649	1,890
Other related parties	13,683	1,748
	$ 49,015	$ 36,206

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

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

d. Property transactions

	For the Three Months Ended March 31	
	2017	2016
Acquisition of properties, plants and equipment		
Subsidiaries of FENC	$ 366	$ 423

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

	March 31, 2017	December 31, 2016	March 31, 2016
Other related parties			
FEIB	$ 4,406,528	$ 4,109,041	$ 4,021,249

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

	March 31, 2017	December 31, 2016	March 31, 2016
Other related parties			
FEIB	$ 9,488	$ (7,538)	$ 23,690

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 March 31, 2017, December 31, 2016 and March 31, 2016. Related expenses were treated as finance cost.

g. Receivables and payables - related parties

	March 31, 2017	December 31, 2016	March 31, 2016
Accounts receivable - related parties			
FENC	$ 8,047	$ 1,157	$ 2,559
Subsidiaries of FENC	46,663	54,197	35,248
Other related parties	108,893	150,071	131,425
	$ 163,603	$ 205,425	$ 169,232
Other receivables - related parties (included in other current assets)			
Subsidiaries of FENC	$ 3,745	$ 2,651	$ 4,695
Other related parties	7,858	4,244	11,510
	$ 11,603	$ 6,895	$ 16,205

	March 31, 2017	December 31, 2016	March 31, 2016
Accounts payable - related parties (included in accounts payable)			
Subsidiaries of FENC	$ 697	$ 687	$ 2,024
Other related parties	1,533	943	427
	$ 2,230	$ 1,630	$ 2,451
Other payables - related parties (included in other current liabilities)			
FENC	$ 36,642	$ 32,456	$ 38,080
Subsidiaries of FENC	79,200	96,780	75,317
Other related parties	6,428	7,077	4,849
	$ 122,270	$ 136,313	$ 118,246

h. Refundable deposits

	March 31, 2017	December 31, 2016	March 31, 2016
Subsidiaries of FENC	$ 65,609	$ 75,916	$ 68,584
Other related parties	1,496	1,491	1,491
	$ 67,105	$ 77,407	$ 70,075

i. Others

	For the Three Months Ended March 31	
	2017	2016
Interest revenue		
Subsidiaries of FENC	$ 9	$ 6
Other related parties		
FEIB	6,184	9,338
Others	6	3
	6,190	9,341
	$ 6,199	$ 9,347
Rent revenue		
Subsidiaries of FENC	$ 72	$ 945
Other related parties	-	326
	$ 72	$ 1,271
Finance costs		
Other related parties	$ 2,010	$ 888

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 ended March 31, 2017 and 2016 were as follows:

	For the Three Months Ended March 31	
	2017	**2016**
Short-term benefits	$ 119,215	$ 113,868
Post-employment benefits	1,111	864
	$ 120,326	$ 114,732

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

32. ASSETS PLEDGED OR MORTGAGED

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

	March 31, 2017	December 31, 2016	March 31, 2016
Other financial assets - current	$ 1,759,903	$ 1,759,889	$ 1,310,966
Other financial assets - noncurrent	21,291	21,209	25,140
	$ 1,781,194	$ 1,781,098	$ 1,336,106

33. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

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

a.

	March 31, 2017	December 31, 2016	March 31, 2016
Acquisition of property, plant and equipment under contracts	$ 4,777,857	$ 5,762,054	$ 6,061,656
Less: Payments for acquisition of property, plant and equipment	1,536,848	1,666,888	1,766,782
	$ 3,241,009	$ 4,095,166	$ 4,294,874
Acquisition of cellular phone equipment under contracts	$ 8,980,054	$ 14,299,303	$ 13,721,093
Less: Payments for acquisition of cellular phone equipment	4,135,917	7,803,864	9,358,644
	$ 4,844,137	$ 6,495,439	$ 4,362,449

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

c. In May 2015, Far EasTone applied to the Taipei District Court for a temporary injunction order against Taiwan Mobile Co., Ltd. (TWM) for TWM's violation of the agreement between Far EasTone and TWM and prohibited TWM from using the C1 spectrum till TWM escheats the C4 spectrum to NCC. On July 1, 2015, the Taipei District Court approved the issuance of a preliminary injunction.

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

   As of February 15, 2017, Far EasTone has lodged $1,200,000 thousand in negotiable certificates of deposit as security for the execution of the provisional injunction order ruling while TWM provided a counter-security of $1,474,119 thousand to waive the provisional injunction order ruling.

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

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

34. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

a. In order to repay the borrowings, the board of directors of Far EasTone resolved to issue domestic unsecured corporate bonds not exceeding $10,000,000 thousand which could be issued separately within one year after the date that the proposal was approved by the board of directors on December 8, 2016. The chairman or his appointed deputy is authorized to decide on all matters pertaining to the issuance of bond or the requirement of the government authority and to amend or to improve the plan.

   Far EasTone issued a five-year unsecured domestic bond of 2016 on January 5, 2017, and another of 2017 on April 26, 2017, with an aggregate principal of $5,200,000 thousand and $4,500,000 thousand, respectively; both of the unsecured domestic bonds thereof were issued at par of $10,000 thousand with a coupon rate of 1.17% and a simple interest due annually. Repayment will be made in full at maturity.

b. To fulfill the needs for long term working capital or repayment of short-term borrowings, the board of directors of Far EasTone resolved to issue domestic unsecured corporate bonds not exceeding $5,000,000 thousand and seven-year term on May 4, 2017. The chairman or his appointed deputy is authorized to decide on all matters pertaining to the issuance of bond or the requirement of the government authority and to amend or to improve the plan.

c. With the need in the increase in 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 a piece of land from Far Eastern Resource Development Co., Ltd. (a related party), which is located in Taipei Far Eastern Telecom park, with an acquisition price approximately $1,750,000 thousand, to build a new integrated building utilized as an office and internet data center. The chairman or his appointed deputy is authorized to sign and negotiate all related contracts or documents on behalf of NCIC to handle all matters related to the aforesaid case.

35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

(In Thousands, Except Exchange Rate)

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

	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

	March 31, 2016		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 28,400	32.185	$ 914,056
EUR	1,247	36.51	45,514
Nonmonetary items			
USD	18,083	32.185	582,010
Financial liabilities			
Monetary items			
USD	19,809	32.185	637,567
EUR	8,945	36.51	326,590

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

	For the Three Months Ended March 31			
	2017		2016	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
NTD	1 (NTD:NTD)	$ (5,385)	1 (NTD:NTD)	$ 2,265
RMB	4.529 (RMB:NTD)	(430)	5.05 (RMB:NTD)	(461)
		$ (5,815)		$ 1,804

36. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees

1) Financing provided to others: Schedule A

2) Endorsements/guarantees provided: None

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

4) Marketable securities acquired or disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: None

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

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

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

9) Trading in derivative instruments: Note 8

10) Intercompany relationships and significant intercompany transactions: Schedule E

11) Information on investees: Schedule F

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 G

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 E

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.

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

	For the Three Months Ended March 31, 2016				
	Mobile Services Business	**Fixed-line Services Business**	**Sales Business**	**Adjustment and Elimination**	**Consolidation**
Revenues generated from external customers	$ 15,601,758	$ 2,304,529	$ 5,913,169	$ -	$ 23,819,456
Revenues generated within the Group (Note)	205,388	996,616	15,881	(1,217,885)	-
Total revenues	$ 15,807,146	$ 3,301,145	$ 5,929,050	$ (1,217,885)	$ 23,819,456
Segment operating income	$ 3,012,299	$ 773,088	$ 539,402	$ (687,017)	$ 3,637,772

Note: Represents sales between segments.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE THREE MONTHS ENDED MARCH 31, 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	$ -	-	Short-term financing	$ -	For business operations	$ -	-	$ -	$ 7,386,793	$ 36,933,966
1	New Century InfoComm Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Other receivables - related parties	Yes	4,200,000	4,200,000	-	0.83%	Short-term financing	-	For business operations	-	-	-	4,897,824	12,244,561
		Far EasTone Telecommunications Co., Ltd.	Other receivables - related parties	Yes	4,000,000	4,000,000	3,500,000	0.83%	Transaction	4,287,402	-	-	-	-	4,287,402	12,244,561
		Q-ware Communications Co., Ltd.	Other receivables - related parties	Yes	250,000	250,000	190,000	1.33%	Short-term financing	-	For business operations	-	-	-	4,897,824	12,244,561

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
MARCH 31, 2017
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2017				Note
				Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Far EasTone Telecommunications Co., Ltd.	Stocks							
	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	439,133	-	439,133	Note A
	Opas Fund Segregated Portfolio Tranche C	Other related party	Available-for-sale financial assets - current	4,133.591	149,245	-	149,245	Note A

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

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE THREE MONTHS ENDED MARCH 31, 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	$ 2,559,129	18	Based on agreement	-	-	Accounts payable and other payables	$ (759,679)	(6)
	New Century InfoComm Tech Co., Ltd.	Subsidiary	Operating revenues	(117,600)	(1)	Based on agreement	-	-	Accounts receivable	795	-
			Cost of telecommunications services	676,025	6	Based on agreement	-	-	Accounts payable and other payables (Note A)	(616,321)	(5)
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating revenues	(676,025)	(24)	Based on agreement	-	-	Accounts receivable (Note B)	616,321	46
			Cost of telecommunications services	117,600	6	Based on agreement	-	-	Accounts payable	(795)	-
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating revenues	(2,559,129)	(65)	Based on agreement	-	-	Accounts receivable	759,679	69

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
MARCH 31, 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	$ 106,269	(Note A)	$ -	-	$ 92,317	$ -
	ARCOA Communication Co., Ltd.	Subsidiary	126,743	10.81	-	-	84,236	-
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent Company	4,209,359	(Note B)	-	-	332,746	-
	Q-ware Communications Co., Ltd.	Same parent company	193,562	(Note C)	-	-	2,372	-
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent Company	759,679	11.24	-	-	759,679	-

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 due to (A) the collection of telecommunications bills by Far EasTone for NCIC, and (B) financing provided by NCIC to Far EasTone.

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 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	$ 795	Note F	-
				Other receivables - related parties	105,474	Note F	-
				Refundable deposits	3,517	Note F	-
				Accounts payable - related parties	65,971	Note F	-
				Other payables - related parties	4,143,388	Note F	3
				Unearned revenue	3,380	Note F	-
				Sales of inventories	1,707	Note F	-
				Telecommunications service revenues	115,893	Note F	1
				Cost of telecommunications services	676,025	Note F	3
				Operating expense	17,296	Note F	-
				Nonoperating income and gains	20,512	Note F	-
				Interest expense	15,472	Note F	-
		ARCOA Communication Co., Ltd.	1	Accounts receivable - related parties	120,979	Note F	-
				Other receivables - related parties	5,764	Note F	-
				Accounts payable - related parties	715,050	Note F	1
				Other payables - related parties	44,629	Note F	-
				Guarantee deposits received	268	Note F	-
				Unearned revenue	56,528	Note F	-
				Sales of inventories	31,848	Note F	-
				Telecommunications service revenues	926	Note F	-
				Cost of sales	2,404,958	Note F	11
				Cost of telecommunications services	20,248	Note F	-
				Operating expense	137,238	Note F	1
				Nonoperating income and gains	386	Note F	-
		KGEx.com Co., Ltd.	1	Accounts receivable - related parties	17,862	Note F	-
				Other receivables - related parties	7	Note F	-
				Lease receivables	673	Note F	-
				Refundable deposits	898	Note F	-
				Other payables - related parties	9,155	Note F	-
				Unearned revenue	63	Note F	-
				Telecommunications service revenues	26,740	Note F	-
				Cost of telecommunications services	5,604	Note F	-
				Operating expense	12,039	Note F	-
				Nonoperating income and gains	355	Note F	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount (Note D)	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		Yuan Cing Co., Ltd.	1	Other receivables - related parties	$ 3,065	Note F	-
				Other payables - related parties	4,041	Note F	-
				Operating expense	1,132	Note F	-
				Nonoperating income and gains	38	Note F	-
		Q-ware Communications Co., Ltd.	1	Accounts receivable - related parties	16,966	Note F	-
				Other receivables - related parties	4,761	Note F	-
				Accounts payable - related parties	3,435	Note F	-
				Telecommunications service revenues	1,632	Note F	-
				Cost of telecommunications services	10,286	Note F	-
				Nonoperating income and gains	363	Note F	-
		DataExpress Infotech Co., Ltd.	1	Accounts receivable - related parties	19,684	Note F	-
				Other receivables - related parties	2,010	Note F	-
				Accounts payable - related parties	5,181	Note F	-
				Other payables - related parties	2,181	Note F	-
				Sales of inventories	30,309	Note F	-
				Telecommunications service revenues	142	Note F	-
				Cost of telecommunications services	2,586	Note F	-
				Operating expense	2,312	Note F	-
				Nonoperating income and gains	93	Note F	-
		Omusic Co., Ltd.	1	Accounts receivable - related parties	293	Note F	-
				Accounts payable - related parties	35,682	Note F	-
				Telecommunications service revenues	145	Note F	-
				Cost of telecommunications services	51,380	Note F	-
				Nonoperating income and gains	10	Note F	-
		Linkwell Tech. Ltd.	1	Accounts receivable - related parties	10	Note F	-
				Other payables - related parties	689	Note F	-
				Telecommunications service revenues	40	Note F	-
				Operating expense	616	Note F	-
		Home Master Technology Ltd.	1	Accounts receivable - related parties	4	Note F	-
				Other payables - related parties	4,913	Note F	-
				Telecommunications service revenues	10	Note F	-
				Operating expense	4,152	Note F	-
		Information Security Services Digital United Inc.	1	Accounts receivable - related parties	79	Note F	-
				Other receivables - related parties	275	Note F	-
				Accounts payable - related parties	989	Note F	-
				Other payables - related parties	938	Note F	-
				Telecommunications service revenues	228	Note F	-
				Cost of telecommunications services	703	Note F	-
				Operating expense	391	Note F	-
				Nonoperating income and gains	14	Note F	-
		Far Eastern Tech-info Ltd. (Shanghai)	1	Other receivables - related parties	677	Note F	-
		Far Eastern New Century Information Technology (Beijing) Limited	1	Other receivables - related parties	32,311	Note F	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount (Note D)	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		Hiiir Inc.	1	Accounts receivable - related parties	$ 21,575	Note F	-
				Other receivables - related parties	9,696	Note F	-
				Accounts payable - related parties	5,061	Note F	-
				Other payables - related parties	2,718	Note F	-
				Sales of inventories	35,003	Note F	-
				Telecommunications service revenues	992	Note F	-
				Operating expense	5	Note F	-
				Nonoperating income and gains	74	Note F	-
		Sino Lead Enterprise Limited	1	Other payables - related parties	5,584	Note F	-
1	New Century InfoComm Tech Co., Ltd.	ARCOA Communication Co., Ltd.	3	Accounts receivable - related parties	64	Note F	-
				Accounts payable - related parties	137	Note F	-
				Other payables - related parties	34	Note F	-
				Telecommunications service revenues	284	Note F	-
				Cost of sales	30	Note F	-
				Cost of telecommunications services	123	Note F	-
				Operating expense	42	Note F	-
		KGEx.com Co., Ltd.	3	Accounts receivable - related parties	2,799	Note F	-
				Accounts payable - related parties	20,093	Note F	-
				Other payables - related parties	9,758	Note F	-
				Telecommunications service revenues	6,130	Note F	-
				Cost of telecommunications services	31,947	Note F	-
				Operating expense	3,369	Note F	-
		Q-ware Communications Co., Ltd.	3	Accounts receivable - related parties	2,850	Note F	-
				Other receivables - related parties	190,712	Note F	-
				Accounts payable - related parties	1,765	Note F	-
				Other payables - related parties	1	Note F	-
				Guarantee deposits received	720	Note F	-
				Telecommunications service revenues	6,395	Note F	-
				Cost of sales	3	Note F	-
				Cost of telecommunications services	2,278	Note F	-
				Operating expense	1	Note F	-
				Nonoperating income and gains	1,770	Note F	-
		Omusic Co., Ltd.	3	Unearned revenue	11	Note F	-
				Telecommunications service revenues	9	Note F	-
				Nonoperating income and gains	6	Note F	-
		Sino Lead Enterprise Limited	3	Refundable deposits	1,219	Note F	-
				Accounts payable - related parties	23,598	Note F	-
				Cost of telecommunications services	29,456	Note F	-
		Yuan Cing Co., Ltd.	3	Accounts receivable - related parties	20	Note F	-
				Accounts payable - related parties	2,548	Note F	-
				Cost of telecommunications services	1,519	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)
		Information Security Services Digital United Inc.	3	Accounts receivable - related parties	$ 868	Note F	-
				Other receivables - related parties	1,223	Note F	-
				Accounts payable - related parties	5,266	Note F	-
				Other payables - related parties	495	Note F	-
				Unearned revenue	8	Note F	-
				Guarantee deposits received	990	Note F	-
				Telecommunications service revenues	1,268	Note F	-
				Cost of sales	52	Note F	-
				Other operating costs	3,860	Note F	-
				Operating expense	115	Note F	-
				Nonoperating income and gains	1,302	Note F	-
		Digital United Information Technologies (Shanghai) Co., Ltd.	3	Accounts receivable - related parties	487	Note F	-
		Hiiir Inc.	3	Accounts receivable - related parties	1,560	Note F	-
				Other receivables - related parties	971	Note F	-
				Unearned revenue	983	Note F	-
				Telecommunications service revenues	772	Note F	-
				Nonoperating income and gains	2,167	Note F	-
		DataExpress Infotech Co., Ltd.	3	Accounts receivable - related parties	109	Note F	-
				Other receivables - related parties	788	Note F	-
				Other payables - related parties	224	Note F	-
				Guarantee deposits received	588	Note F	-
				Telecommunications service revenues	400	Note F	-
				Nonoperating income and gains	858	Note F	-
		Linkwell Tech. Ltd.	3	Accounts receivable - related parties	1	Note F	-
				Telecommunications service revenues	36	Note F	-
		Home Master Technology Ltd.	3	Accounts receivable - related parties	6	Note F	-
				Telecommunications service revenues	27	Note F	-
2	ARCOA Communication Co., Ltd.	KGEx.com Co., Ltd.	3	Other payables - related parties	187	Note F	-
				Operating expense	270	Note F	-
		Yuan Cing Co., Ltd.	3	Other payables - related parties	409	Note F	-
				Operating expense	409	Note F	-
		Hiiir Inc.	3	Accounts receivable - related parties	14,770	Note F	-
				Accounts payable - related parties	5	Note F	-
				Other payables - related parties	102	Note F	-
				Sales of inventories	17,480	Note F	-
				Telecommunications service revenues	1	Note F	-
		DataExpress Infotech Co., Ltd.	3	Accounts receivable - related parties	904	Note F	-
				Other receivables - related parties	999	Note F	-
				Accounts payable - related parties	87	Note F	-
				Other operating revenue	875	Note F	-
				Other operating costs	85	Note F	-
				Nonoperating income and gains	131	Note F	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details: Financial Statement Account	Amount (Note D)	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		Linkwell Tech. Ltd.	3	Accounts receivable - related parties	$ 179	Note F	-
				Unearned revenue	2,726	Note F	-
				Sales of inventories	771	Note F	-
				Other operating revenue	173	Note F	-
		Home Master Technology Ltd.	3	Accounts receivable - related parties	103	Note F	-
				Other receivables - related parties	1	Note F	-
				Unearned revenue	10,328	Note F	-
				Sales of inventories	3,291	Note F	-
				Other operating revenue	98	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	36	Note F	-
4	Yuan Cing Co., Ltd. (Note E)	Hiiir Inc.	3	Accounts receivable - related parties	2,463	Note F	-
				Other operating revenue	2,401	Note F	-
		DataExpress Infotech Co., Ltd.	3	Accounts receivable - related parties	210	Note F	-
				Other operating revenue	191	Note F	-
5	DataExpress Infotech Co., Ltd. (Note E)	Linkwell Tech. Ltd.	3	Accounts receivable - related parties	19,066	Note F	-
				Other receivables - related parties	8,103	Note F	-
				Accounts payable - related parties	30,930	Note F	-
				Other payables - related parties	2,575	Note F	-
				Sales of inventories	20,794	Note F	-
				Cost of sales	53,214	Note F	-
				Nonoperating income and gains	2,130	Note F	-
		Home Master Technology Ltd.	3	Accounts receivable - related parties	53,328	Note F	-
				Other receivables - related parties	2,973	Note F	-
				Accounts payable - related parties	2,239	Note F	-
				Other payables - related parties	798	Note F	-
				Sales of inventories	63,272	Note F	-
				Cost of sales	2,505	Note F	-
				Nonoperating income and gains	660	Note F	-
		Hiiir Inc.	3	Sales of inventories	267	Note F	-
		Omusic Co., Ltd.	3	Accounts payable - related parties	5	Note F	-
				Other operating revenue	1	Note F	-
6	Linkwell Tech. Ltd. (Note E)	Home Master Technology Ltd.	3	Accounts receivable - related parties	7,389	Note F	-
				Other receivables - related parties	1,308	Note F	-
				Accounts payable - related parties	463	Note F	-
				Other payables - related parties	361	Note F	-
				Sales of inventories	12,949	Note F	-
				Cost of sales	504	Note F	-
		Omusic Co., Ltd.	3	Other payables - related parties	12	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)
7	Home Master Technology Ltd. (Note E)	Omusic Co., Ltd.	3	Accounts payable - related parties Other operating revenue	$ 2 1	Note F Note F	- -
8	Digital United Information Technologies (Shanghai) Co., Ltd. (Note E)	Far Eastern New Century Information Technology (Beijing) Limited	3	Accounts receivable - related parties Other operating revenue	7,933 7,855	Note F Note F	- -

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

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

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

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

Note C: For assets and liabilities, amount is shown as a percentage to consolidated total assets as of March 31, 2017; while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the three months ended March 31, 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 March 31, 2017.

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

(Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE THREE MONTHS ENDED MARCH 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of March 31, 2017			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				March 31, 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	$ 27,276,752	$ 421,561	$ 424,889	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	1,324,330	39,923	24,550	Notes A and B
	KGEx.com. Co., Ltd.	Taiwan	Type II telecommunications services	2,440,457	2,440,457	78,895,760	99.99	888,948	18,408	18,406	Notes A and D
	Hiiir Inc.	Taiwan	Electronic information providing services	537,260	537,260	53,726,000	89.54	(173,512)	(73,024)	(64,132)	Notes A and D
	Yuan Cing Co., Ltd.	Taiwan	Call center services	-	-	2,000,000	100.00	33,744	2,898	2,898	Notes A, D and H
	Far Eastern Info Service (Holding) Ltd.	Bermuda	Investment	92,616	92,616	1,200	100.00	(49,700)	(38)	(38)	Notes A and D
	Omusic Co., Ltd.	Taiwan	Electronic information providing services	25,000	25,000	2,500,000	50.00	8,089	(114)	(57)	Notes A and D
	Q-ware Communication Co., Ltd.	Taiwan	Type II telecommunications services	832,038	832,038	33,982,812	81.46	(78,829)	(2,471)	(2,013)	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	671,998	(81,915)	(31,759)	Notes C and D
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	139,500	139,500	10,408,200	15.00	47,811	(18,851)	(3,755)	Notes C and D
	Alliance Digital Technology Co., Ltd.	Taiwan	Electronic information providing services	60,000	60,000	6,000,000	14.40	31,525	(13,475)	(2,344)	Notes C and D
	Yuan Hsin Digital Payment Co., Ltd.	Taiwan	Other financing and supporting services	450,000	450,000	32,658,426	30.00	217,984	(62,759)	(19,380)	Notes C and D
	Far Eastern Electronic Commerce Co., Ltd.	Taiwan	Electronic information providing services	80,893	80,893	6,691,000	14.85	(74,425)	(53,626)	(7,941)	Notes C and D
ARCOA Communication Co., Ltd.	DataExpress Infotech Co., Ltd.	Taiwan	Sale of communications products	141,750	141,750	12,866,353	70.00	179,879	3,026	-	Notes D and E
New Century InfoComm Tech Co., Ltd.	New Diligent Co., Ltd.	Taiwan	Investments	1,060,000	1,060,000	106,000,000	100.00	626,062	(6,373)	-	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	117,452	8,461	-	Notes D and E
	Digital United (Cayman) Ltd.	Cayman Islands	Investments	132,406	132,406	4,320,000	100.00	31,590	1,175	-	Notes D and E
	Far Eastern Electronic Commerce Co., Ltd.	Taiwan	Electronic information providing services	28,922	28,922	2,392,000	5.31	(26,606)	(53,626)	-	Notes C and D
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	46,500	46,500	3,469,400	5.00	15,937	(18,851)	-	Notes C and D
New Diligent Co., Ltd.	Sino Lead Enterprise Limited	Hong Kong	Telecommunications services	125	125	30,000	100.00	134	(13)	-	Notes D and E
	Far Eastern New Diligent Company Ltd.	British Virgin Islands	Investments	330,598	330,598	-	100.00	44,327	(7,648)	-	Notes D and E
	New Diligent Hong Kong Co., Ltd.	Hong Kong	Investments	-	-	-	-	-	-	-	Notes E and G
DataExpress Infotech Co., Ltd.	Linkwell Tech. Ltd.	Taiwan	Sale of communications products	10,000	10,000	-	100.00	38,810	(790)	-	Notes D and E
	Home Master Technology Ltd.	Taiwan	Sale of communications products	10,000	10,000	-	100.00	(8,431)	(15)	-	Notes D and E

Note A: Subsidiary.

Note B: The calculation was based on reviewed financial statements as of March 31, 2017.

Note C: Equity-method investee of Far EasTone.

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

Note G: New Diligent Hong Kong Co., Ltd. was established on December 4, 2014. The investment amount had not been remitted to the investee as of March 31, 2017.

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 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 March 31, 2017	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of March 31, 2017	Accumulated Repatriation of Investment Income as of March 31, 2017
					Outward	Inward						
Digital United Information Technologies (Shanghai) Ltd. (Note F)	Design, research, installment and maintenance of computer software and system	$ 94,023 (US$ 3,100,000)	2	$ 94,023 (US$ 3,100,000)	$ -	$ -	$ 94,023 (US$ 3,100,000)	$ 5,552	100.00	$ 5,552	$ 16,015 (RMB 3,634,000)	$ -
Far Eastern New Century Information Technology (Beijing) Limited (Note F)	Electronic information providing services	348,795 (US$ 11,500,000)	2	312,399 (US$ 10,300,000)	-	-	312,399 (US$ 10,300,000)	(8,222)	90.52 (Note B)	(7,443) (Note B)	62,619 (RMB 14,209,000) (Note B)	-
Far Eastern Tech-info Ltd. (Shanghai) (Note F)	Computer software, data processing and provision of network information	181,980 (US$ 6,000,000)	2	198,771 (Note G)	-	-	198,771 (Note G)	(83)	100.00 (Note C)	(83) (Note C)	95,323 (RMB 21,630,000) (Note C)	-
New Diligence Corporation (Shanghai) (Note E)	Consulting services, supporting services, and wholesale of machinery and equipment	-	1	34,182 (US$ 1,127,000)	-	-	34,182 (US$ 1,127,000)	-	-	-	-	-

Company Name	Accumulated Outward Remittance for Investment in Mainland China as of March 31, 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	$ 44,320,759
New Century InfoComm Tech Co., Ltd.	94,023 (US$ 3,100,000)	94,023 (US$ 3,100,000)	14,693,473
New Diligent Co., Ltd.	452,736 (US$14,927,000)	452,736 (US$14,927,000)	375,637

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 March 31, 2017.

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