Far EasTone Telecommunications Co., Ltd.

Financial Statements for the Years Ended December 31, 2017 and 2016 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of Far EasTone Telecommunications Co., Ltd. (the Company), which comprise the balance sheets as of December 31, 2017 and 2016, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matters of the financial statements for the year ended December 31, 2017 are as follows:

Impairment Loss of Property, Plant and Equipment and Intangible Assets (Including Goodwill)

As of December 31, 2017, the balances of property, plant and equipment and intangible assets account for 64% of the Company's total assets and are material for the financial statements as a whole. Economic trends, market competition, and technology development influence the operation of the Company and management's evaluation of and judgment on the expected economic benefits and recoverable amounts of the cash-generating units to which the assets belong, which in turn is used for the evaluation of such assets' impairment. Thus, the impairment of property, plant and equipment and intangible assets is considered a key audit matter.

For the estimates and judgments related to property, plant and equipment and intangible assets, refer to Note 5 to the accompanying financial statements. For other related disclosures, please refer to Note 11 and Note 13.

By conducting tests of controls, we obtained an understanding of the Company's asset impairment evaluation processes and the design and implementation of related controls. We also performed corresponding audit procedures which are as follows:

1. Obtain the Company's asset impairment evaluation reports for each cash-generating unit.

2. Evaluate the reasonableness of the Company's identification of asset impairment, the assumptions and sensitivity analyses used in the asset impairment assessments, including the appropriateness of the classification of each cash-generating unit, the cash flow forecasts and the discount rates used.

Recognition of Mobile Telecommunications Service Revenue

Mobile telecommunications service revenue is the main source of the Company's revenue, and it accounts for 77% of the Company's total revenue for the year ended December 31, 2017. The calculation of telecommunications service revenue relies heavily on automated systems and includes complicated data transmission. In order to meet market demands and remain competitive, the Company often launches different combinations of products and services which make the calculation of revenue more complex and directly affect the accuracy and timing of revenue recognition. Therefore, the recognition of mobile telecommunications service revenue is considered a key audit matter.

For the accounting policies related to mobile telecommunications service revenue, refer to Note 4 to the accompanying financial statements.

By conducting tests of controls, we obtained an understanding of the Company's recognition of mobile telecommunications service revenue and the design and implementation of related controls. We also engaged IT specialists to perform corresponding audit procedures which are as follows:

1. Review the contracts of mobile subscribers to confirm the accuracy of the information in the accounting system.

2. Perform test dialing to verify the accuracy and completeness of the traffic and information in the switch equipment.

3. Test the accuracy of the billing calculation.

4. Test the completeness and accuracy of the calculation and billing of monthly fees and airtime fees.

5. Test the completeness and accuracy of the calculation and billing of value-added service fees.

For the revenue recognition of billed and unbilled amounts, we conducted the following tests:

1. For the billed amounts, we compared whether there is any difference between the reports generated from the accounting system and the billing system.

2. For the unbilled amounts, we recalculated the service revenue for services provided as of the balance sheet date based on the applied charge rates to confirm the accuracy.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with statements that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 23, 2018

Notice to Readers

The accompanying 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 audit such financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying 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' report and financial statements shall prevail.

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017		2016	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 28)	$ 1,093,018	1	$ 779,886	1
Derivative financial assets for hedging - current (Notes 4 and 7)	-	-	2,073	-
Debt investments with no active market - current (Notes 4 and 28)	42,488	-	48,198	-
Notes receivable (Notes 4 and 28)	35,465	-	29,424	-
Accounts receivable, net (Notes 4 and 8)	5,755,169	4	6,136,547	5
Accounts receivable - related parties (Notes 4, 8 and 28)	252,976	-	302,662	-
Other receivables - related parties (Note 28)	261,960	-	79,562	-
Inventories (Notes 4 and 9)	3,550,840	3	1,261,852	1
Prepaid expenses	679,833	1	1,048,386	1
Other financial assets - current (Notes 4 and 28)	2,575,508	2	2,700,876	2
Other current assets (Note 28)	37,046	-	41,596	-
Total current assets	14,284,303	11	12,431,062	10
NONCURRENT ASSETS				
Financial assets carried at cost (Note 4)	195,000	-	150,000	-
Investments accounted for using the equity method (Notes 4, 10 and 28)	30,093,290	23	30,047,042	23
Property, plant and equipment, net (Notes 4, 11 and 28)	28,927,960	22	32,184,965	25
Investment properties (Notes 4 and 12)	761,492	1	754,028	1
Concessions, net (Notes 1, 4 and 13)	41,820,510	32	38,383,531	30
Computer software, net (Notes 4 and 13)	2,801,276	2	2,541,309	2
Goodwill (Notes 4 and 13)	10,283,031	8	10,283,031	8
Deferred income tax assets (Notes 4 and 22)	675,336	1	829,824	1
Refundable deposits (Note 28)	442,572	-	436,954	-
Total noncurrent assets	116,000,467	89	115,610,684	90
TOTAL	$ 130,284,770	100	$ 128,041,746	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4 and 14)	$ 400,000	-	$ 2,400,000	2
Short-term bills payable (Notes 4 and 14)	-	-	2,799,387	2
Derivative financial liabilities for hedging - current (Notes 4 and 7)	-	-	40,229	-
Notes payable	12,056	-	9,613	-
Accounts payable	2,661,505	2	1,554,621	1
Accounts payable - related parties (Note 28)	1,607,562	1	1,124,819	1
Other payables (Note 16)	6,455,120	5	7,674,958	6
Other payables - related parties (Note 28)	3,757,966	3	1,077,282	1
Current tax liabilities (Notes 4 and 22)	1,894,767	1	1,603,206	1
Unearned revenue (Note 4)	2,615,961	2	2,303,684	2
Current portion of long-term borrowings (Notes 4, 14 and 15)	8,998,533	7	6,197,478	5
Guarantee deposits received - current	200,885	-	219,343	-
Other current liabilities (Notes 4 and 17)	642,709	1	594,466	1
Total current liabilities	29,247,064	22	27,599,086	22
NONCURRENT LIABILITIES				
Bonds payable (Notes 4 and 15)	20,373,820	16	12,190,103	10
Long-term borrowings (Notes 4 and 14)	7,600,000	6	14,048,345	11
Provisions - noncurrent (Notes 4 and 17)	335,304	-	318,447	-
Deferred income tax liabilities (Notes 4 and 22)	1,629,888	1	1,495,976	1
Net defined benefit liabilities - noncurrent (Notes 4 and 18)	727,479	1	763,723	1
Guarantee deposits received - noncurrent	246,199	-	265,089	-
Other noncurrent liabilities (Notes 4, 10 and 16)	366,604	-	354,959	-
Total noncurrent liabilities	31,279,294	24	29,436,642	23
Total liabilities	60,526,358	46	57,035,728	45
EQUITY				
Capital stock				
Common stock	32,585,008	25	32,585,008	25
Capital surplus	8,143,345	6	10,166,874	8
Retained earnings				
Legal reserve	17,405,561	14	16,270,878	13
Special reserve	783,467	1	769,907	-
Unappropriated earnings	10,822,899	8	11,346,830	9
Total retained earnings	29,011,927	23	28,387,615	22
Other equity	18,132	-	(133,479)	-
Total equity	69,758,412	54	71,006,018	55
TOTAL	$ 130,284,770	100	$ 128,041,746	100

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4, 20 and 28)	$ 72,945,992	100	$ 78,838,895	100
OPERATING COSTS (Notes 4, 9, 21 and 28)	41,675,647	57	46,227,643	59
GROSS PROFIT	31,270,345	43	32,611,252	41
OPERATING EXPENSES (Notes 4, 21 and 28)				
Marketing	14,369,608	20	16,199,526	20
General and administrative	4,709,283	6	4,570,071	6
Total operating expenses	19,078,891	26	20,769,597	26
OPERATING INCOME	12,191,454	17	11,841,655	15
NONOPERATING INCOME AND EXPENSES				
Other income (Notes 4, 21 and 28)	132,434	-	143,137	-
Other gains and losses (Notes 4 and 12)	83,295	-	54,108	-
Financial costs (Notes 4, 21 and 28)	(472,909)	-	(470,159)	(1)
Share of the profit of subsidiaries and associates (Notes 4 and 10)	1,459,098	2	2,159,787	3
Losses on disposal of property, plant, equipment and intangible assets (Note 4)	(638,322)	(1)	(616,691)	(1)
Impairment losses recognized on property, plant and equipment (Notes 4 and 11)	-	-	(313,563)	-
Total nonoperating income and expenses	563,596	1	956,619	1
INCOME BEFORE INCOME TAX	12,755,050	18	12,798,274	16
INCOME TAX (Notes 4 and 22)	1,898,368	3	1,406,971	2
NET INCOME	10,856,682	15	11,391,303	14
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 18)	18,887	-	(34,528)	-
Share of other comprehensive income of subsidiaries and associates (Notes 4 and 19)	139	-	(648)	-
	19,026	-	(35,176)	-

(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Notes 4 and 19)	$ (4)	-	$ (198)	-
Unrealized losses on available-for-sale financial assets (Notes 4 and 19)	-	-	(4,752)	-
Cash flow hedges (Notes 4 and 19)	31,670	-	(26,814)	-
Share of other comprehensive income of subsidiaries and associates (Notes 4 and 19)	119,945	-	23,497	-
	151,611	-	(8,267)	-
Total other comprehensive income, net of income tax	170,637	-	(43,443)	-
TOTAL COMPREHENSIVE INCOME	$ 11,027,319	15	$ 11,347,860	14
EARNINGS PER SHARE, NEW TAIWAN DOLLARS (Note 23)				
Basic	$3.33		$3.50	
Diluted	$3.33		$3.49	

The accompanying notes are an integral part of the financial statements. (Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Capital Stock (Note 19)			Retained Earnings			Other Equity			
	Number of Shares (Thousand Share)	Amounts	Capital Surplus (Notes 4 and 19)	Legal Reserve (Note 19)	Special Reserve (Note 19)	Unappropriated Earnings (Notes 4 and 19)	Exchange Differences on Translating Foreign Operations (Notes 4 and 19)	Unrealized Gains (Losses) on Available-for-sale Financial Assets (Notes 4 and 19)	Cash Flow Hedges (Notes 4 and 19)	Total
BALANCE AT JANUARY 1, 2016	3,258,501	$ 32,585,008	$ 12,058,158	$ 15,127,206	$ 824,480	$ 11,436,725	$ 829	$ 14,625	$ (140,666)	$ 71,906,365
Appropriation of the 2015 earnings										
Legal reserve	-	-	-	1,143,672	-	(1,143,672)	-	-	-	-
Special reserve	-	-	-	-	(54,573)	54,573	-	-	-	-
Cash dividends - NT$3.174 per share	-	-	-	-	-	(10,342,482)	-	-	-	(10,342,482)
Cash dividends from capital surplus - NT$0.576 per share	-	-	(1,876,896)	-	-	-	-	-	-	(1,876,896)
Adjustments to share of changes in equities of associates	-	-	(14,388)	-	-	(14,441)	-	-	-	(28,829)
Net income for the year ended December 31, 2016	-	-	-	-	-	11,391,303	-	-	-	11,391,303
Other comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	(35,176)	3,809	(60,497)	48,421	(43,443)
BALANCE AT DECEMBER 31, 2016	3,258,501	32,585,008	10,166,874	16,270,878	769,907	11,346,830	4,638	(45,872)	(92,245)	71,006,018
Appropriation of the 2016 earnings										
Legal reserve	-	-	-	1,134,683	-	(1,134,683)	-	-	-	-
Special reserve	-	-	-	-	13,560	(13,560)	-	-	-	-
Cash dividends - NT$3.129 per share	-	-	-	-	-	(10,195,849)	-	-	-	(10,195,849)
Cash dividends from capital surplus - NT$0.621 per share	-	-	(2,023,529)	-	-	-	-	-	-	(2,023,529)
Adjustments to share of changes in equities of associates	-	-	-	-	-	(5,182)	-	-	-	(5,182)
Difference between the price for acquisition or disposal of subsidiaries and carrying amount	-	-	-	-	-	(144)	-	-	-	(144)
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	-	(50,221)	-	-	-	(50,221)
Net income for the year ended December 31, 2017	-	-	-	-	-	10,856,682	-	-	-	10,856,682
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	19,026	(516)	45,872	106,255	170,637
BALANCE AT DECEMBER 31, 2017	3,258,501	$ 32,585,008	$ 8,143,345	$ 17,405,561	$ 783,467	$ 10,822,899	$ 4,122	$ -	$ 14,010	$ 69,758,412

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 12,755,050	$ 12,798,274
Adjustments for:		
Depreciation	7,798,274	7,351,816
Amortization	692,430	644,334
Amortization of concessions	3,078,021	2,581,338
Allowance for doubtful accounts	481,907	296,273
Financial costs	472,909	470,159
Interest income	(27,284)	(24,740)
Share of the profit of subsidiaries and associates	(1,459,098)	(2,159,787)
Loss on disposal of property, plant, equipment and intangible assets	638,322	616,691
Gain on disposal of financial assets	-	(265)
Impairment loss recognized on property, plant and equipment	-	313,563
Reversal of write-down of inventories	(1,073)	(29,444)
(Gain) loss on change in fair value of investment properties	(7,464)	198,552
Deferred loss on derivative assets for hedging	-	(4,500)
Net changes in operating assets and liabilities		
Notes receivable	(6,041)	597
Accounts receivable	(100,529)	(772,295)
Accounts receivable - related parties	49,686	(100,679)
Other receivables - related parties	(49,841)	173,193
Inventories	(2,287,915)	1,644,745
Prepaid expenses	368,553	51,098
Other current assets	(3,519)	(207)
Notes payable	2,443	(930)
Accounts payable	1,106,884	(135,167)
Accounts payable - related parties	482,743	(123,733)
Other payables	(812,117)	(53,338)
Other payables - related parties	(124,299)	77,679
Provisions	(36,896)	(7,419)
Unearned revenue	312,277	(114,911)
Other current liabilities	53,710	332,781
Net defined benefit liabilities	(13,489)	(9,728)
Cash generated from operations	23,363,644	24,013,950
Interest received	23,148	25,801
Dividends received	1,966,584	2,907,365
Interest paid	(355,809)	(465,727)
Income taxes paid	(1,328,761)	(1,530,158)
Net cash generated from operating activities	23,668,806	24,951,231

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FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds of the disposal of available-for-sale financial assets	$ -	$ 190,134
Disposal (acquisition) of debt investments with no active market	5,710	(38,457)
Acquisition of financial assets carried at cost	(45,000)	-
Acquisition of investments accounted for using the equity method	(590,620)	(30,000)
Proceeds from capital reduction of investments accounted for using the equity method	99,985	217,936
Acquisition of property, plant and equipment	(5,686,247)	(7,751,175)
Proceeds from the disposal of property, plant and equipment	66,686	40,249
Increase in refundable deposits	(112,130)	(125,896)
Decrease in refundable deposits	106,512	158,150
Increase in financing provided by other receivables - related parties	(130,000)	-
Decrease in financing provided by other receivables - related parties	-	241,000
Acquisition of intangible assets	(7,471,107)	(9,033,843)
Proceeds from disposal of intangible assets	3,750	-
Decrease (increase) in other financial assets	125,368	(323,810)
Net cash used in investing activities	(13,627,093)	(16,455,712)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term borrowings	(2,000,000)	2,400,000
(Decrease) increase in short-term bills payable	(2,799,387)	2,799,387
Proceeds from issue of bond payables	14,675,877	-
Repayments of bonds payable	(6,200,000)	(1,600,000)
Proceeds from long-term borrowings	8,900,057	1,699,831
Repayment of long-term borrowings	(12,848,402)	(8,141,487)
Increase in guarantee deposits received	72,819	77,965
Decrease in guarantee deposits received	(110,167)	(103,766)
Increase in financing obtained from other payables - related parties	2,800,000	-
Decrease in financing obtained from other payables - related parties	-	(6,500,000)
Cash dividends paid	(12,219,378)	(12,219,378)
Net cash used in financing activities	(9,728,581)	(21,587,448)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	313,132	(13,091,929)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	779,886	13,871,815
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$ 1,093,018	$ 779,886

The accompanying notes are an integral part of the financial statements. (Concluded)

1. ORGANIZATION AND OPERATIONS

Far EasTone Telecommunications Co., Ltd. (the Company) was incorporated in the Republic of China (ROC) on April 11, 1997 and began commercial operations on January 20, 1998. The Company's stocks began to be traded on the ROC over-the-counter (OTC) securities exchange (known as the Taipei Exchange, TPEx) on December 10, 2001. Later, the Company's stock ceased to be traded on the TPEx and became listed on the ROC Taiwan Stock Exchange (TWSE) on August 24, 2005. The Company provides wireless communications, leased circuit, Internet and international simple resale (ISR) services and also sells cellular phone equipment and accessories. As of December 31, 2017 and 2016, Far Eastern New Century Corporation (Far Eastern New Century) and its affiliates directly and indirectly owned 38.28% of the Company's stock. Since Far Eastern New Century and its subsidiaries have the power to cast majority of votes at the meeting of the Company's board of directors, Far Eastern New Century has control over the Company's finances, operations and personnel affairs. Thus, Far Eastern New Century is the ultimate parent company of the Company.

The Company 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 the Company 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 NCC in April 2015. The license of GSM900 for the northern region of Taiwan expired in June 2017 and 2G wireless communication services were terminated on June 30, 2017.

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

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

On October 30, 2013, the Company bid for 4G (fourth-generation wireless communications services) wireless communications licenses, GSM700 and GSM1800, with validity through December 31, 2030. The Company bid for a 4G wireless communications license, GSM2600, on December 7, 2015, with validity through December 31, 2033. The Company also bid for a 4G wireless communications license, GSM2100, with a final bid price of $6,515,000 thousand, which was paid in December 2017.

The financial statements are presented in the Company's functional currency, the New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on February 23, 2018.

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

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

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Company'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 an 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 of the Company, or is the spouse or second immediate family of the chairman of the board of directors or president of the Company, 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 relationships with whom the Company has transactions. If the transaction amount or balance with a specific related party is 10% or more of the Group's respective total transaction amount or balance, such transactions 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 conditions after a business combination and the expected benefits at the acquisition date.

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions and impairment of goodwill are enhanced. Refer to Note 28 for the related disclosures.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017

(Continued)

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

(Concluded)

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

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

1) IFRS 9 "Financial Instruments" and related amendments.

Classification, measurement and impairment of financial assets

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

For the Company'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 income 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 income 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 Company 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 Company analyzed the facts and circumstances of its financial assets that exist at December 31, 2017 and performed the assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

a) Unlisted stock measured at cost will be measured at fair value instead and will be designated as fair value through other comprehensive income.

b) Debt investments classified as debt investments with no active market and measured at amortized cost will be classified as at fair value through profit or loss, because, on initial recognition, the contractual cash flows are solely payments of principal and interest on the principal outstanding but the objective of the Group's business model is not to collect contractual cash flows.

IFRS 9 requires impairment loss on financial assets to be recognized by using the "Expected Credit Losses Model". A loss allowance is required for financial assets measured at amortized cost, investments in debt instruments 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 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 Company takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

The Company has performed a preliminary assessment in which it will apply the simplified approach to recognize full-lifetime expected credit losses for trade receivables, contract assets and lease receivables. In relation to debt instrument investments and financial guarantee contracts, the Company will assess whether there has been a significant increase in credit risk to determine whether to recognize 12-month or full-lifetime expected credit losses. In general, the Company anticipates that the application of the expected credit losses model of IFRS 9 will result in an earlier recognition of credit losses for financial assets.

The Company elects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

The anticipated impact on assets, liabilities and equity of retrospective application of the requirements for the classification, measurement and impairment of financial assets on January 1, 2018 is set out below:

	Carrying Amount	Adjustments Arising from Initial Application	Adjusted Carrying Amount
Impact on assets, liabilities and equity			
December 31, 2017			
Current assets			
Financial assets measured at amortized cost - current	$ -	$ 42,488	$ 42,488
Debt investments with no active market - current	42,488	(42,488)	-
Noncurrent assets			
Financial assets measured at cost - noncurrent	195,000	(195,000)	-
Financial assets at fair value through other comprehensive income - noncurrent	-	195,000	195,000
Investments accounted for using the equity method	30,093,290	(11,733)	30,081,557
Total effect on assets	130,284,770	(11,733)	130,273,037
Equity			
Other equity	-	(11,733)	(11,733)
Total effect on equity	69,758,412	(11,733)	69,746,679

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 the hedging cost of derivative instruments are accounted for to reduce profit or loss volatility; and (3) replacing retrospective effectiveness assessment with the principle of economic relationship between the hedging instrument and the hedged item.

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

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

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.

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

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

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

Under IFRS 15, the Company 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 Company enters into transactions that involve the bundling of the service of air time with goods such as data card and handset, resulting in the recognition of the revenue for service and goods based on the allocation of the total consideration received from customers using the relative fair values, and the sales of goods are limited to the amount that customers pay for.

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

The Company provides service-type warranty in addition to the assurance that the product complies with agreed-upon specifications. IFRS 15 requires such service to be considered as a performance obligation. The transaction price allocated to service-type warranty 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 Company 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 Company determines whether it is a principal or an agent for each specified good or service.

The Company 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 another party, which gives the Company the ability to direct that party to provide the service to the customer on its behalf.

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

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

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

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

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

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

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

The Company elects to recognize the cumulative effect retrospectively applying IFRS 15 in the retained earnings on January 1, 2018.

For all contract modifications that occurred on or before December 31, 2017, the Company will not apply the requirements in IFRS 15 individually to each of the modifications, and will identify the performance obligations and determine and allocate transaction prices in a manner that reflects the aggregate effect of all modifications that occurred before December 31, 2017.

In addition, the Company will disclose the difference between the amount that results from applying IFRS 15 and the amount that results from applying current standards for 2018.

The anticipated impact on assets, liabilities and equity when retrospectively applying IFRS 15 on January 1, 2018 is detailed below:

	Carrying Amount	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount**
Impact on assets, liabilities and equity			
December 31, 2017			
Current assets			
Contract assets - current	$ -	$ 4,006,717	$ 4,006,717
Noncurrent assets			
Contract assets - noncurrent	-	1,997,827	1,997,827
Investments accounted for using the equity method	30,093,290	(265,553)	29,827,737
Costs to obtain contracts - noncurrent	-	1,831,743	1,831,743
Total effect on assets	130,284,770	7,570,734	137,855,504
Current liabilities			
Contract liabilities - current	-	2,464,505	2,464,505
Current tax liabilities	1,894,767	1,597,549	3,492,316
Unearned revenue	2,615,961	(2,615,961)	-
Total effect on liabilities	60,526,358	1,446,093	61,972,451

(Continued)

	Carrying Amount	Adjustments Arising from Initial Application	Adjusted Carrying Amount
Equity			
Retained earnings	$ 29,011,927	$ 6,124,641	$ 35,136,568
Total effect on equity	69,758,412	6,124,641	75,883,053

(Concluded)

The anticipated impact of the initial application of IFRS 9 and IFRS 15 for application starting from 2018 is summarized as below:

	Carrying Amount	Adjustments Arising from Initial Application	Adjusted Carrying Amount
Impact on assets, liabilities and equity			
December 31, 2017			
Current assets			
Financial assets measured at amortized cost - current	$ -	$ 42,488	$ 42,488
Debt investments with no active market - current	42,488	(42,488)	-
Contract assets - current	-	4,006,717	4,006,717
Noncurrent assets			
Financial assets measured at cost - noncurrent	195,000	(195,000)	-
Financial assets at fair value through other comprehensive income - noncurrent	-	195,000	195,000
Contract assets - noncurrent	-	1,997,827	1,997,827
Investment accounted for using the equity method	30,093,290	(277,286)	29,816,004
Costs to obtain contracts - noncurrent	-	1,831,743	1,831,743
Total effect on assets	130,284,770	7,559,001	137,843,771
Current liabilities			
Contract liabilities - current	-	2,464,505	2,464,505
Current tax liabilities	1,894,767	1,597,549	3,492,316
Unearned revenue	2,615,961	(2,615,961)	-
Total effect on liabilities	60,526,358	1,446,093	61,972,451
Equity			
Retained earnings	29,011,927	6,124,641	35,136,568
Other equity	-	(11,733)	(11,733)
Total effect on equity	69,758,412	6,112,908	75,871,320

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

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

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

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

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

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

Note 4: The amendments to IAS 19 are applied to any plan amendment, curtailment or settlement occurring on or after January 1, 2019.

IFRS 16 "Leases"

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

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

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

When IFRS 16 becomes effective, the Company 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 financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis of Preparation

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

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

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

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

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

When preparing its parent company only financial statements, the Company used equity method to account for its investment in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owner of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatment between parent company only basis and consolidated basis were made to investments accounted for by equity method, share of profit or loss of subsidiaries and associates, share of other comprehensive income of subsidiaries and associates and related equity items, as appropriate, in the parent company only financial statements.

Classification of Current and Noncurrent Assets and Liabilities

Current assets include:

a. Assets held primarily for the purpose of trading;

b. Assets expected to be realized within 12 months after the reporting period; and

c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

a. Liabilities held primarily for the purpose of trading;

b. Liabilities due to be settled within 12 months after the reporting period; and

c. Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as noncurrent.

Foreign Currencies

In preparing the Company's financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Nonmonetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of nonmonetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of nonmonetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Nonmonetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting financial statements, the assets and liabilities of the Company's foreign operations (including of the subsidiaries in other countries or currencies used different with the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

On the disposal of a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to noncontrolling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Inventories

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is determined as normal market value minus predicted selling expenses. Cost is determined using the weighted-average method.

Investments in Subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and is adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries attributable to the Company.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amounts of the investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment in subsidiary accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the fair value of the net identifiable assets and liabilities over the cost of the acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the entire financial statements of the invested company. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full in the parent company only financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized in the parent company only financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

Investments in Associates

An associate is an entity over which the Company has significant influence and that is not a subsidiary.

The Company uses the equity method to account for its investments in associates.

Under the equity method, an investment in an associate is initially recognized at cost and is adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of equity of associates attributable to the Company.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company subscribes for additional new stock of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Company's share of equity of associates. If the Company's ownership interest is reduced due to the additional subscription of the new stock of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that subsidiary had directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company continues to apply the equity method and does not remeasure the retained interest.

When the Company transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's financial statements only to the extent of interests in the associate that are not related to the Company.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and accumulated impairment.

Property, plant and equipment in the course of construction are carried at cost. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation on property, plant and equipment (including assets held under finance leases) is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term is shorter than the useful lives, assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are measured initially at cost, including transaction costs, and are subsequently measured using the fair value model. Changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the assets is included in profit or loss.

Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Company’s cash-generating units or groups of cash-generating units (referred to as cash generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal, and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible Assets

a. Intangible assets acquired separately

   Intangible assets with finite useful lives that are acquired separately are initially measured at cost less accumulated amortization. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

b. Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

c. Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

Impairment of Tangible and Intangible Assets Other Than Goodwill

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

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

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

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

Financial Instruments

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

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

a. Financial assets

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

1) Measurement category

The Company's financial assets are classified into: Loans and receivables.

Loans and receivables

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

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

2) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

3) Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

b. Equity instruments

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

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

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

c. Financial liabilities

1) Subsequent measurement

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

2) Derecognition of financial liabilities

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

d. Derivative financial instruments

The Company uses derivative financial instruments to manage its exposure to foreign exchange rate risks, including forward exchange contracts.

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

Hedge Accounting

The Company designates certain hedging instruments (including derivative instruments) as cash flow hedges.

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

The associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the line item relating to the hedged item in the same period when the hedged item affects profit or loss.

Hedge accounting is discontinued prospectively when the Company revokes the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer meets the criteria for hedge accounting. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

a. Decommissioning, restoration and similar liabilities

   The cost of an item of property, plant and equipment comprises:

   1) Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.

   2) Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

   3) The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

b. Warranties

   Provisions for the expected cost of warranty obligations are recognized at the date of sale of the relevant products, at the Company’s best estimate of the expenditure required to settle the Company’s obligation.

Revenue Recognition

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

a. Services revenue

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

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

b. Sale of goods

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

1) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

2) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

3) The amount of revenue can be measured reliably;

4) It is probable that the economic benefits associated with the transaction will flow to the Company; and

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

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

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

c. Dividend and interest income

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

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

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

a. The Company as a lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

b. The Company as a lessee

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheets as a finance lease obligation.

Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government Grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire noncurrent assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they become receivable.

Employee Benefits

a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

b. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

c. Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Company can no longer withdraw the offer of the termination benefit and when the Company recognizes any related restructuring costs.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the stockholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's income tax expenses.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to use the benefits of the temporary differences and are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Impairment of property, plant and equipment and intangible assets other than goodwill

For impairment test of assets, the Company evaluates and decides on certain assets' independent cash flows, the useful lives of the assets, and the probable future profit or loss which is based on subjective judgement, utilized asset mode, and telecommunications industry characteristics. Any changes in national and local economic conditions or the Company's strategy may cause significant impairment loss.

b. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The calculation of using value requires the Company's management to estimate the future cash flows expected to arise from each cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

c. Income tax

As of December 31, 2017 and 2016, the realizability of the deferred tax assets (liabilities) mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

d. Estimated impairment of accounts receivable

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	2016
Cash on hand	$ 9,186	$ 10,436
Checking and demand deposits	1,083,832	769,450
	$ 1,093,018	$ 779,886

7. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	December 31	
	2017	2016
Financial assets - current		
Cash flow hedges		
Forward exchange contracts	$ -	$ 2,073
Financial liabilities - current		
Cash flow hedges		
Forward exchange contracts	$ -	$ 40,229

Cash Flow Hedges

The Company used forward exchange contracts to hedge against adverse cash flow fluctuations on expected future transactions. These contracts were negotiated in accordance with the contracts on the hedged items. The outstanding contracts of the Company at the end of the reporting period were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2016			
Forward exchange contracts	NT$ to EUR	2017.01.25-2017.10.25	EUR 29,500

The Company used forward exchange contracts to hedge against fluctuations of exchange rates for expected future purchases.

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

	For the Years Ended December 31	
	2017	2016
Other gains and losses	$ (33,975)	$ (41,589)

8. ACCOUNTS RECEIVABLE

	December 31	
	2017	2016
Accounts receivables		
Accounts receivable (including related parties)	$ 6,924,761	$ 7,304,553
Less: Allowance for doubtful accounts	(916,616)	(865,344)
	$ 6,008,145	$ 6,439,209

Accounts Receivables

The Company'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 Company considers any change in the credit quality from the date credit was initially granted up to the end of the reporting period. The Company has recognized an allowance for doubtful accounts of 100% against all receivables past due over 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 counterparty and the analysis of its current financial position.

The aging of receivables was as follows:

	December 31	
	2017	2016
Not overdue	$ 5,759,550	$ 6,148,849
Overdue		
0-60 days	165,762	228,535
61 days or more	82,833	61,825
	$ 6,008,145	$ 6,439,209

The above aging schedule was based on the past due date.

The Company 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	$ 397	$ 864,947	$ 865,344
Add: Accounts recovered during the period	-	231,889	231,889
Add: Impairment losses/bad debts	(222)	482,129	481,907
Less: Amounts written off during the period as uncollectible	(175)	(662,349)	(662,524)
Balance at December 31, 2017	$ -	$ 916,616	$ 916,616
Balance at January 1, 2016	$ -	$ 993,253	$ 993,253
Add: Accounts recovered during the period	-	209,372	209,372
Add: Impairment losses/bad debts	397	295,876	296,273
Less: Amounts written off during the period as uncollectible	-	(633,554)	(633,554)
Balance at December 31, 2016	$ 397	$ 864,947	$ 865,344

Sale of Overdue Accounts Receivable

Under agreements on sales of accounts receivable signed in the years ended December 31, 2017 and 2016, the Company sold to asset management companies the overdue accounts receivable that had been written off. Thus, as of December 31, 2017 and 2016, the Company was not under the risk of uncollectible receivables.

Related information as of December 31, 2017 and 2016 is as follows:

Counterparties	Amounts of Accounts Receivable Sold	Proceeds of the Sale of Accounts Receivable
2017		
E-Hao Management Consultant Co., Ltd.	$ 1,499,625	$ 97,143
2016		
E-Hao Management Consultant Co., Ltd.	$ 1,130,887	$ 62,468

9. INVENTORIES

	December 31	
	2017	2016
Cellular phone equipment and accessories	$ 3,330,361	$ 1,192,401
Others	220,479	69,451
	$ 3,550,840	$ 1,261,852

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 were $17,717,038 thousand and $21,835,666 thousand, respectively.

The reversal of inventory write-downs of $1,073 thousand and $29,444 thousand were included in the cost of sales for the years ended December 31, 2017 and 2016, respectively.

10. INVESTMENTS ACCOUNTED FOR USING EQUITY-METHOD

	December 31	
	2017	2016
Investments in subsidiaries	$ 28,905,173	$ 29,039,142
Investments in associates	1,188,117	1,007,900
	$ 30,093,290	$ 30,047,042

a. Investments in subsidiaries

	December 31	
	2017	2016
Unlisted companies		
New Century InfoComm Tech Co., Ltd.	$ 26,809,796	$ 26,829,827
ARCOA Communication Co., Ltd.	1,268,193	1,299,781
KGEx.com Co., Ltd.	783,448	870,542
Yuan Cing Co., Ltd.	34,270	30,846
Omusic Co., Ltd.	9,466	8,146
Far Eastern Info Service (Holding) Ltd.	(47,302)	(49,568)
Yuanshi Digital Technology Co., Ltd. (former name is Hiiir)	(115,145)	(109,380)
Q-ware Communications Co., Ltd.	(138,368)	(76,817)
	28,604,358	28,803,377
Credit balance on carrying values of investments accounted for using equity method reclassified to other liabilities	300,815	235,765
	$ 28,905,173	$ 29,039,142

	Proportion of Ownership and Voting Rights	
	December 31	
	2017	2016
New Century InfoComm Tech Co., Ltd.	100.00%	100.00%
ARCOA Communication Co., Ltd.	61.63%	61.63%
KGEx.com Co., Ltd.	99.99%	99.99%
Yuan Cing Co., Ltd.	100.00%	100.00%
Omusic Co., Ltd.	50.00%	50.00%
Far Eastern Info Service (Holding) Ltd.	100.00%	100.00%
Yuanshi Digital Technology Co., Ltd. (former name is Hiiir)	86.41%	89.54%
Q-ware Communications Co., Ltd.	81.46%	81.46%

Refer to Note 33 for the details of subsidiaries indirectly held by the Company.

The investments of subsidiaries accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2017 and 2016 were based on the subsidiaries' financial statements audited by the auditors for the same years.

b. Investments in associates

	December 31	
	2017	2016
Material associates		
Far Eastern Electronic Toll Collection Co., Ltd.	$ 816,685	$ 685,125
Associates that are not individually material	371,432	256,292
	1,188,117	941,417
Credit balance on carrying values of investments accounted for using equity method reclassified to other liabilities	-	66,483
	$ 1,188,117	$ 1,007,900

1) Material associates

Name of Associate	Nature of Activities	Principal Place of Business	Proportion of Ownership and Voting Rights December 31 2017	Proportion of Ownership and Voting Rights December 31 2016
Far Eastern Electronic Toll Collection Co., Ltd.	Electronic information services	Taiwan	39.42%	39.42%

Summarized financial information in respect of each of the Company's material associates is set out below. The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs adjusted by the Company for equity accounting purposes.

Far Eastern Electronic Toll Collection Co., Ltd.

	December 31	
	2017	2016
Current assets	$ 665,666	$ 624,831
Noncurrent assets	6,223,855	7,057,459
Current liabilities	(1,121,929)	(1,263,956)
Noncurrent liabilities	(3,692,708)	(4,678,843)
Equity	$ 2,074,884	$ 1,739,491
Proportion of the Company's ownership	39.42%	39.42%
Carrying amount	$ 816,685	$ 685,125

	For the Years Ended December 31	
	2017	2016
Operating revenue	$ 2,044,747	$ 1,990,204
Net profit (loss) for the year	$ 128,058	$ (30,408)
Other comprehensive income	207,335	166,916
Total comprehensive income for the year	$ 335,393	$ 136,508

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 the 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.

2) Aggregate information of associates that are not individually material

	For the Years Ended December 31	
	2017	2016
The Company's share of:		
Net loss of the year	$ (121,896)	$ (138,607)
Other comprehensive income	24	-
Total comprehensive income for the year	$ (121,872)	$ (138,607)

The Company has one or more representation on the boards of directors of some associates that are not individually material according to original agreement or other agreements, therefore the Company has significant influence over these associates.

The calculation of investments accounted for by the equity method and the share of profit or loss and other comprehensive income of the investments in the associates were based on the associates' audited financial statements except those of Alliance Digital Technology Co., Ltd. and Yuan Hsin Digital Payment Co., Ltd. Management believes there would have been no material impact on the equity method accounting or the calculation of the share of profit or loss and other comprehensive income had the financial statements of Alliance Digital Technology Co., Ltd. and Yuan Hsin Digital Payment Co., Ltd. been audited.

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Operating Equipment	Computer Equipment	Office Equipment	Leasehold Improvements	Miscellaneous Equipment	Construction-in-progress	Total
Cost									
Balance at January 1, 2016	$ 1,170,782	$ 2,274,442	$ 105,148,604	$ 10,547,595	$ 952,085	$ 2,888,331	$ 637,526	$ 1,841,253	$ 125,460,618
Additions	-	-	21,227	-	-	696	-	7,189,345	7,211,268
Disposals	-	(40,234)	(9,610,420)	(328,990)	(7,544)	(280,736)	(59,761)	(29,299)	(10,356,984)
Adjustments and reclassification	(95)	37,801	6,345,923	539,364	6,671	142,545	100,605	(7,172,814)	-
Balance at December 31, 2016	$ 1,170,687	$ 2,272,009	$ 101,905,334	$ 10,757,969	$ 951,212	$ 2,750,836	$ 678,370	$ 1,828,485	$ 122,314,902
Accumulated depreciation and impairment									
Balance at January 1, 2016	$ -	$ (995,496)	$ (79,090,114)	$ (8,708,352)	$ (874,216)	$ (1,987,644)	$ (516,764)	$ -	$ (92,172,586)
Depreciation expense	-	(77,076)	(6,104,674)	(785,275)	(29,143)	(289,560)	(66,088)	-	(7,351,816)
Impairment loss	-	-	(313,563)	-	-	-	-	-	(313,563)
Disposals	-	40,226	9,003,061	328,596	7,352	270,204	58,589	-	9,708,028
Adjustments and reclassification	-	-	-	-	-	-	-	-	-
Balance at December 31, 2016	$ -	$ (1,032,346)	$ (76,505,290)	$ (9,165,031)	$ (896,007)	$ (2,007,000)	$ (524,263)	$ -	$ (90,129,937)
Carrying amount at December 31, 2016	$ 1,170,687	$ 1,239,663	$ 25,400,044	$ 1,592,938	$ 55,205	$ 743,836	$ 154,107	$ 1,828,485	$ 32,184,965

(Continued)

	Freehold Land	Buildings	Operating Equipment	Computer Equipment	Office Equipment	Leasehold Improvements	Miscellaneous Equipment	Construction-in-progress	Total
Cost									
Balance at January 1, 2017	$ 1,170,687	$ 2,272,009	$ 101,905,334	$ 10,757,969	$ 951,212	$ 2,750,836	$ 678,370	$ 1,828,485	$ 122,314,902
Additions	-	-	44,565	-	-	658	-	5,212,964	5,258,187
Disposals	-	(2,554)	(47,215,947)	(982,849)	(8,125)	(68,079)	(87,455)	(22,893)	(48,387,902)
Adjustments and reclassification	-	9,204	4,672,388	909,344	12,237	73,785	120,743	(5,797,701)	-
Balance at December 31, 2017	$ 1,170,687	$ 2,278,659	$ 59,406,340	$ 10,684,464	$ 955,324	$ 2,757,200	$ 711,658	$ 1,220,855	$ 79,185,187
Accumulated depreciation and impairment									
Balance at January 1, 2017	$ -	$ (1,032,346)	$ (76,505,290)	$ (9,165,031)	$ (896,007)	$ (2,007,000)	$ (524,263)	$ -	$ (90,129,937)
Depreciation expense	-	(74,470)	(6,439,112)	(910,267)	(25,182)	(269,911)	(79,332)	-	(7,798,274)
Disposals	-	2,539	46,561,699	982,247	7,863	50,866	65,770	-	47,670,984
Adjustments and reclassification	-	-	-	-	-	-	-	-	-
Balance at December 31, 2017	$ -	$ (1,104,277)	$ (36,382,703)	$ (9,093,051)	$ (913,326)	$ (2,226,045)	$ (537,825)	$ -	$ (50,257,227)
Carrying amount at December 31, 2017	$ 1,170,687	$ 1,174,382	$ 23,023,637	$ 1,591,413	$ 41,998	$ 531,155	$ 173,833	$ 1,220,855	$ 28,927,960

(Concluded)

The 2G license expired in June 2017, and related service was terminated. Accordingly, the future cash inflows of 2G operating equipment are expected to decline, which results in the recoverable amount being less than the carrying amount. Therefore, the Company recognized an impairment loss of $313,563 thousand for the year ended December 31, 2016.

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

Buildings	
Main buildings	41-55 years
Other building equipment	5-10 years
Operating equipment	2-15 years
Computer equipment	3-10 years
Office equipment	3-10 years
Leasehold improvements	2-11 years
Miscellaneous equipment	2-10 years

12. INVESTMENT PROPERTIES

	December 31	
	2017	**2016**
Investment properties	$ 761,492	$ 754,028

The fluctuations of investment properties' carrying amounts result from the changes in fair value of investment properties.

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 non-cancellable operating lease commitments are as follows:

	December 31	
	2017	2016
No later than 1 year	$ 14,126	$ 13,784
Later than 1 year and not later than 5 years	41,036	20,632
Later than 5 years	1,486	-
	$ 56,648	$ 34,416

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

	December 31	
	2017	2016
Independent valuation	$ 761,492	$ 754,028

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

The fair value of investment properties was estimated using unobservable inputs (Level 3). The unrealized gains (losses) on the fair value changes of investment properties are recognized in other gains and losses.

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.

	December 31	
	2017	2016
Expected future cash inflows	$ 1,319,870	$ 1,297,763
Expected future cash outflows	(33,733)	(33,383)
Expected future cash inflows, net	$ 1,286,137	$ 1,264,380
Discount rate	2.00%-2.20%	2.00%-2.15%

The market rentals in the area where the investment property is located were between $1 thousand and $18 thousand per ping per month (i.e. 1 ping = 3.3 square meters). The market rentals for comparable properties were between $1 thousand and $15 thousand per ping per month.

All of the investment properties had been leased out under operating leases. The rental incomes generated for the years ended December 31, 2017 and 2016 were $16,112 thousand and $14,941 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. The expenditure was extrapolated on the basis of the current level of expenditure, taking into account the future adjustment to the government-announced land value and the tax rate promulgated under the House Tax Act.

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

13. INTANGIBLE ASSETS

	Concessions	Computer Software	Goodwill	Total
Cost				
Balance at January 1, 2016	$ 41,484,000	$ 14,491,258	$ 10,283,031	$ 66,258,289
Additions	9,130,000	903,843	-	10,033,843
Disposals	-	(1,684,634)	-	(1,684,634)
Balance at December 31, 2016	$ 50,614,000	$ 13,710,467	$ 10,283,031	$ 74,607,498
Accumulated amortization				
Balance at January 1, 2016	$ (9,649,131)	$ (12,209,410)	$ -	$ (21,858,541)
Amortization	(2,581,338)	(644,334)	-	(3,225,672)
Disposals	-	1,684,586	-	1,684,586
Balance at December 31, 2016	$ (12,230,469)	$ (11,169,158)	$ -	$ (23,399,627)
Carrying amount at December 31, 2016	$ 38,383,531	$ 2,541,309	$ 10,283,031	$ 51,207,871
Cost				
Balance at January 1, 2017	$ 50,614,000	$ 13,710,467	$ 10,283,031	$ 74,607,498
Additions	6,515,000	956,107	-	7,471,107
Disposals	-	(147,551)	-	(147,551)
Balance at December 31, 2017	$ 57,129,000	$ 14,519,023	$ 10,283,031	$ 81,931,054
Accumulated amortization				
Balance at January 1, 2017	$ (12,230,469)	$ (11,169,158)	$ -	$ (23,399,627)
Amortization	(3,078,021)	(692,430)	-	(3,770,451)
Disposals	-	143,841	-	143,841
Balance at December 31, 2017	$ (15,308,490)	$ (11,717,747)	$ -	$ (27,026,237)
Carrying amount at December 31, 2017	$ 41,820,510	$ 2,801,276	$ 10,283,031	$ 54,904,817

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

The Company has identified the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

As of December 31, 2017 and 2016, the carrying values of the tangible and intangible assets used by the Company were $83,832,777 thousand and $83,392,836 thousand, respectively. The Company's management estimated the recoverable amounts of core assets at their expected useful lives and thus based the cash flow forecast at the discount rates of 7.17% and 5.83% on December 31, 2017 and 2016, respectively. The operating revenue forecast was based on the expected future growth rate of the telecom industry along with the projected advancement of the Company's own business.

The principal assumptions and the relevant measurement of the recoverable amounts of the Company are summarized as follows:

a. Expected future growth rate of the telecommunications industry

    1) Mobile voice service (MVS): The anticipated MVS is measured based on the actual effective customer base and minutes of usage of previous years, while the development trend of the market is taken into account.

    2) Mobile data service (MDS): The anticipated MDS is measured based on the proportion of MDS to the total telecommunications service revenue of previous years, while the demands and changes of the market are taken into account.

b. Expected ratio of service EBITDA (earnings before interest, taxes, depreciation and amortization) to operating revenues: The expected ratio is anticipated based on the historical ratio of EBITDA to operating revenues, while the possible influence of each revenue, cost and expense are taken into account.

    Based on the key assumptions of each cash-generating unit, the information about the assets' impairment for the year ended December 31, 2016 is disclosed in Note 11. As for the year ended December 31, 2017, the Company's management believes that the carrying amounts of operating assets and goodwill did not exceed their recoverable amounts even if there were reasonable changes in the critical assumptions used to estimate recoverable amounts.

14. BORROWINGS

a. Short-term borrowings

	December 31	
	2017	**2016**
Unsecured bank loans		
Credit loans	$ 400,000	$ 2,400,000
Interest rate	0.76%	0.70%-0.87%

b. Short-term bills payable

	December 31 2017	December 31 2016
Commercial paper	$ -	$ 2,800,000
Less: Unamortized discount	-	613
	$ -	$ 2,799,387
Interest rate	-	0.858%-0.888%

c. Long-term borrowings

	December 31 2017	December 31 2016
Unsecured bank loans		
Credit loans	$ 10,100,000	$ 12,150,000
Long-term commercial paper payables	-	1,900,000
Less: Unamortized discount	-	1,655
Less: Current portion	2,500,000	-
Long-term borrowings	$ 7,600,000	$ 14,048,345

1) The credit loans are payable in New Taiwan dollars. The repayment of the principal will be made once when it's due with interest payment. Under some contracts, loans are treated revolving credit facilities, and the maturity dates of the loans are based on terms under the contracts. The loans are all repayable by December 2019. The interest rates were 0.72%-1.13% and 0.74%-1.13% as of December 31, 2017 and 2016, respectively.

2) The long-term commercial paper payables are treated revolving credit facilities under contracts. The interest rates were 0.993%-1.0447% as of December 31, 2016, and the last repayment date is in December 2018. The long-term commercial paper payables had been repaid in advance in 2017.

15. BONDS PAYABLE

	December 31 2017	December 31 2016
4th unsecured domestic bonds	$ 4,996,723	$ 4,995,406
5th unsecured domestic bonds	3,998,855	4,997,042
6th unsecured domestic bonds	3,198,205	8,395,133
2016 1st unsecured domestic bonds	5,193,271	-
2017 1st unsecured domestic bonds	4,493,701	-
2017 2nd unsecured domestic bonds	1,996,612	-
2017 3rd unsecured domestic bonds	2,994,986	-
	26,872,353	18,387,581
Less: Current portion	6,498,533	6,197,478
	$ 20,373,820	$ 12,190,103

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

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

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

On December 20, 2017, the Company issued the 3rd unsecured domestic bonds of 2017, with an aggregate principal amount of $3,000,000 thousand and a par value of $10,000 thousand. The bond included five-and-half-year bonds and seven-year bonds, both with principal amounts of $1,500,000 thousand and each with coupon interest rates of 0.95% and 1.09%, respectively, with the simple interest due annually. Repayment will be made in full at maturity.

The Company repaid $1,000,000 thousand of the 5th unsecure domestic bonds and $5,200,000 thousand of the 6th unsecure domestic bonds due in 2017. The Company repaid $1,600,000 thousand of 6th unsecure domestic bonds due in 2016.

16. OTHER LIABILITIES

	December 31	
	2017	2016
Current		
Other payables		
Commission	$ 1,989,124	$ 2,424,406
Salary and bonus	1,096,111	1,155,576
Acquisition of properties	704,894	1,211,537
Employees' compensation and remuneration of directors	355,693	356,603
Other	2,309,298	2,526,836
	$ 6,455,120	$ 7,674,958
Noncurrent		
Credit balance on carrying value of equity method investments	$ 300,815	$ 302,248
Leases payable	65,789	52,711
	$ 366,604	$ 354,959

17. PROVISIONS

	December 31	
	2017	2016
Current		
Product warranty	$ 25,361	$ 35,323
Dismantling obligation	25,150	16,924
	$ 50,511	$ 52,247

(Continued)

	December 31	
	2017	2016
Noncurrent		
Dismantling obligation	$ 335,304	$ 318,447

(Concluded)

	Dismantling Obligation	Product Warranty
Balance at January 1, 2016	$ 328,423	$ 21,266
Additional provisions recognized	28,424	31,777
Reductions arising from payments	(21,476)	(17,720)
Balance at December 31, 2016	$ 335,371	$ 35,323
Balance at January 1, 2017	$ 335,371	$ 35,323
Additional provisions recognized	52,017	25,428
Reductions arising from payments	(26,934)	(35,390)
Balance at December 31, 2017	$ 360,454	$ 25,361

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2017	2016
Present value of defined benefit obligation	$ 1,691,073	$ 1,715,688
Fair value of plan assets	(963,594)	(951,965)
Net defined benefit liabilities	$ 727,479	$ 763,723

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2016	$ 1,668,205	$ (936,354)	$ 731,851
Service cost			
Current service cost	12,260	-	12,260
Net interest expense (income)	33,254	(18,977)	14,277
Recognized in profit or loss	45,514	(18,977)	26,537
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	12,343	12,343
Actuarial loss - changes in financial assumptions	268	-	268
Actuarial loss - experience adjustments	28,989	-	28,989
Recognized in other comprehensive income	29,257	12,343	41,600
Contributions from the employer	-	(36,265)	(36,265)
Benefits paid	(27,288)	27,288	-
Balance at December 31, 2016	$ 1,715,688	$ (951,965)	$ 763,723
Balance at January 1, 2017	$ 1,715,688	$ (951,965)	$ 763,723
Service cost			
Current service cost	10,886	-	10,886
Net interest expense (income)	25,604	(14,418)	11,186
Recognized in profit or loss	36,490	(14,418)	22,072
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	5,136	5,136
Actuarial loss - changes in financial assumptions	-	-	-
Actuarial gain - experience adjustments	(27,891)	-	(27,891)
Recognized in other comprehensive income	(27,891)	5,136	(22,755)
Contributions from the employer	-	(35,561)	(35,561)
Benefits paid	(33,214)	33,214	-
Balance at December 31, 2017	$ 1,691,073	$ (963,594)	$ 727,479

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan’s debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2017	**2016**
Discount rate	1.50%	1.50%
Expected rate of salary increase	1.75%	1.75%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2017	**2016**
Discount rate(s)		
0.25% increase	$ (54,672)	$ (58,399)
0.25% decrease	$ 57,003	$ 60,997
Expected rate(s) of salary increase		
0.25% increase	$ 56,729	$ 60,702
0.25% decrease	$ (54,681)	$ (58,408)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2017	**2016**
The expected contributions to the plan for the next year	$ 36,000	$ 36,000
The average duration of the defined benefit obligation	13.4 years	14.1 years

19. EQUITY

a. Capital stock

1) Common stock

	December 31	
	2017	**2016**
Stock authorized (in thousands)	4,200,000	4,200,000
Capital authorized	$ 42,000,000	$ 42,000,000
Issued and fully paid stock (in thousands)	3,258,501	3,258,501
Issued capital	$ 32,585,008	$ 32,585,008

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

2) Global depositary receipts

The Company's global depositary receipts (GDRs) as of December 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	372,128
GDRs transferred to common stock		(34,193)	(512,892)
Outstanding GDRs issued		419	6,283

a) On June 1, 2004, the Securities and Futures Bureau (SFB) approved the Company's request to sell to foreign investors 150,000 thousand shares of the Company's common stock in the form of 10,000 thousand units of GDRs. One GDR unit represents 15 shares of the Company'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 the Company'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 December 31, 2017, there had been 165 thousand units of GDRs issued for the conversion of overseas unsecured convertible bonds representing 2,473 thousand common stock.

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

d) Under the terms of the GDR offering, following the completion of an offering to the extent that previously issued GDRs have been withdrawn, GDR reissuance is allowed up to the aggregate amount previously approved by the SFB. Thus, as of December 31, 2017, the Company had reissued 24,809 thousand units of GDRs representing 372,128 thousand common stock.

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

a) Exercise voting rights;

b) Convert the GDRs into common stocks; and

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

b. Capital surplus

	December 31	
	2017	2016
May be used to offset a deficit, distributed as cash dividends or transferred to share capital*		
Share issuance in excess of par value	$ -	$ 1,684,493
From business combination	8,143,345	8,482,381
	$ 8,143,345	$ 10,166,874

* Such capital surplus may be used to offset a deficit; in addition, when the Company 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 the Company's capital surplus.

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 (the "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 the Company 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 the Company'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 of directors and supervisors before and after amendment, refer to Note 21, e. on employees' compensation and remuneration of 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 the Company has no deficit and the legal reserve exceeds 25% of the Company'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", the Company 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 the Company.

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

	Appropriation of Earnings For the Years Ended December 31		Dividends Per Share (NT$) For the Years 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 Company's stockholders also 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 combinations at NT$0.621 and NT$0.576 per share, respectively, with the Company's stockholders to receive NT$3.75 per share in 2016 and 2015, respectively.

The appropriation of earnings for 2017 was proposed by the Company's board of directors on February 23, 2018. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 1,082,290	
Reversal of special reserve	(157,139)	
Cash dividends	9,896,067	$ 3.037

In addition to distributing cash dividends at NT$3.037 per share from unappropriated earnings, the Company's board of directors approved the cash distribution of $2,323,311 thousand from the additional paid-in capital from business combinations at NT$0.713 per share. Thus, the Company's stockholders will receive NT$3.75 per share in 2018.

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

d. Special reserve

	For the Years Ended December 31	
	2017	2016
Beginning balance	$ 769,907	$ 824,480
(Reverse) appropriation in respect of		
Application of the fair value model to investment properties	5,293	(40,688)
Debit to other equity items	8,267	(13,885)
Ending balance	$ 783,467	$ 769,907

e. Other equity items

Other adjustment for the years ended December 31, 2017 and 2016 and 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 year ended December 31, 2017				
Beginning balance	$ 4,638	$ (45,872)	$ (92,245)	$ (133,479)
Recorded as adjustments to stockholders' equity	-	-	3,471	3,471
Recorded as profit or loss	-	-	28,199	28,199
Share of other comprehensive income of subsidiaries and associates	(516)	45,872	74,585	119,941
Ending balance	$ 4,122	$ -	$ 14,010	$ 18,132
For the year ended December 31, 2016				
Beginning balance	$ 829	$ 14,625	$ (140,666)	$ (125,212)
Recorded as adjustments to stockholders' equity	-	2,482	(61,333)	(58,851)
Recorded as profit or loss	-	(7,234)	34,519	27,285
Share of other comprehensive income of subsidiaries and associates	3,809	(55,745)	75,235	23,299
Ending balance	$ 4,638	$ (45,872)	$ (92,245)	$ (133,479)

20. REVENUE

	For the Years Ended December 31	
	2017	2016
Sales of inventories	$ 12,701,589	$ 15,659,302
Telecommunications service revenue	56,397,163	59,414,591
Others	3,847,240	3,765,002
	$ 72,945,992	$ 78,838,895

21. NET INCOME

Net income included some items as follows:

a. Other income

	For the Years Ended December 31	
	2017	2016
Rental income	$ 54,306	$ 63,280
Management service revenue	50,644	50,470
Interest income	27,284	24,740
Government grants	200	4,647
	$ 132,434	$ 143,137

b. Depreciation and amortization

	For the Years Ended December 31	
	2017	2016
Property, plant and equipment	$ 7,798,274	$ 7,351,816
Intangible assets	692,430	644,334
	$ 8,490,704	$ 7,996,150
Depreciation expense categorized by function		
Operating costs	$ 6,892,567	$ 6,528,558
Operating expenses	905,707	823,258
	$ 7,798,274	$ 7,351,816
Amortization expense categorized by function		
Operating costs	$ 213,294	$ 231,546
Marketing expenses	102,250	92,722
General and administrative expenses	376,886	320,066
	$ 692,430	$ 644,334

c. Finance costs

	For the Years Ended December 31	
	2017	2016
Interest expense on bank loans and commercial paper	$ 44,538	$ 109,655
Interest on financial liabilities measured at amortized cost	410,600	350,919
Other finance costs	17,771	9,585
	$ 472,909	$ 470,159

d. Employee benefits expense

	For the Year Ended December 31, 2017			
	Operating Costs	Operating Expenses	Costs or Expenses Deduction	Total
Retirement benefits				
Defined contribution plans	$ 38,314	$ 199,723	$ 40,655	$ 278,692
Defined benefit plans	3,553	18,519	-	22,072
Other employee benefits				
Salary	718,308	3,863,448	782,670	5,364,426
Insurance	60,321	343,849	62,858	467,028
Other	21,296	247,178	25,361	293,835
	$ 841,792	$ 4,672,717	$ 911,544	$ 6,426,053

	For the Year Ended December 31, 2016			
	Operating Costs	Operating Expenses	Costs or Expenses Deduction	Total
Retirement benefits				
Defined contribution plans	$ 39,673	$ 160,763	$ 42,492	$ 242,928
Defined benefit plans	5,253	21,284	-	26,537
Other employee benefits				
Salary	737,590	3,594,468	781,367	5,113,425
Insurance	58,133	326,305	61,070	445,508
Other	20,665	239,035	25,628	285,328
	$ 861,314	$ 4,341,855	$ 910,557	$ 6,113,726

The Company provided management services to certain equity-method subsidiaries. The employee expenses were charged on the basis of agreed-upon terms and recorded as reduction of operating costs or expenses.

There were 6,396 and 6,412 employees in the Company as of December 31, 2017 and 2016, respectively.

e. Employees' compensation and remuneration of directors

The Company decides the distribution of employees' compensation and remuneration of directors at the rates of 1% to 2% and no higher than 1%, respectively, of net profit before income tax, employees' compensation and remuneration of directors. For the years ended December 31, 2017 and 2016, the employees' compensation and the remuneration of directors represented 2% and 0.72%, respectively, of the foregoing basis.

The accrued employees' compensation and remuneration of directors for the years ended December 31, 2017 and 2016 were as follows:

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

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

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

Information on employees' compensation and the remuneration of directors resolved by the Company's board of directors during 2018 and 2017 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

22. INCOME TAX

a. The major components of tax expense recognized in profit or loss

	For the Years Ended December 31	
	2017	**2016**
Current tax	$ 1,620,322	$ 1,449,391
Deferred tax	278,046	(42,420)
Income tax expense recognized in profit or loss	$ 1,898,368	$ 1,406,971

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Years Ended December 31	
	2017	**2016**
Profit before tax	$ 12,755,050	$ 12,798,274
Income tax expense computed at statutory tax rate	$ 2,168,359	$ 2,175,707
Add (deduct) tax effects of:		
Equity-method investments	(292,235)	(619,325)
Others	18,431	(151,895)
Prior year's adjustments	3,813	2,484
Income tax expense	$ 1,898,368	$ 1,406,971

The applicable tax rate used above is the corporate tax rate of 17% payable by the Company in the ROC.

In February 2018, it was announced by the President of the ROC that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%.

As the status of the 2018 appropriation of earnings is uncertain, the potential income tax consequences of the 2017 unappropriated earnings are not reliably determinable.

b. Income tax expense recognized in other comprehensive income

	For the Years Ended December 31	
	2017	2016
Deferred tax		
Current year:		
Unrealized gains and losses on available-for-sale financial assets	$ -	$ (463)
Fair value changes of hedging instruments for cash flow hedges	(6,486)	6,928
Remeasurement on defined benefit plan	(3,868)	7,072
Income tax recognized in other comprehensive income	$ (10,354)	$ 13,537

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Allowance for doubtful accounts	$ 331,689	$ 1,801	$ -	$ 333,490
Property, plant and equipment	108,779	(43,579)	-	65,200
Defined benefit obligation	128,495	(2,293)	(3,868)	122,334
Others	260,861	(100,063)	(6,486)	154,312
	$ 829,824	$ (144,134)	$ (10,354)	$ 675,336
Deferred tax liabilities				
Amortization of goodwill	$ 1,479,175	$ 134,470	$ -	$ 1,613,645
Investment property	16,801	(558)	-	16,243
	$ 1,495,976	$ 133,912	$ -	$ 1,629,888

For the year ended December 31, 2016

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Allowance for doubtful accounts	$ 296,681	$ 35,008	$ -	$ 331,689
Property, plant and equipment	56,888	51,891	-	108,779
Defined benefit obligation	123,077	(1,654)	7,072	128,495
Others	180,246	74,150	6,465	260,861
	$ 656,892	$ 159,395	$ 13,537	$ 829,824
Deferred tax liabilities				
Amortization of goodwill	$ 1,344,702	$ 134,473	$ -	$ 1,479,175
Investment property	34,299	(17,498)	-	16,801
	$ 1,379,001	$ 116,975	$ -	$ 1,495,976

d. Integrated income tax information is as follows:

	December 31	
	2017	2016
Unappropriated earnings generated on and after 1998	$ 10,822,899	$ 11,346,830
Balance of imputation credit accounts (ICA)	$ 1,137,336	$ 1,394,481

	For the Years Ended December 31	
	2017 (Expected)	2016
Creditable ratio for distribution of earnings	Note	17.37%

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, no creditable ratio for distribution of earnings in 2018 is expected.

e. Income tax assessments

Income tax returns through 2015 of the Company have been assessed by the tax authorities.

23. EARNINGS PER SHARE

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

Net Income

	For the Years Ended December 31	
	2017	**2016**
Net income	$ 10,856,682	$ 11,391,303
Effect of dilutive potential common stock:		
Employees' compensation	-	-
Earnings used in the calculation of diluted earnings per share	$ 10,856,682	$ 11,391,303

Common Stock

(In Thousand Shares)

	For the Years Ended December 31	
	2017	**2016**
Weighted average number of common stock used in the calculation of basic earnings per share	3,258,501	3,258,501
Effect of dilutive potential common stock:		
Employees' compensation	4,014	4,150
Weighted average number of common stock used in the calculation of diluted earnings per share	3,262,515	3,262,651

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

24. EQUITY TRANSACTIONS WITH NONCONTROLLING INTERESTS

The Company subscribed for new common stock issued by Hiiir Inc. at a percentage different from existing ownership percentage in June 2017 and the subsidiary of the Company bought stock of Hiiir Inc. from noncontrolling interests in July 2017. Therefore, the Company increased its interest of Hiiir Inc.

The above transaction was accounted for as an equity transaction, since the Company did not lose control over the subsidiary. Related information is shown on Note 30 of the consolidated financial statements of the Company as of and for the year ended December 31, 2017.

25. OPERATING LEASE ARRANGEMENTS

a. The Company as lessee

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

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

	December 31	
	2017	**2016**
Not later than 1 year	$ 3,044,371	$ 3,052,304
Later than 1 year and not later than 5 years	5,056,376	4,803,145
Later than 5 years	74,601	26,921
	$ 8,175,348	$ 7,882,370

The lease payments recognized as expenses were as follows:

	For the Years Ended December 31	
	2017	**2016**
Minimum lease payments	$ 3,548,955	$ 3,524,520

b. The Company as lessor

Operating leases relate to the investment properties owned by the Company. For more information, refer to Note 12.

26. CAPITAL MANAGEMENT

The Company is required to maintain sufficient capital to meet the minimum paid-in capital requirements for the telecommunication industry, and to finance the upgrade of its telecommunications network. Thus, the Company’s capital management focuses on its operating plan to ensure good profitability and financial structure and to meet the demand for working capital, capital expenditures, debt repayment and dividends for the next 12 months.

27. FINANCIAL INSTRUMENTS

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

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

	December 31			
	2017		2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Refundable deposits	$ 442,572	$ 441,724	$ 436,954	$ 435,782
Financial liabilities				
Bonds payable	26,872,353	27,105,492	18,387,581	18,585,857

2) Fair value hierarchy

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Financial assets				
Refundable deposits	$	$	$ 441,724	$ 441,724
Financial liabilities				
Bonds payable	$ 27,105,492	$	$	$ 27,105,492

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Financial assets				
Refundable deposits	$ -	$ -	$ 435,782	$ 435,782
Financial liabilities				
Bonds payable	$ 18,585,857	$ -	$ -	$ 18,585,857

The fair values 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

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Derivative financial assets for hedging				
Forward exchange contracts	$ -	$ -	$ 2,073	$ 2,073
Derivative financial liabilities for hedging				
Forward exchange contracts	$ -	$ -	$ 40,229	$ 40,229

There were no transfers between Levels 1 and 2 for the years ended December 31, 2017 and 2016.

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

	For the Years Ended December 31	
	2017	2016
Hedging derivative financial instruments		
Beginning balance	$ (38,156)	$ (1,901)
Recognized in profit or loss (included in other gains and losses)	33,975	41,589
Recognized in other comprehensive income	4,181	(77,844)
Ending balance	$ -	$ (38,156)

3) Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement

Financial Instruments	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 are discounted at a rate that reflects the credit risk of various counterparties.

c. Categories of financial instruments

	December 31	
	2017	2016
Financial assets		
Derivative financial assets for hedging	$ -	$ 2,073
Loans and receivables (Note 1)	10,485,826	10,548,848
Available-for-sale financial assets (Note 2)	195,000	150,000
Financial liabilities		
Derivative financial liabilities for hedging	-	40,229
Measured at amortized cost (Note 3)	52,429,134	49,667,176

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), lease receivables, refundable deposits, other financial assets and loans and receivables measured at amortized cost.

Note 2: The balances 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, notes payable, accounts payable (including related parties), other payables (including related parties), lease payables, bonds payable (including current portion), long-term borrowings and guarantee deposits received, which were measured at amortized cost.

d. Financial risk management objectives and policies

The Company's major financial instruments include equity and debt investments, accounts receivable, accounts payable, bonds payable and borrowings. The Company's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages financial risks relating to the operations of the Company 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 Company is committed to identify, assess and avoid the uncertainty of the market and reduce the market changes against the Company's financial performance potential downside effects.

The Company seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Company's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative 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 Company did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporate Treasury function is reviewed by the Company's board of directors in accordance with related rules and internal control system. The Company 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 Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Company managed the risk of change in the foreign currency exchange through forward exchange contracts.

a) Foreign currency risk

The Company 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.

Foreign currency sensitivity analysis

The Company was mainly exposed to the U.S. dollar and the Euro.

The following table details the Company'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 EUR. For a 5% weakening of the NTD against U.S. dollar and EUR, shown by the negative amount below, there was a decrease in profit or equity.

	Impact For the Years Ended December 31	
	2017	2016
Profit or loss		
USD	$ (18,013)	$ (15,944)
EUR	$ (138)	$ 11,485

b) Interest rate risk

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

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

	December 31	
	2017	2016
Fair value interest rate risk		
Financial assets	$ 2,628,013	$ 2,719,805
Financial liabilities	35,934,924	34,877,538
Cash flow interest rate risk		
Financial assets	1,625,267	1,205,633
Financial liabilities	4,800,000	3,348,345

Sensitivity analysis

The sensitivity analysis described below was based on the Company'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.

If interest rates had been 25 basis points higher/lower and all other variables been held constant, the income before income tax for the years ended December 31, 2017 and 2016 would have decreased/increased by $7,937 thousand and $5,357 thousand, respectively, mainly affected by borrowings and deposits with floating interest rate.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations, resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Company is arising from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

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

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company'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 Company relies on bank borrowings as a significant source of liquidity. The Company's unutilized overdraft and bank loan facilities amounted to $25,039,480 thousand and $33,138,367 thousand as of December 31, 2017 and 2016, respectively.

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

	Book Value	Contract Cash Flows	Less than 1 Year	1-5 Years	More than 5 Years
December 31, 2017					
Short-term borrowings	$ 400,000	$ 400,250	$ 400,250	$ -	$ -
Other payables - related parties	2,800,000	2,816,959	2,816,959	-	-
Long-term borrowings	10,100,000	10,246,970	2,587,455	7,659,515	-
Bonds payable	26,872,353	28,121,395	6,847,750	16,187,020	5,086,625
	$ 40,172,353	$ 41,585,574	$ 12,652,414	$ 23,846,535	$ 5,086,625
December 31, 2016					
Short-term borrowings	$ 2,400,000	$ 2,401,450	$ 2,401,450	$ -	$ -
Short-term commercial papers	2,799,387	2,800,000	2,800,000	-	-
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	-
	$ 37,635,313	$ 38,426,255	$ 11,770,720	$ 26,655,535	$ -

28. TRANSACTIONS WITH RELATED PARTIES

In addition to those disclosed in other notes, details of transactions between the Company and its related parties are disclosed below.

a. The Company's related parties and their relationships

Related Party	Relationship with the Group
Far Eastern New Century Corporation (FENC)	Ultimate parent company
ARCOA Communication Co., Ltd. (ARCOA)	Subsidiary
DataExpress Infotech Co., Ltd. (DataExpress)	Subsidiary of ARCOA
Linkwell Tech. Ltd.	Subsidiary of DataExpress

(Continued)

Related Party	Relationship with the Group
Home Master Technology Ltd.	Subsidiary of DataExpress
Q-ware Communications Co., Ltd.	Subsidiary
Far Eastern Info Service (Holding) Ltd. (FEIS)	Subsidiary
KGEx.com Co., Ltd.	Subsidiary
Yuan Cing Co., Ltd.	Subsidiary
Yuanshi Digital Technology Co., Ltd. (YSDT)	Subsidiary
Far Eastern Tech-info Ltd. (Shanghai)	Subsidiary of FEIS
Omusic Co., Ltd.	Subsidiary
New Century InfoComm Tech Co., Ltd. (NCIC)	Subsidiary
Information Security Service Digital United Inc.	Subsidiary of NCIC
New Diligent Co., Ltd. (New Diligent)	Subsidiary of NCIC
Sino Lead Enterprise Limited	Subsidiary of New Diligent
New Diligent Hong Kong Co., Ltd.	Subsidiary of New Diligent
Far Eastern New Diligent Company Ltd. (FEND)	Subsidiary of New Diligent
Far Eastern New Century Information Technology (Beijing) Limited	Subsidiary of FEND
Digital United (Cayman) Ltd. (DU Cayman)	Subsidiary of NCIC
Digital United Information Technologies (Shanghai) Co., Ltd.	Subsidiary of DU Cayman
Far Eastern Electronic Toll Collection Co., Ltd.	Subsidiaries of FENC
Ding Ding Integrated Marketing Service Co., Ltd. (DDIM)	Subsidiaries of FENC
Far Eastern Electronic Commerce Co., Ltd. (FEEC)	Subsidiaries of FENC (dissolved after merging with YSDT on August 1, 2017)
Far Eastern International Leasing Corp.	Other related parties (equity-method investment of subsidiary of FENC)
Telecommunication and Transportation Foundation	Other related parties (the Company'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 FENC)
Yuan Ding Co., Ltd.	Subsidiaries of FENC

(Continued)

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

(Concluded)

b. Operating revenue

	For the Years Ended December 31	
	2017	2016
Far Eastern New Century	$ 2,699	$ 3,218
Subsidiaries of Far Eastern New Century	159,971	164,361
Subsidiaries	1,185,612	1,279,410
Other related parties	27,325	26,373
	$ 1,375,607	$ 1,473,362

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

c. Operating costs and expenses

	For the Years Ended December 31	
	2017	2016
Costs of telecommunications services		
Subsidiaries of Far Eastern New Century	$ 40,380	$ 2,726
Subsidiaries		
New Century InfoComm	2,722,752	3,680,062
Others	343,886	414,073
	3,066,638	4,094,135
Other related parties	85	-
	$ 3,107,103	$ 4,096,861
Purchases		
Subsidiaries		
ARCOA	$ 9,816,880	$ 13,541,220
Others	11,972	13,408
	$ 9,828,852	$ 13,554,628
Rental (included in operating costs)		
Far Eastern New Century	$ 1,534	$ 1,720
Subsidiaries of Far Eastern New Century	7,676	7,452
Subsidiaries	20,714	21,334
Other related parties	18,618	19,576
	$ 48,542	$ 50,082
Rental (included in operating expenses)		
Far Eastern New Century	$ 2,935	$ 2,867
Subsidiaries of Far Eastern New Century	41,158	41,463
Subsidiaries	57,569	57,436
Other related parties	40,147	46,719
	$ 141,809	$ 148,485
Marketing expenses		
Subsidiaries of Far Eastern New Century	$ 44,124	$ 59,061
Subsidiaries	548,020	594,020
Other related parties	5,052	8,423
	$ 597,196	$ 661,504

	For the Years Ended December 31	
	2017	2016
Service fees		
Far Eastern New Century	$ 583	$ 595
Subsidiaries of Far Eastern New Century		
FCHRC	110,241	106,585
Subsidiaries	30,860	25,672
Other related parties	100	12
	$ 141,784	$ 132,864
Telephone fees		
Subsidiaries	$ 52,574	$ 56,824
Other related parties	4	56
	$ 52,578	$ 56,880
Other expenses		
Far Eastern New Century	$ 115,710	$ 130,027
Subsidiaries of Far Eastern New Century	19,270	19,852
Subsidiaries	25,045	21,207
Other related parties	23,783	11,313
	$ 183,808	$ 182,399

The above companies provide telecommunication services to the Company. 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 Years Ended December 31	
	2017	2016
Acquisition of equity-method investment		
Subsidiaries of Far Eastern New Century		
FEEC	$ 91,711	$ -
Yuan Hsin Digital	150,000	-
	241,711	-
Subsidiaries		
YSDT	348,909	-
Associates	-	30,000
	$ 590,620	$ 30,000
Acquisition of property, plant and equipment and intangible assets		
Subsidiaries of Far Eastern New Century	$ 5,753	$ 2,201
Subsidiaries	8,911	20,008
	$ 14,664	$ 22,209

For the expansion of future business, the Company participated in the issuance for cash by the associates, subsidiaries and the subsidiaries of Far Eastern New Century.

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

	December 31	
	2017	**2016**
Other related parties		
FEIB	$ 2,848,515	$ 2,964,632

The Company had bank deposits in FEIB. These deposits included a portion of the proceeds of the Company's sale of prepaid cards. This portion, which referred to sold but unused prepaid cards, had been consigned to FEIB as trust fund and was included in other financial assets - current.

f. Receivables and payables - related parties

	December 31	
	2017	**2016**
Notes receivable - related parties (included in notes receivables)		
Subsidiaries of Far Eastern New Century	$ 5	$ -
Other related parties	-	2
	$ 5	$ 2
Accounts receivable - related parties		
Far Eastern New Century	$ 8	$ 11
Subsidiaries of Far Eastern New Century	13,199	33,615
Subsidiaries	210,170	249,332
Other related parties	29,599	19,704
	$ 252,976	$ 302,662
Other receivables - related parties (not including loans to related parties)		
Subsidiaries of Far Eastern New Century	$ 3,341	$ 2,625
Subsidiaries		
NCIC	103,644	20,001
Others	18,031	54,129
	121,675	74,130
Other related parties	6,944	2,807
	$ 131,960	$ 79,562
Lease receivables (including current portion)		
Subsidiaries	$ -	$ 2,691

	December 31	
	2017	2016
Accounts payable - related parties		
Subsidiaries of Far Eastern New Century	$ 11	$ -
Subsidiaries		
ARCOA	1,519,158	1,015,626
Others	87,671	109,010
	1,606,829	1,124,636
Other related parties	722	183
	$ 1,607,562	$ 1,124,819
Other payables - related parties (not including loans from related parties)		
Far Eastern New Century	$ 33,566	$ 32,393
Subsidiaries of Far Eastern New Century	76,347	91,977
Subsidiaries		
NCIC	735,988	859,678
Others	104,472	87,434
	840,460	947,112
Other related parties	7,593	5,800
	$ 957,966	$ 1,077,282

g. Refundable deposits

	December 31	
	2017	2016
Refundable deposits		
Subsidiaries of Far Eastern New Century	$ 29,079	$ 30,810
Subsidiaries	4,415	4,414
Other related parties	1,421	1,491
	$ 34,915	$ 36,715

h. Others

	For the Years Ended December 31	
	2017	2016
Management service revenue		
Subsidiaries	$ 50,644	$ 50,470

	For the Years Ended December 31	
	2017	2016
Interest income (not including interest revenue of loans to related parties)		
Subsidiaries of Far Eastern New Century	$ 26	$ 21
Subsidiaries	3	42
Other related parties		
FEIB	17,759	18,775
Others	9	6
	17,768	18,781
	$ 17,797	$ 18,844
Rental income		
Subsidiaries		
NCIC	$ 32,703	$ 36,027
Others	2,998	2,646
	35,701	38,673
Subsidiaries of Far Eastern New Century	16	-
	$ 35,717	$ 38,673

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

i. Endorsement and guarantee

	For the Years Ended December 31	
	2017	2016
Endorsement and guarantee fee income		
Subsidiaries	$ -	$ 7

Under the NCC's policy effective April 1, 2007, the Company had provided performance guarantees amounting to $45,000 thousand to KGEx. The guarantee service revenue was charged on the basis of actual appropriation amounts multiplied at the agreed rate. The endorsement was terminated on May 1, 2016.

j. Loans to related parties (included in other receivables - related parties)

	December 31	
	2017	2016
Other receivables		
Subsidiaries	$ 130,000	$ -

	For the Years Ended December 31	
	2017	2016
Interest income		
Subsidiaries	$ 1,589	$ 1,015

The Company provided Q-ware Com. with short-term loans of rates comparable to the market rate of interest.

k. Loans from related parties (included in other payables - related parties)

	December 31	
	2017	2016
Subsidiaries	$ 2,800,000	$ -

The Company obtained loans at rates comparable to market interest rates for the loans from NCIC. The interest expense was $40,568 thousand and $64,469 thousand as of and for the years ended 2017 and 2016, respectively.

l. Compensation of key management personnel

	For the Years Ended December 31	
	2017	2016
Short-term benefits	$ 291,084	$ 286,835
Post-employment benefits	2,834	2,736
	$ 293,918	$ 289,571

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

29. ASSETS PLEDGED OR MORTGAGED

Assets pledged or mortgaged for litigation were as follows:

	December 31	
	2017	2016
Other financial assets - current	$ 1,528,000	$ 1,521,000

30. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

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

	December 31	
	2017	2016
Acquisition of property, plant and equipment under contracts	$ 4,779,869	$ 4,679,037
Less: Payments for acquisition of property, plant and equipment	1,395,618	1,543,214
	$ 3,384,251	$ 3,135,823
Acquisition of inventories under contract	$ 11,570,772	$ 12,699,022
Less: Payments for acquisition of inventories	4,948,635	7,564,042
	$ 6,622,137	$ 5,134,980

31. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

In order to fulfill the needs for long-term working capital or repay its borrowings, the Company's board of directors resolved to issue domestic unsecured corporate bonds not exceeding $5,000,000 thousand on February 23, 2018. The chairman or his appointed deputy is authorized to decide on all matters pertaining to the issuance of bonds or the requirements of government authorities and to amend or to improve the plan.

32. 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)

	December 31, 2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 15,670	29.76	$ 466,331
EUR	119	35.57	4,250
Financial liabilities			
Monetary items			
USD	3,564	29.76	106,062
EUR	42	35.57	1,499
Nonmonetary items			
USD	1,589	29.76	47,302

	December 31, 2016		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 12,772	32.25	$ 411,896
EUR	151	33.90	5,132
Financial liabilities			
Monetary items			
USD	2,885	32.25	93,025
EUR	6,927	33.90	234,828
Nonmonetary items			
USD	1,537	32.25	49,568

The significant foreign exchange gains (losses) were as follows:

	For the Years Ended December 31			
	2017		2016	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
EUR	34.35 (EUR:NTD)	$ 4,659	35.7 (EUR:NTD)	$ 14,600
USD	30.432 (USD:NTD)	(10,322)	32.263 (USD:NTD)	3,069
		$ (5,663)		$ 17,669

33. SEPARATELY DISCLOSED ITEMS

a. Information about insignificant transactions and the Company's investees:

1) Financing provided to others: Schedule A

2) Endorsement/guarantee provided: None

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

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

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

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

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

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

9) Trading in derivative transactions: Note 7

10) Information on investees: Schedule G

b. Information on investments in mainland China

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

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None

   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 a material effect on the profit or loss for the period or on the financial position, such as rendering or receiving services.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 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	$ 130,000	1.48%-1.61%	Short-term financing	$ -	For business operations	$ -	-	$ -	$ 6,975,841	$ 34,879,206
1	New Century InfoComm Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Other receivables - related parties	Yes	7,500,000	7,500,000	300,000	0.83%	Short-term financing	-	For business operations	-	-	-	8,406,793	12,009,704
		Far EasTone Telecommunications Co., Ltd.	Other receivables - related parties	Yes	4,000,000	2,500,000	2,500,000	0.83%	Transaction	3,227,729	-	-	-	-	3,227,729	12,009,704
		Q-ware Communications Co., Ltd.	Other receivables - related parties	Yes	250,000	-	-	1.33%	Short-term financing	-	For business operations	-	-	-	8,406,793	12,009,704

Note A: The maximum total financing provided amount should not exceed 50% of the Company'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 the Company's net worth of the most current audited or reviewed financial statements.

Note B: Where New Century InfoComrn Co., Ltd. ("NCIC") provides loans for business transactions and short-term financing needs, the amount of loans is limited to 50% of NCIC's net worth. A) For business transactions: The individual loan amount should not exceed the amount of business transaction amount between two parties. The business transaction amount referred to the estimated amount of the year of loan contract signing or the prior year's actual transaction amount. B) For short-term financing needs, the individual loan amount should not exceed 35% of NCIC's net worth.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

MARKETABLE SECURITIES HELD
DECEMBER 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	December 31, 2017				Note
				Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Far EasTone Telecommunications Co., Ltd.	Stock							
	App Works Fund II Co., Ltd.	-	Financial assets carried at cost - noncurrent	15,000,000	$ 150,000	11.11	$ -	B
	CDIB Capital Innovation Accelerator Limited	-	Financial assets carried at cost - noncurrent	4,500,000	45,000	12.00	-	B
ARCOA Communication Co., Ltd.	Stock							
	THI consultants	-	Financial assets carried at cost - noncurrent	1,213,594	12,190	18.32	-	B
	Web Point Co., Ltd.	-	Financial assets carried at cost - noncurrent	160,627	1,618	0.63	-	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	-	B
	Bank Pro E-service Technology Co., Ltd.	-	Financial assets carried at cost - noncurrent	450,000	4,500	3.33	-	B
	Overseas funds							
	Opas Fund Segregated Portfolio Tranche A	Other related party	Financial asset at fair value through profit or loss	13,491.781	446,400	-	446,400	A
	Opas Fund Segregated Portfolio Tranche B	Other related party	Financial asset at fair value through profit or loss	5,000.000	148,800	-	148,800	A

Note A: The market values of open-end mutual funds were calculated at their net asset values as of December 31, 2017.

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition (Note 2)		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
Far EasTone Telecommunications Co., Ltd.	Stock Yuanshi Digital Technology Co., Ltd. (formerly Hiiir Inc.)	Investments accounted for using the equity method	Capital injection	Subsidiary	53,726,000	$ (109,380) (Note 1)	34,890,875	$ 348,909	-	$ -	$ -	$ -	90,014,424 (Note 3)	$ (115,145) (Note 1)
New Century InfoComm Tech Co., Ltd.	Overseas funds Opas Fund Segregated Portfolio Tranche A	Available-for-sale financial assets - current	-	Other related party	14,561.612	487,050 (Note 2)	-	-	14,561.612	521,054	487,050	34,004	-	-
	Opas Fund Segregated Portfolio Tranche A	Financial asset at fair value through profit or loss	-	Other related party	-	-	13,491.781	448,950	-	-	-	-	13,491.781	448,950 (Note 2)

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

Note 2: Except for the disposal price, other amounts were their respective costs.

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty is a Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
New Century InfoComm Tech Co., Ltd.	Land	2017.5.4	$ 1,749,577	$1,037,394 was paid	Far Eastern Resource Development Co., Ltd.	Subsidiaries of FENC	Far Eastern New Century Corporation	Ultimate parent Company	2003.9.2	FERD was spun off from FENC with the land being spin-off asset.	The price approved by NCIC Board of Directors was determined through the price negotiation based on the valuation reports issued by professional appraisers.	The purpose was to accommodate Banqiao offices and provide spaces for switch room expansion.	None

SCHEDULE E

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 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	Operating revenue	$ (156,057)	-	Based on agreement	$ -	-	Accounts receivable	$ 117,517	2
			Costs of telecommunications services, marketing expenses and cost of sales	10,375,311	17	Based on agreement	-	-	Accounts payable and other payables	(1,576,436)	(11)
	New Century InfoComm Tech Co., Ltd.	Subsidiary	Operating revenue	(484,292)	(1)	Based on agreement	-	-	Accounts receivable	981	-
			Costs of telecommunications services	2,743,437	7	Based on agreement	-	-	Accounts payable and other payables (Note A)	(679,319)	(5)
	KGEx. com. Co., Ltd.	Subsidiary	Operating revenue	(102,083)	-	Based on agreement	-	-	Accounts receivable	15,284	-
	DataExpress Infotech Co., Ltd.	Subsidiary of ARCOA Communication Co., Ltd.	Operating revenue	(227,493)	-	Based on agreement	-	-	Accounts receivable	35,984	1
	Omusic Co., Ltd.	Subsidiary	Costs of telecommunications services	199,764	-	Based on agreement	-	-	Accounts payable	(33,033)	(1)
	Yuanshi Digital Technology Co., Ltd. (formerly Hiiir Inc.)	Subsidiary	Operating revenue	(193,591)	-	Based on agreement	-	-	Accounts receivable	24,466	-
	Far Cheng Human Resource Consultant Corp.	Same ultimate parent company	Service fees	110,241	1	Based on agreement	-	-	Other payables	(9,762)	-
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating revenue	(2,743,437)	(24)	Based on agreement	-	-	Accounts receivable (Note B)	679,319	40
			Costs of telecommunications services	484,292	6	Based on agreement	-	-	Accounts payable	(981)	-
	KGEx. com. Co., Ltd.	Same parent company	Costs of telecommunications services	111,379	1	Based on agreement	-	-	Accounts payable and other payables	(28,804)	(2)
	Sino Lead Enterprise Limited	Subsidiary	Costs of telecommunications services	116,246	1	Based on agreement	-	-	Accounts payable	(19,971)	(3)
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating revenue	(10,375,311)	(61)	Based on agreement	-	-	Accounts receivable	1,576,436	69
			Costs of telecommunications services and cost of sales	156,057	1	Based on agreement	-	-	Accounts payable	(117,517)	(5)
	Home Master Technology Ltd.	Subsidiary of DataExpress Infotech Co., Ltd.	Operating revenue	(126,631)	(1)	Based on agreement	-	-	Accounts receivable	16,297	1
KGEx. com. Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating costs	102,083	23	Based on agreement	-	-	Accounts payable	(15,284)	(35)
	New Century InfoComm Tech Co., Ltd.	Same parent company	Operating revenue	(111,379)	(21)	Based on agreement	-	-	Accounts receivable	28,804	39
Omusic Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating revenue	(199,764)	(98)	Based on agreement	-	-	Accounts receivable	33,033	98
Sino Lead Enterprise Limited	New Century InfoComm Tech Co., Ltd.	Parent company	Operating revenue	(116,246)	(100)	Based on agreement	-	-	Accounts receivable	19,971	74
DataExpress Infotech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Cost of sales	227,493	7	Based on agreement	-	-	Accounts payable	(35,984)	(7)
	Linkwell Tech. Ltd.	Subsidiary	Cost of sales	180,850	5	Based on agreement	-	-	Accounts payable	(36,571)	(8)
	Home Master Technology Ltd.	Subsidiary	Operating revenue	(358,184)	(9)	Based on agreement	-	-	Accounts receivable	37,063	8
Yuanshi Digital Technology Co., Ltd. (formerly Hiiir Inc.)	Far EasTone Telecommunications Co., Ltd.	Parent company	Cost of sales	193,591	10	Based on agreement	-	-	Accounts payable	(24,466)	(8)
Linkwell Tech. Ltd.	DataExpress Infotech Co., Ltd.	Parent company	Sales of inventories	(180,850)	(24)	Based on agreement	-	-	Accounts receivable	36,571	65
Home Master Technology Ltd.	ARCOA Communication Co., Ltd.	Parent company	Operating costs	126,631	18	Based on agreement	-	-	Accounts payable	(16,297)	(18)
	DataExpress Infotech Co., Ltd.	Parent company	Operating costs	358,184	51	Based on agreement	-	-	Accounts payable	(37,063)	(41)

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

Note B: Including the receivables collected by the Company for NCIC.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 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	$ 104,625	(Note A)	$ -	-	$ 94,524	$ -
	ARCOA Communication Co., Ltd.	Subsidiary	117,517	11.36	-	-	79,465	-
	Q-ware Communications Co., Ltd.	Subsidiary	152,420	(Note B)	-	-	7,456	-
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	3,566,828	(Note C)	-	-	602,489	-
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	1,576,436	7.90	-	-	1,576,436	-

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

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of December 31, 2017			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2017	December 31, 2016	Shares	Percentage of Ownership (%)	Carrying Amount			
Far EasTone Telecommunication Co., Ltd.	New Century InfoComm Tech Co., Ltd.	Taiwan	Type I, II telecommunications services	$ 22,249,283	$ 22,249,283	2,100,000,000	100.00	$ 26,809,796	$ 1,757,282	$ 1,763,368	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	1,268,193	109,636	56,910	A and B
	KGEx. com. Co., Ltd.	Taiwan	Type II telecommunications services	2,340,472	2,440,457	68,897,234	99.99	783,448	78,781	78,769	A and B
	Yuanshi Digital Technology Co., Ltd. (formerly Hiiir Inc.)	Taiwan	Electronic information providing services	886,169	537,260	90,014,424	86.41	(115,145)	(371,842)	(323,278)	A, B and H
	Yuan Cing Co., Ltd.	Taiwan	Call center services	-	-	2,000,000	100.00	34,270	13,184	13,184	A, B and G
	Far Eastern Info Service (Holding) Ltd.	Bermuda	Investment	92,616	92,616	1,200	100.00	(47,302)	2,270	2,270	A and B
	Omusic Co., Ltd.	Taiwan	Electronic information providing services	25,000	25,000	2,500,000	50.00	9,466	2,639	1,320	A and B
	Q-ware Communication Co., Ltd.	Taiwan	Type II telecommunications services	832,038	832,038	33,982,812	81.46	(138,368)	(75,556)	(61,551)	A and B
	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	816,685	125,510	50,002	B and C
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	139,500	139,500	10,408,200	15.00	50,692	435	(862)	B and C
	Alliance Digital Technology Co., Ltd.	Taiwan	Electronic information providing services	60,000	60,000	6,000,000	14.40	14,451	(132,040)	(19,418)	C and D
	Yuan Hsin Digital Payment Co., Ltd.	Taiwan	Other financing and supporting services	600,000	450,000	37,432,782	30.00	306,289	(268,409)	(81,075)	C and D
	Far Eastern Electronic Commerce Co., Ltd.	Taiwan	Electronic information providing services	-	80,893	-	-	-	(136,755)	(20,541)	H
ARCOA Communication Co., Ltd.	DataExpress Infotech Co., Ltd.	Taiwan	Sale of communications products	141,750	141,750	12,866,353	70.00	178,086	32,872	-	B and E
New Century InfoComm Tech Co., Ltd.	New Diligent Co., Ltd.	Taiwan	Investments	540,000	1,060,000	54,000,000	100.00	139,909	27,098	-	B and E
	Information Security Service Digital United Inc.	Taiwan	Security and monitoring service via internet	148,777	148,777	10,249,047	100.00	116,072	13,227	-	B and E
	Digital United (Cayman) Ltd.	Cayman Islands	Investments	132,406	132,406	4,320,000	100.00	13,978	(17,265)	-	B and E
	Yuanshi Digital Technology Co., Ltd. (formerly Hiiir Inc.)	Taiwan	Electronic information providing services	20,000	-	2,499,617	2.40	(3,197)	(371,842)	-	A, B and H
	Far Eastern Electronic Commerce Co., Ltd.	Taiwan	Electronic information providing services	-	28,922	-	-	-	(136,755)	-	H
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	46,500	46,500	3,469,400	5.00	16,898	435	-	C and D
New Diligent Co., Ltd.	Sino Lead Enterprise Limited	Hong Kong	Telecommunication services	125	125	30,000	100.00	226	77	-	B and E
	Far Eastern New Diligent Company Ltd.	British Virgin Islands	Investments	330,598	330,598	-	100.00	78,207	25,855	-	B and E
	New Diligent Hong Kong Co., Ltd.	Hong Kong	Investments	3,051	-	-	100.00	2,866	(185)	-	B and E
DataExpress Infotech Co., Ltd.	Linkwell Tech. Ltd.	Taiwan	Sale of communications products	10,000	10,000	-	100.00	41,675	2,075	-	B and E
	Home Master Technology Ltd.	Taiwan	Sale of communications products	10,000	10,000	-	100.00	(1,374)	7,042	-	B and E

Note A: Subsidiary.

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

Note C: Equity-method investee of the Company.

Note D: The calculation was based on unaudited financial statements as of December 31, 2017.

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

Note F: Investments in mainland China are shown on Schedule H.

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 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	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2017	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2017	Accumulated Repatriation of Investment Income as of December 31, 2017
					Outflow	Inflow						
Digital United Information Technologies (Shanghai) Ltd.	Design, research, installment and maintenance of computer software and system	$ 92,256 (US$ 3,100,000)	2	$ 92,256 (US$ 3,100,000)	$ -	$ -	$ 92,256 (US$ 3,100,000)	$ (8,642)	100.00	$ (8,642)	$ 2,200 (RMB 482,000)	$ -
Far Eastern New Century Information Technology (Beijing) Limited (Note G and H)	Electronic information providing services	342,240 (US$ 11,500,000)	2	306,528 (US$ 10,300,000)	-	-	306,528 (US$ 10,300,000)	26,597	90.52 (Note B)	24,075 (Note B)	96,687 (RMB 21,180,000) (Note B)	-
Far Eastern Tech-info Ltd. (Shanghai) (Note G)	Computer software, data processing and provision of network information	178,560 (US$ 6,000,000)	2	196,776 (Note F)	-	-	196,776 (Note F)	5,478	100.00 (Note C)	5,478 (Note C)	104,370 (RMB 22,863,000) (Note C)	-
New Diligence Corporation (Shanghai) (Note E)	Consulting services, supporting services, and wholesale of machinery and equipment	-	1	33,540 (US$ 1,127,000)	-	-	33,540 (US$ 1,127,000)	-	-	-	-	-

Company Name	Accumulated Investment in Mainland China	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment (Note D)
Far EasTone Telecommunications Co., Ltd.	$ 92,616	$ 92,616	$ 41,855,047
New Century InfoComm Tech Co., Ltd.	92,256 (US$ 3,100,000)	92,256 (US$ 3,100,000)	14,411,645
New Diligent Co., Ltd.	444,228 (US$ 14,927,000)	444,228 (US$ 14,927,000)	83,945

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 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: Including US$3,500,000.

Note G: The calculation was based on unaudited financial statements as of December 31, 2017.

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