FAR EASTONE 遠傳

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Stock Code:4904

Far EasTone Telecommunications Co.,Ltd

2017 Annual Report

Corporate Website : http://www.fareastone.com.tw
Disclosed information can be found at : http://mops.twse.com.tw

Printed on April 30, 2018

•According to Ookla Speedtest's website , FarEastone is Taiwan's fastest mobile network during Q1-Q2 / Q3-Q4, 2017. •Please note that the download speed could be affected by various factors such as network coverage, surroundings, device sharing, device dependence, network resources and application applied. •Ookla trademarks used under license and reprinted with permission

觸動人心　成就偉大
To the Heart　To the Height

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I Letter to Shareholders

Letter to Shareholders

Douglas Hsu
Chairman

Dear Stakeholders,

2017 marked the 20th anniversary for FarEasTone Telecommunications (FET). In these past two decades, we have always upheld the brand motto "Closing the Distance" and played an important role as "Relationship Connector." FET has also grown from a market value of NT$65 billion to a NT$240 billion company. In 2017, despite the difficult economic environment worldwide, FET employees nevertheless efficiently worked together and produced outstanding concrete results outperforming expectations. Consolidated revenue in 2017 reached NT$92 billion, merging earnings before interest, taxes, depreciation, and amortization (EBITDA) and after-tax income as NT$28.1 billion and NT$10.8 billion, respectively. The earnings per share (EPS) was $NT3.332; evidently, this demonstrates that FET continues to create maximum value for its shareholders.

Leading Quality Internet Service

FET continues to offer outstanding internet quality to its customers. FET is Taiwan's SpeedTest Awards Winner for Fastest Mobile Network during Q3-Q4 2017. In this 4G spectrum tight race against our competitors, FET persists to determinedly work towards obtaining sufficient spectrum and improving better internet service and experience.

Innovative Transformation: Providing Internet of Things (IoT) Services

In 2017, FET not only strived for a higher speed and more stable 4.5G super tri-band internet, but also introduced "BoBee," a light-weight wearable GPS locator device; it is a continuous product from the 2016 "all around mobile housekeeper" service of the consumers' digital lifestyle IoT series, designed for elders, children, and pets. FET simultaneously introduced the personalized "Digital Expert," a computer, communication, and consumer electronics technical support service.

Our Motivational Engines: "Innovative Digital Business" and "Enterprise Clients"

Concerning self-expectations, FET is not only just a telecommunications company, but we are also an information communication provider that offers all-round lifestyle and business required services to our clients. After being the first telecommunications company in Taiwan to launch the direct carrier billing service through Google Play and Apple App Store, we are pleased to report that FET currently ranks first concerning occupancy rate in the Google Play market. Additionally, FET was selected as Google Play's one of the two most innovative global business model representative companies.

FET's digital brand "friDay" successfully integrates several services such as video, music, shopping, e-wallet, gaming…etc. Customers could enjoy convenience and enrichment of the mobile digital lifestyle via our friDay application. For example, "friDay Wallet" is currently the most downloaded mobile payment application in Taiwan, due to its wide range of features such as sensor payment, QR code and barcode payment, cloud payment, and entertainment applications. The notion of "mobile phone is the new wallet" steadily increases in society; therefore "friDay Wallet" became an important part of the everyday life. FET also applied the Big Data analysis technology into our telecom service and our friDay series by observing customers' usage trends and needs, in hopes to offer more refined products and services in the future.

In regards to enterprise clients on IoT applications, FET showcased six main smart IoT services during the 2017 World Congress on Information Technology (WCIT). Services include: scooter IoT network, power monitoring management, "Health+" cloud health management service, "BoBee," Big Data analysis, and Tainan Smart City. FET's "IoT Ecosystem," which was established in 2017, also seized the top spot for six categories in the industry. Clearly, FET not only accomplished convenient digital lifestyle, but also will bring revenue increase and enhanced efficiency to our enterprise clients.

Yvonne Li
President

Acquired Broadband Spectrum, Seized 5G Application Opportunities

Furthermore, FET has not only worked with the telecom-equipment giant Ericsson to establish the first 5G Lab in Taiwan, but has also continued to enthusiastically develop IoT applications and polish our mobile services to become the preferred partner and brand in the digital lifestyle and pave a solid path forward to the future of 5G roll-out. In 2017, we announced that FET established the "IoT Ecosystem," becoming the first Taiwanese telecom operator to officially launch the NB-IoT (Narrow Band-IoT) service to business enterprises. We are also the first telecom company in Taiwan to receive 3 million NB-IoT numbers issued by the National Communications Commission (NCC). We perpetually develop our NB-IoT technology applications through projects such as Smart Manufacturing, Smart Transportation, Smart City, and Smart Health.

Following the International Trend with Our Sustainability Strategic Blueprint

To actualize our corporate sustainability management approach, FET has upheld “Go Prosperous,” “Go Innovative,” “Go Caring,” and “Go Inclusive” as the four pillars of our sustainability strategy since 2015. We have combined our corporate sustainability strategy with our core operating strategy in response to the United Nations’ Sustainable Development Goals (SDGs), hoping to maximize our governance, environmental and social contributions. In 2017, FET won the “Exemplary Awards” presented by Global Views Monthly. FET also garnered seven awards at the 2017 Taiwan Corporate Sustainability Awards:“Top 50 Corporate Sustainability Award,” “Growth through Innovation Award,” “Creativity in Communication Award,” “Social Inclusion Award,” “Transparency and Integrity Award,” “Supply Chain Management Award,” and “Taiwan’s Top 50 CSR Report Information and Communications Awards.” Furthermore, FET was included in the Dow Jones Sustainability Indices (DJSI) Emerging Markets, a leading benchmark for sustainability initiatives, for the second consecutive year. Additionally, FET also topped the corporate governance evaluation released by the Taiwan Stock Exchange and was one of very few listed companies to be ranked in the top 5% of benchmark enterprises for three consecutive years, proving our sustainable governance performance has exceeded international standard.

Starting 2018, “Go Eco” became an additional pillar in FET’s corporate sustainability strategic blueprint. Therefore, with five sturdy pillars as the corporate sustainability driving force, FET integrates its core value in responding the UN’s SDGs, while aiming towards the global sustainable development trend.

FET continues to strengthen its corporate governance, implement corporate social responsibility, and show solicitude for social welfare and environmental protection.

High Quality Customer Experience and Innovative Application Services

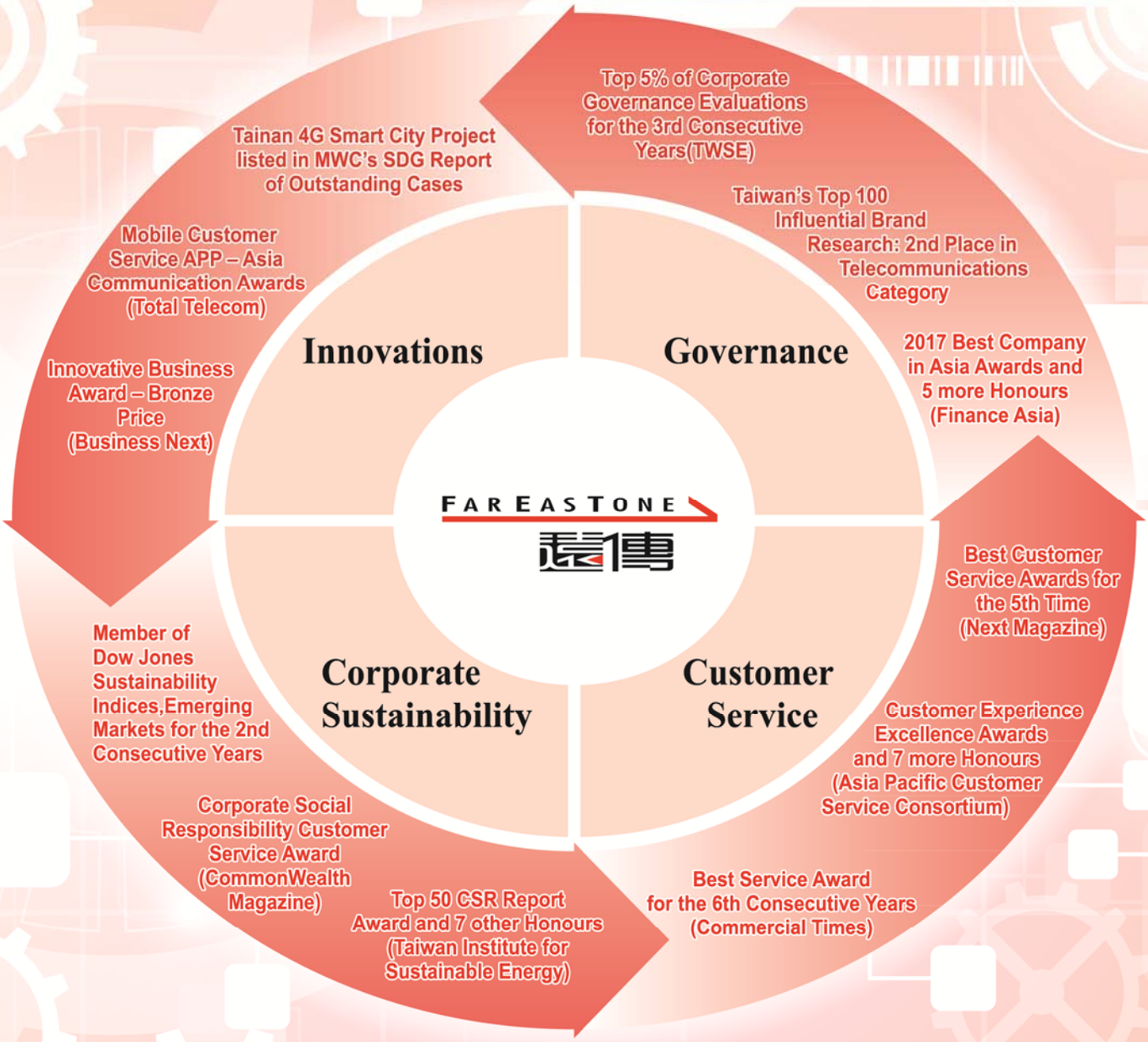
As technology rapidly changes within the past decades, FET nevertheless retains the brand motto “Closing the Distance” to achieve high quality customer experience and innovative application services, in hopes to become consumers’ best partner in their digital lifestyle. Facing the next industry generation, FET continues to innovate and breakthrough into Taiwan’s telecommunications market as an influential leader. With the upcoming 5G future, we aim to be the force that fosters social progress and drives corporate growth in harmony with society, thereby maximizing value for shareholders, customers, employees and other stakeholders as we seek to achieve the vision of “FET Connects and Enriches Life.”

Consequently, we would like to offer our most sincere gratitude to you, our shareholders. We look forward to the challenges of the year ahead and to our continuing dialogue. We wish you good health and all the best.

Douglas Hsu
Chairman

Yvonne Li
President

2017 Major Honours and Awards



FET Garnered over 40 Recognitions in 2017

FET Connects and Enriches Life

II Company Profile

1. Date of Incorporation
2. Company History

1. Date of Incorporation

Far EasTone Telecommunications Co., Ltd. (the "Company") was incorporated on April 11, 1997.

2. Company History

1997

January

FET was awarded with two 2G licenses (GSM1800-whole region & GSM900-Northern region frequency band) from Ministry of Transportation and Communication R.O.C. (MOTC).

1998

January

FET officially launched its operations.

1999

March

Recognized by Global Mobile Magazine for being the GSM system operator to reach 1 million subscriber in the shortest time.

2003

April

Made Taiwan's first live 3G video call on the commercial 3G network.

2004

January

A merger and acquisition with KGT was approved by the Executive Yuan's Fair Trade Commission. FET officially merged with KGT, creating Taiwan's largest mobile operator in the private sector.

2005

July

Launched 3G multimedia services, becoming the first 3G/WCMDA provider in Taiwan.

August

Officially listed on the Taiwan Stock Exchange as an electronics stock company.

2006

October

Launched Taiwan's first 3.6 Mbps HSPA technology-based services, ushering in the age of 3.5G mobile communications.

2012

January

The online edition of FET's first CSR report, based on the concept of "Chic environmental protection, Creative responsibility", was published, signaling that FET is heading towards corporate sustainable development.

2013

January

The Taiwan Strait Express-1 (TSE-1) between Taiwan and China was inaugurated by six telecommunication companies, and by laying cable from FET's Total station room ,along the sea bed, all the way to China, this minimizes distances involved in communication across the strait and around the world.

October

FET garnered first place in NCC network speed testing. Among the 22 cities and counties of Taiwan, FET's download and upload speeds rank No.1 among 12 and 14 counties respectively. Additionally, FET obtained three 4G frequency bands and is the only carrier in telecomindustry offering the 20 MHz contiguous spectrum .

2014

December

FET launched second brand campaign "Because of Love, Keep your Words Sweet".

June

FET launched 4G mobile services, with 4G services covering 75% of the area in Taiwan, creating a more expansive 4G coverage than all the other carriers in the industry. In August, FET launched 4G service in 1800MHz spectrum and became the first 4G carrier with 700MHz and 1800 MHz dual band in the world.

2015

April
FET garnered the SGS BS 8477 Code of Practice for Customer Service Certification.

June
FET was the first company in Taiwan to issue integrated reports, and has sought to carry out sustainable 4G growth.

2016

March
FET started operating 4.5G/LTE on 2,600MHz bands and became the first 4G operator with 700MHz, 1800 MHz and 2600MHz tri-band in Asia.

August
FET launched the first robot telecom clerk in Taiwan.

September
FET set up the first 5G laboratory in Taiwan.

December
FET launched friDay Wallet, the electronic payment service with 11 affiliated companies of Far Eastern Group and 9 international consortiums.

2017

January
FET launched the 20th anniversary brand campaign "Connect with Heart. Spread the Love".

February
FET Tainan 4G Smart City Project, a joint effort by FET and Tainan City Government, was the only case from Taiwan shortlisted for the "Glomo Awards 2017" held by GSMA (Groupe Speciale Mobile Association).

April
Ranked top 5% of the 3rd "Corporate Governance Evaluation" hosted by Taiwan Stock Exchange in 2017.

May
FET launched "Talk.FETnet", the first telco brand's interactive community forum in Taiwan.

FET introduced the personalized "Digital Expert," a computer, communication, and consumer electronics technical support service.

July
FET has announced to join the IIRC IR Business Network, as Taiwan's first and pioneering corporate member of this global organization. FET will push forward together with the IIRC regarding establishing common guidelines for the international integrated report.

FET released the world's first traditional Chinese SROI (Social Return on Investment) Forecast Report.

July
FET was acclaimed as to provide the fastest mobile network in Taiwan in 1H, 2017 from the accredited internet performance testing website SpeedTest.

September
FET integrated telecom base stations with GPS locating devices to launch the first dual-frequency tracking device "BoBee".

September
FET was included in DJSI (Dow Jones Sustainability Indices) Emerging Markets for the second consecutive year.

Dow Jones Sustainability Indexes

November
FET collaborated with 46 partners and established the "IoT Ecosystem", becoming the first Taiwanese telecom operator to officially launch the NB-IoT service .

2018

January
FET was acclaimed as providing the fastest mobile network in Taiwan in 2017 Q3 & Q4 from the accredited internet performance testing website SpeedTest.

FET and Taishin International Bank released "FET friDay CoBranded Card," targeting younger credit card users.

April
FET debuted the first "Healthy Project" with Fitness Factory, which allows consumers to use telecom bills in return for gym membership vouchers, and broke through the industry cooperation framework.

Ranked top 5% of the 4th "Corporate Governance Evaluation" hosted by Taiwan Stock Exchange in 2018.

2-2. Status of the Affiliated Company from last year up to the Annual Report being Published：
Please refer "9. Comprehensive Shareholding Information Relating to Company, Directors, Management, and Companies Affiliated through Direct and Indirect Investment".

2-3. Status of the Reorganization of the Company from last year up to the Annual Report being Published: None.

2-4. Changes in Directors, Shareholders with Greater than 10% Shareholding or Their Selling of a Large Number of Shares from last year up to the Annual Report being Published: None.

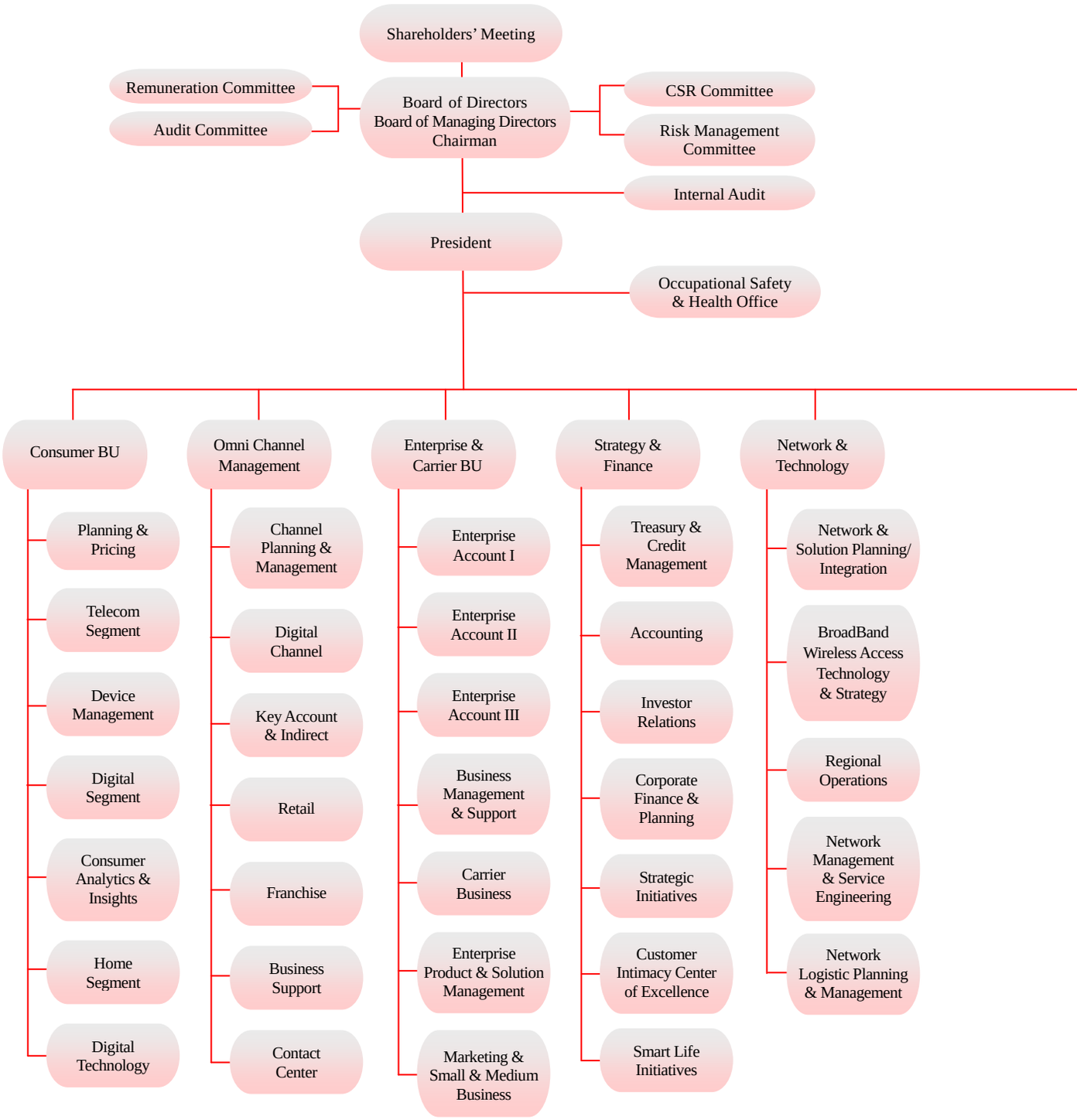
2-5. Material Impact Event on the Shareholders' Equity and Company from Change of Ownership, Business Operating, Business Content and Others from last year up to the Annual Report being Published: None.

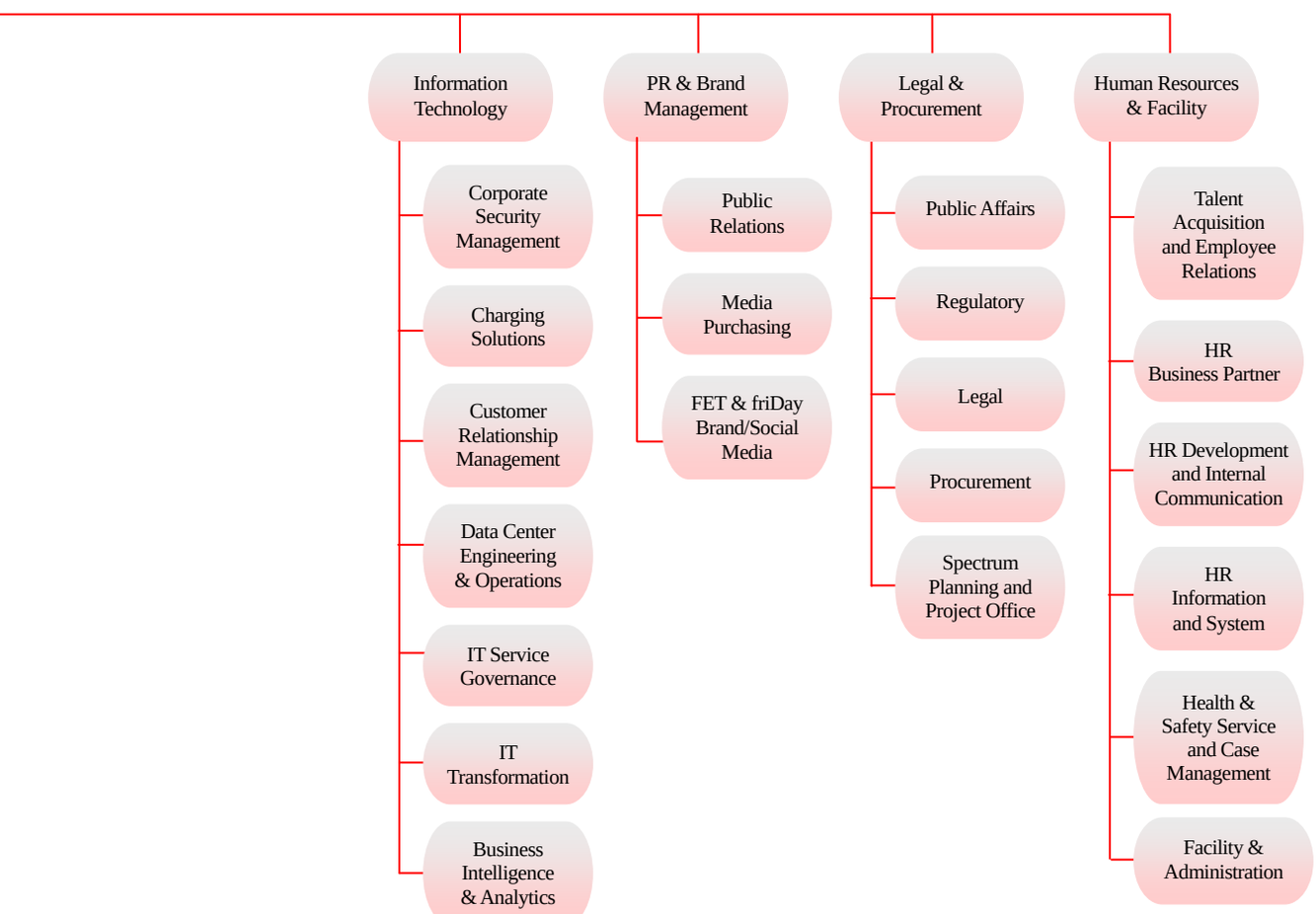
III Corporate Governance

1. Organization Structure
2. Directors, President, Executive Vice Presidents, Senior Vice Presidents, Vice Presidents, Senior Directors and Department Heads
3. Operation of Corporate Governance
4. Certified Public Accountant(CPA) Professional Fee Information
5. Change of Certified Public Accountant (CPA)
6. The Company's Chairman, President and Managers Responsible for Finance or Accounting Who Have Held a Post in Company’s Audit Firm or its Affiliations in the Last Year
7. Shares Transferred by Directors, Managers and Major Shareholders from last year up to the Annual Report being Published
8. Relationship between Top Ten Shareholders defined as Related Parties, Spouse or a Relative within Two Degrees
9. Comprehensive Shareholding Information Relating to Company, Directors, Managers, and Companies Affiliated through Direct and Indirect Investment

1. Organization Structure

1-1.Organization Chart




Information Technology
Corporate Security Management
Charging Solutions
Customer Relationship Management
Data Center Engineering & Operations
IT Service Governance
IT Transformation
Business Intelligence & Analytics
PR & Brand Management
Public Relations
Media Purchasing
FET & friDay Brand/Social Media
Legal & Procurement
Public Affairs
Regulatory
Legal
Procurement
Spectrum Planning and Project Office
Human Resources & Facility
Talent Acquisition and Employee Relations
HR Business Partner
HR Development and Internal Communication
HR Information and System
Health & Safety Service and Case Management
Facility & Administration

1-2. Roles and Responsibilities

2018/04/30

Department	Job Description
President Office	Responsible for implementing the Board's decisions, developing material strategies and directions for the company, and supervising overall operation and organization.
Consumer BU	Responsible for business and products of Telecom segment, Digital segment, Home segment and Consumer Analytics & Insights.
Omni Channel Management	Responsible for the full product range sales and services function, including the Retail store, Franchise store, Wholesales channel, digital channel and customer contact center.
Enterprise & Carrier BU	Responsible for the business planning & sales of Enterprise BU, and also define the operation strategies for Carrier function.
Strategy & Finance	Responsible for finance, accounting, tax risk management, investor relations and collection, new business development and corporate strategy formulation and execution.
Network & Technology	Responsible for Mobile/ Broadband/ ISP Network planning, development and operation, technology strategy, planning and development.
Information Technology	Responsible for strategic planning, developing and operating of company information technology strategy and system. To provide IT services for store, customer care, billing, financial and decision analysis information.
PR & Brand Management	Responsible for media communications, corporate social responsibility, business and marketing public relation issues, brand management and other related matters.
Legal & Procurement	Responsible for legal litigation, IP, regulatory, contract management, corporate security, the public affairs and procurement.
HR & Facility	Responsible for human resources management and training, internal communication, recruitment, employee relations, compensation and benefits, health and safety, human resources information system and general administration services.
Internal Audit	Responsible for assisting the Board and management team to identify the deficiency of the internal control system, to assess the effectiveness and efficiency of the operation, and to provide appropriate improvement suggestions to ensure the effectiveness of internal control system as well as for continuous improvement.

2. Directors, President, Executive Vice Presidents, Senior Vice Presidents, Vice Presidents, Senior Directors and Department Heads

2-1. Directors

Title	Nationality	Name	Gender	Election Date	Tenure (year)	First Election Date	Shareholding When Elected		Current Shareholding	
							Shares	%	Shares	%
Chairman	R.O.C.	Douglas Hsu, Representative of Yuan Ding Investment Co., Ltd.	Male	2015/06/18	3	1997/04/11 *1997/04/11	1,066,657,614 *0	32.73 *0	1,066,657,614 *0	32.73 *0
Managing Director	R.O.C.	Peter Hsu, Representative of Yuan Ding Investment Co., Ltd.	Male	2015/06/18	3	1997/04/11 *1997/04/11	1,066,657,614 *0	32.73 *0	1,066,657,614 *0	32.73 *0
Managing Director	Sweden	Jan Nilsson, Representative of Yuan Ding Investment Co., Ltd.	Male	2015/06/18	3	1997/04/11 *2003/05/26	1,066,657,614 *0	32.73 *0	1,066,657,614 *0	32.73 *0
Independent Director	Hong Kong (China)	Lawrence Juen-Yee LAU	Male	2015/06/18	3	2005/05/20	0	0	0	0
Independent Director	Sweden	Kurt Roland Hellström	Male	2015/06/18	3	2005/05/20	0	0	0	0

2018/04/16

Spouse & Minor Shareholding		Shareholding in the Name of Others		Major Education & Experience	Current Position with Other Company	Officer or Directors is a Spouse or Consanguinity within 2 Degrees to Each Other		
Shares	%	Shares	%			Title	Name	Relation
0 *0	0 *0	0 *0	0 *0	M.S., University of Notre Dame, U.S.A.; M.S., Economics, Columbia University, U.S.A.; Honor Ph. D., Management , National Chiao Tung University; President of Far Eastern New Century Corporation	Chairman of Far Eastern New Century Corporation; Chairman of Asia Cement Co., Ltd.; Chairman of Far Eastern Department Stores Ltd.; Chairman of Oriental Union Chemical Corp.; Chairman of U-Ming Marine Transport Corp.; Chairman of New Century InfoComm Tech Co., Ltd.; Vice Chairman of Far Eastern International Bank	Director Director	Peter Hsu Jeff Hsu	Brother Father and Son
0 *0	0 *0	0 *0	0 *0	M.S., Operations Research, Stanford University, U.S.A.; Vice President of Ding & Ding ManagementConsultants Co. Ltd.	Vice Chairman of Far Eastern New Century Corporation; Director of Asia Cement Co., Ltd.; Supervisor of U-Ming Marine Transport Corp.	Chairman	Douglas Hsu	Brother
0 *0	0 *0	0 *0	0 *0	Vice Chairman of Far Eastone Telecommunications Co., Ltd.; President of Far Eastone Telecommunications Co., Ltd.; Sr. Executive VP of Satelindo Telecom Indonesia; M.S., Industrial and Management Engineering, Linköping University, Sweden	None	None	None	None
0	0	0	0	Academician, Academia Sinica, 1982; Kwoh-Ting Li Professor in Economic Development, Stanford University,U.S.A.; Vice-Chancellor (President) of The Chinese University of Hong Kong; Chairman of CIC International (Hong Kong) Co., Limited; B.S. in Physics, Stanford University, U.S.A.; M.A. and Ph.D. in Economics, University of California at Berkeley, U.S.A.	Ralph and Claire Landau Professor of Economics, The Chinese University of Hong Kong; Independent Non-executive Director, CNOOC Limited in Hong Kong; Independent Non-executive Director, AIA Group Limited in Hong Kong; Independent Non-executive Director, Hysan Development Company Limited in Hong Kong; Member of the Hong Kong Special Administrative Region Exchange Fund Advisory Committee, member of its Currency Board and Investment Sub-Committees and Chairman of its Governance Sub-Committee; Vice-Chairman, Our Hong Kong Foundation; Member and Chairman of the Prize Recommendation Committee, the LUI Che Woo Prize Company; Chairman, Board of Directors, The Chinese University of Hong Kong (Shenzhen) Finance Institute, aka Shenzhen Finance Institute	None	None	None
0	0	0	0	President and CEO of Ericsson Group; M.S., Electronics, Royal Institute of Technology; MBA, Stockholm School of Economics	Director of the European Institute for Japanese Studies (Sweden); Director of International Advisory Board of Altimo (Russia)	None	None	None

Title	Nationality	Name	Gender	Election Date	Tenure (year)	First Election Date	Shareholding When Elected		Current Shareholding	
							Shares	%	Shares	%
Independent Director	R.O.C.	Chung Laung Liu	Male	2015/06/18	3	2015/06/18	0	0	0	0
Director	R.O.C.	Champion Lee, Representative of Yuan Ding Co., Ltd.	Male	2015/06/18	3	2003/05/23 *1997/04/11	4,163,500 *0	0.13 *0	4,163,500 *0	0.13 *0
Director	U.S.A.	Jeff Hsu, Representative of Yuan Ding Co., Ltd.	Male	2015/06/18	3	2003/05/23 *2015/06/18	4,163,500 *0	0.13 *0	4,163,500 *0	0.13 *0
Director	Japan	Keijiro Murayama, Representative of U-Ming Marine Transport Corp.	Male	2015/06/18	3	2012/06/13 *2017/07/01	331,000 *0	0.01 *0	331,000 *0	0.01 *0
Director	R.O.C.	Bonnie Peng, Representative of Asia Investment Corp.	Female	2015/06/18	3	2000/12/28 *2015/06/18	986,303 *0	0.03 *0	1,426,303 *0	0.04 *0
Director	Singapore	Toon Lim, Representative of Ding Yuan International Investment Co., Ltd.	Male	2015/06/18	3	2012/06/13 *2008/01/10	919,653 *0	0.03 *0	919,653 *0	0.03 *0

*Number of shares and percentage of shares currently held and first election date by the individual.

Note: For all directors and shareholders are corporate entities, the company registry is R.O.C.

2018/04/16

	Spouse & Minor Shareholding		Shareholding in the Name of Others		Major Education & Experience	Current Position with Other Company	Officer or Directors is a Spouse or Consanguinity within 2 Degrees to Each Other		
	Shares	%	Shares	%			Title	Name	Relation
	0	0	0	0	Sc. D., Massachusetts Institute of Technology; President and Mei Yi Che Honorary Chair Professor of National Tsing Hua University, Taiwan; Professor Emeritus of University of Illinois at Urbana-Champaign, U.S.A.	William M. W. Mong Honorary Chair Professor, National Tsing Hua University, Taiwan; Independent Director of United Microelectronics Corporation; Independent Director of Microelectronics Technology Inc.; Independent Director of Powerchip Semiconductor Corporation; Director of Macronix International Co., Ltd.; Director of UBI Pharma Inc.; Supervisor of Andes Technology Corporation	None	None	None
	0 *0	0 *0	0 *0	0 *0	MBA, Texas A&I University, U.S.A.; President of Yuan Ding Co., Ltd.; Sr. EVP of Far Eastern New Century Corporation	Director of Far Eastern New Century Corporation; Director of Asia Cement Co., Ltd.; Director of U-Ming Marine Transport Corp.	None	None	None
	0 *0	0 *0	0 *0	0 *0	Master's degree in Design and Innovation Methods, Institute of Design, Illinois Institute of Technology, U.S.A.; MBA, University of Notre Dame , U.S.A.; Worked as a Strategy and Design Consultant in the United States with clients ranging from hi-tech startups to Nestle, Denso Automotive, Kia Motors, and Target.; Captain's commission in the United States Marine Corps	Chief Innovation Officer of Far Eastern Group; Director and Executive Vice President of U-Ming Marine Transport Corp.	Chairman	Douglas	Father and Son
	0 *0	0 *0	0 *0	0 *0	MBA, May 2001 Goizueta Business School Emory University, U.S.A.; Senior Manager, Smart-life Solutions Department, Smart-life Business Division, NTT DOCOMO, Inc.	Executive Director, Strategic Alliance, Global Business Division, NTT DOCOMO, INC.	None	None	None
	0 *0	0 *0	0 *0	0 *0	Doctor of Journalism, Southern Illinois University, Carbondale, U.S.A.; Chairperson of the 2nd term of National Communication Commission; Professor, Department of Journalism (Graduate program), National Chengchi University, Taiwan	Professor, Department of Social and Policy Sciences, and Department of Information Communication (Graduate program), Yuan Zu University	None	None	None
	0 *0	0 *0	0 *0	0 *0	Postgraduate Diploma in Business Administration University of Singapore; BE(Hons), University of Canterbury, NZ Chief Operating Officer, SingTel Group	Advisor, SingTel Group; Board Director, APT Satellite, HK	None	None	None

2-2. Information of Directors

2018/04/16

Name \ Condition	With work experience of more than 5 years and the following professional qualifications			Conform to Independent (Note)										No. of Public companies in which he/she serves as Independent Director
	An instructor or higher in a department of commerce, law, finance, accounting, or other academic department related to company operations at a public or private junior college, college, university.	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a specialty needed for company operations.	Having work experience in the area of commerce, law, finance, or accounting, or other experience needed for company operations	1	2	3	4	5	6	7	8	9	10	
Douglas Hsu			V			V				V		V		None
Peter Hsu			V			V				V		V		None
Jan Nilsson			V	V	V	V	V	V		V	V	V		None
Lawrence Juen Yee Lau	V		V	V	V	V	V	V	V	V	V	V	V	None
Kurt Roland Hellström			V	V	V	V	V	V	V	V	V	V	V	None
Chung Laung Liu	V		V	V	V	V	V	V	V	V	V	V	V	3
Champion Lee			V			V	V			V	V	V		None
Jeff Hsu			V			V				V		V		None
Keijiro Murayama			V	V	V	V	V	V	V	V	V	V		None
Bonnie Peng	V		V		V	V	V	V	V	V	V	V		None
Toon Lim			V	V	V	V	V	V	V	V	V	V		None

Note: "V" indicates qualified Directors during the two years before being elected or during the term of the appointment.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the company or any of its affiliates. (Unless the person is an independent director of the company, its' parent company or its subsidiaries of which are required to set up independent director according to "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" or local law.)

(3) Not an individual shareholder who holds shares, together with those held by the person's spouse, minor children, or held under others' names, in an aggregate amount of one percent or more of the total outstanding shares of the company or ranks among the top ten shareholders who are natural persons in terms of the share volume held.

(4) Not a spouse, or relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any the persons in the preceding three subparagraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total outstanding shares of the company or ranks among the top five corporate shareholders in term of share volume held.

(6) Not a director, supervisor, executive officer, or shareholder holding five percent or more shares of a specific company or institution and who also has financial or business dealings with the company.

(7) Not a professional, or owner, partner, director, supervisor, or executive officer and the spouse thereof of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting or consulting services to the company or to any affiliates of the company. (Unless a member of the remuneration committee who has exercised Article 7 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter")

(8) Not a spouse or relative within the second degree of kinship of any directors.

(9) Not have any of the circumstance in the subparagraphs of Article 30 of the Company Act.

(10)Not elected in the capacity of a government agency, a juristic person, or a representative thereof, as provided in Article 27 of the Company Act.

Diversity of Board Members

Name	Basic requirements and values		Professional knowledge and skills			Necessary knowledge, skill, and experience (Note)						
	Gender	Nationality	Professional background	Professional skills	Industry experience	Ability to make operational judgment	Ability to perform accounting and financial analysis	Ability to conduct management administration	Ability to conduct crisis management	International market perspective	Ability to lead	Ability to make decisions
Douglas Hsu	Male	R.O.C.	Business		V	V	V	V	V	V	V	V
Peter Hsu	Male	R.O.C.	Business		V	V	*	V	V	V	V	V
Jan Nilsson	Male	Sweden	Telecom		V	V	V	V	V	V	V	V
Keijiro Murayama	Male	Japan	Telecom		V	V	*	V	V	V	V	V
Lawrence Juen Yee LAU	Male	Hong Kong (China)	Economic	Professor of Economics	V	V	V	V	V	V	V	V
Champion Lee	Male	R.O.C.	Finance		V	V	V	V	V	V	V	V
Jeff Hsu	Male	U.S.A.	Business		*	V	*	V	V	V	V	V
Kurt Roland Hellström	Male	Sweden	Telecom		V	V	*	V	V	V	V	V
Chung Laung Liu	Male	R.O.C.	Technology	Professor of Electrical Engineering	*	V	*	V	V	V	V	V
Bonnie Peng	Female	R.O.C.	Telecom	Professor of Journalism	V	V	*	V	V	V	V	V
Toon Lim	Male	Singapore	Telecom		V	V	*	V	V	V	V	V

Note：* is referred to possessing partial ability.

2-3. Major shareholders of FET's Board Directors those are institutional shareholders

2017/12/31

Institutional Shareholders	Major Shareholders of the Institutional Shareholders
Yuan Ding Investment Co., Ltd.	Far Eastern New Century Corporation (99.40%), Ta Juh Chemical Fibers Co., Ltd. (0.3%), An Ho Garment Co., Ltd. (0.3%)
Yuan Ding Co., Ltd.	Far Eastern New Century Corporation (37.13%), Asia Cement Co., Ltd. (35.50%), Der Ching Investment Corp. (14.50%), Yuan Ding Investment Co., Ltd. (12.86%), Yu Ming Trading Co., Ltd. (0.002%), Far Eastern Department Store Co., Ltd. (0.001%), Douglas Hsu (0.001%)
U-Ming Marine Transport Corp.	Asia Cement Co., Ltd. (39.25%), Fubon Life Insurance Co., Ltd. (4.00%), Nan Shan Life Insurance Co., Ltd. (2.84%), Cathay Life Insurance Co., Ltd. (2.11%), Public Service Pension Fund Management Board (1.96%), Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds (1.06%), Yuan Ding Investment Co., Ltd. (1.05%), Yue Yuan Investment Co., Ltd. (0.94%), Asia Investment Corp. (0.92%)
Asia Investment Corp.	Asia Cement Co., Ltd. (100%)
Ding Yuan International Investment Co., Ltd.	Far Eastern New Century Corporation (100%)

Information Sources: Department of Commerce, Ministry of Economic Affairs, R.O.C., public announcements on each company's websites and Ex-rights/Ex-dividend information disclosed by each company.

2-4. Major Shareholders of Institutional Shareholders mentioned in 2-3 section

2017/12/31

Institutional Shareholders	Major Shareholders of the Institutional Shareholders
Far Eastern New Century Corporation	Asia Cement Co., Ltd. (23.77%), Oriental Institute of Technology (4.81%), Far Eastern Medical Foundation (3.61%), Far Eastern Memorial Foundation (3.25%), Nan Shan Life Insurance Co., Ltd. (2.75%), Yuan-Ze University (2.74%), Cathay Life Insurance Co., Ltd. (2.60%), Fubon Life Insurance Co., Ltd. (2.50%), Shin Kong Life Insurance Co., Ltd. (2.33%), Douglas Hsu (1.71%)
Ta Juh Chemical Fibers Co., Ltd.	Yuan Ding Investment Co., Ltd. (41.86%), Yue Ding Industry Co., Ltd. (38.76%), Yue Li Investment Corp. (19.38%)
An Ho Garment Co., Ltd.	Far Eastern New Century Corporation (100%)
Asia Cement Co., Ltd.	Far Eastern New Century Corporation (22.33%), Fubon Life Insurance Co., Ltd. (6.31%), Far Eastern Medical Foundation (5.40%), Far Eastern Department Stores Co., Ltd. (1.81%), The Committee of Employee Pension Fund of Far Eastern New Century Corporation (1.51%), Yuan-Ze University (1.41%), Shin Kong Life Insurance Co., Ltd. (1.39%), Far Eastern Memorial Foundation (1.30%), Yue Yuan Investment Co., Ltd. (1.29%), Cathay Life Insurance Co., Ltd. (1.26%)
Der Ching Investment Corp.	Asia Cement Co., Ltd. (99.99%), Asia Investment Corp. (0.001%), Peter Hsu (0.001%)
Yuan Ding Investment Co., Ltd.	Far Eastern New Century Corporation (99.40%), Ta Juh Chemical Fibers Co., Ltd. (0.3%), An Ho Garment Co., Ltd. (0.3%)
Yu Ming Trading Co., Ltd.	Bai-Ding Investment Co., Ltd. (47%), Yuan Ding Investment Co., Ltd. (45.50%), Yue Ding Industry Co., Ltd. (5%), Ding & Ding Management Consultants Co., Ltd. (1%)
Far Eastern Department Stores Co., Ltd.	Far Eastern New Century Corporation (17.06%), Asia Cement Co., Ltd. (5.65%), Yuan-Ze University (4.75%), Yuan Tong Investment Co., Ltd. (2.80%), Yu Yuan Investment Co., Ltd. (2.06%), The Committee of Employee Pension Fund of Far Eastern Department Stores Co., Ltd. (1.97%), Norges Bank (1.55%), Yuan Ding Investment Co., Ltd. (1.52%), Kai Yuan International Investment Co., Ltd. (1.46%), The Committee of Employee Pension Fund of Far Eastern New Century Corporation (1.40%)
Fubon Life Insurance Co., Ltd.	Fubon Financial Holding Co., Ltd. (100%)
Nan Shan Life Insurance Co., Ltd.	First Commercial Bank Trustee Account For Representative of Ruen Chen Investment Holding Co., Ltd. (75.14%), Ruen Chen Investment Holding Co., Ltd. (15.48%), Y. T. Du (3.25%), Ruen Hua Dyeing & Weaving Co., Ltd. (0.28%), Ruentex Leasing Co., Ltd. (0.15%), Boon-Teik Koay (0.11%), Chi-Pin Investment Company (0.11%), Pou Chi Investments Co., Ltd. (0.05%), Pou Yih Investments Co., Ltd.(0.05%), Pou Huei Investments Co., Ltd. (0.05%), Pou Hwang Investments Co., Ltd. (0.05%), Ernest Chan (0.03%), Walter H.C. Chang (0.0001%), Stan Shih (0.00007%)
Cathay Life Insurance Co., Ltd.	Cathay Financial Holding Co., Ltd. (100%)
Yue Yuan Investment Co., Ltd.	Asia Cement Co., Ltd. (29.92%), Yuan Ding Co., Ltd. (25.02%), Yuan Ding Investment Company (18.96%), U-Ming Marine Transport Corp. (17.66%), Yue Ding Industry Co., Ltd. (0.1%)
Asia Investment Corp.	Asia Cement Co., Ltd. (100%)

Information Sources: Department of Commerce, Ministry of Economic Affairs, R.O.C., public announcements on each company's websites and Ex-rights/Ex-dividend information disclosed by each company.

2-5. President, Executive Vice Presidents, Senior Vice Presidents, Vice Presidents, Senior Directors and Department Heads

Title	Nationality	Name	Gender	Effective Date	Current Shareholding		Shares held by Spouse & Minor	
					Shares	%	Shares	%
President	R.O.C.	Yvonne Li	Female	2010.09.10	0	0.00	0	0.00
Executive VP, Consumer BU	R.O.C.	T.Y. Yin (Note 1)	Male	2018.01.01	0	0.00	0	0.00
Executive VP, Consumer BU	R.O.C.	Magdalina Lin (Note 1)	Female	2018.01.01	0	0.00	0	0.00
Executive VP, Omni Channel Management	R.O.C.	Maxwell Cheng (Note 1)	Male	2018.01.01	1,018	0.00	0	0.00
Executive VP, Enterprise & Carrier BU	R.O.C.	Philip Tseng (Note 2)	Male	2017.02.21	0	0.00	0	0.00
Executive VP & CFO, Strategy & Finance	R.O.C.	Sherman Lee (Note 3)	Male	2018.03.01	0	0.00	0	0.00
Sr. Advisor, Strategy & Finance	R.O.C.	Mike Lee (Note 3)	Male	2018.03.01	0	0.00	17,895	0.00
Executive VP, NT	R.O.C.	Herman Rao	Male	2008.02.01	16,682	0.00	0	0.00

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Shares held in Name of Others		Major Education and Experience	Current Position with Other Company	Managers are Spouse or Consanguinity within 2 Degrees to Each Other		
Shares	%			Title	Name	Relation
0	0.00	CCO of Far Eastone Telecommunications Co., Ltd.; CFO of Far Eastone Telecommunications Co., Ltd.; VP of Citibank Taiwan; M.S., Accounting, University of Illinois at Urbana-Champaign	Director of Far Eastern Department Stores Ltd.; Chairwoman & President of Far Eastern Info Service (Holding) Ltd.; Chairwoman of Far Eastern Tech-info Ltd.(Shanghai); Chairwoman of ARCOA Communications Co., Ltd.; Chairwoman of Q-ware Communications Co., Ltd.; Director & President of New Century InfoComm Tech Co., Ltd.; Director of Omusic Co., Ltd.; Director of Alliance Digital Technology Co., Ltd.; Director of Pacific SOGO Department Store Co., Ltd.	None	None	None
0	0.00	CFO of KG Telecom; Dell Inc.; M.S., Business Administration, Indiana University, U.S.A.	Chairman of DataExpress Infotech Co., Ltd.; Director of ARCOA Communications Co., Ltd.; Director of Linkwell Tech. Ltd.; Director of Home Master Technology Ltd.; Supervisor of KGEx.com Co., Ltd.; Supervisor of Omusic Co., Ltd.; Supervisor of Digital United Information Technology Co., Ltd. (Shanghai); Director of Digital United (Cayman) Ltd.; Director of FarEastern New Diligent Company Ltd.; Director of Far Eastern Info Service(Holding) Ltd.; Supervisor of Far Eastern Tech-info Ltd.(Shanghai); Supervisor of Yuanshi Digital Technology Co., Ltd.; Vice Chairman of Far Eastern Electronic Toll Collection Co., Ltd.	None	None	None
0	0.00	Practice Partner of Teradata Inc., Taiwan; B.S., Commercial Mathematics, Providence University, Taiwan.	Chairwoman of Yuanshi Digital Technology Co., Ltd.; Director of Omusic Co., Ltd.; Director of Yuan Hsin Digital Payment Co., Ltd.; Director of Ding Ding Integrated Marketing Service Co., Ltd.	None	None	None
0	0.00	Manager of Nestle Taiwan Group; M.S., Marketing, University of Michigan, U.S.A.	Chairman of Yuan Cing Co., Ltd.; Director of Q-ware Communications Co., Ltd.	None	None	None
0	0.00	President of Ericsson Taiwan,; Master Degree of Science from Industrial Engineering School, Lehigh University, U.S.A.	Chairman & President of KGEx.com Co., Ltd.; Chairman of Information Security Service Digital United, Inc.; Director of New Century InfoComm Tech Co., Ltd.; Director of New Diligent Co., Ltd.; Director of Q-ware Communications Co., Ltd.; Chairman of Digital United (Cayman) Ltd.; Director of Sino Lead Enterprise Limited; Manager of Far EasTone Telecommunications Co., Ltd. System Integration Branch Office	None	None	None
0	0.00	EVP of Quanta Cloud Technology; Master of Business Administration, Strategy & Operations, The Wharton School, University of Pennsylvania, U.S.A.	Director of Yuanshi Digital Technology Co., Ltd.; Director of New Diligent Hong Kong Company Ltd.; Supervisor of Yuan Cing Co., Ltd.; Supervisor of New Century InfoComm Tech Co., Ltd.; Supervisor of Ding Ding Integrated Marketing Service Co., Ltd.; Supervisor of New Diligent Co., Ltd.; Supervisor of Information Security Service Digital United, Inc.	None	None	None
0	0.00	President of Far Eastern Electronic Toll Collection Co., Ltd. ; Ph.D., E.E., SUNY at Stony Brook, U.S.A.	Director of FarEastern New Diligent Company Ltd.; Chairman of Digital United Information Technology Co., Ltd. (Shanghai); Independent Director and Remuneration Committee member of Taiwan Shin Kong Security Co., Ltd.	None	None	None
0	0.00	Director of AT&T Wireless; Ph.D. of Computer Science, Arizona University, U.S.A.	None	None	None	None

Title	Nationality	Name	Gender	Effective Date	Current Shareholding		Shares held by Spouse & Minor	
					Shares	%	Shares	%
Executive VP, IT	R.O.C.	Eton Shu (Note 1)	Male	2018.01.01	0	0.00	0	0.00
Sr. VP, Legal & Procurement	R.O.C.	Vivian Lee (Note 4)	Female	2018.01.03	0	0.00	0	0.00
Sr. VP, Human Resources & Facility	R.O.C.	Olivia Chew (Note 4)	Female	2018.01.03	0	0.00	0	0.00
VP, Consumer BU	R.O.C.	Jennifer Liu (Note 1)	Female	2018.01.01	0	0.00	0	0.00
VP, Consumer BU	R.O.C.	Belinda Chen (Note 1)	Female	2018.01.01	5,070	0.00	0	0.00
VP, Consumer BU	R.O.C.	Jessie Teng (Note 1)	Female	2018.01.01	0	0.00	0	0.00
VP, Consumer BU	R.O.C.	Brian Chao (Note 1)	Male	2018.01.01	0	0.00	0	0.00
VP, Consumer BU	R.O.C.	Andy Tu (Note 1)	Male	2018.01.01	0	0.00	0	0.00
VP, Consumer BU	R.O.C.	Terrance Yang (Note 1)	Male	2018.01.01	0	0.00	0	0.00
VP, Omni Channel Management	R.O.C.	Maggie Mei (Note 1)	Female	2018.01.01	18,419	0.00	0	0.00
VP, Omni Channel Management	R.O.C.	Jessica Sung (Note 1)	Female	2018.01.01	0	0.00	0	0.00
VP, Omni Channel Management	R.O.C.	Roger Lin (Note 1)	Male	2018.01.01	0	0.00	0	0.00
VP, Omni Channel Management	R.O.C.	Charlene Lin (Note 1)	Female	2018.01.01	0	0.00	0	0.00

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Shares held in Name of Others		Major Education and Experience	Current Position with Other Company	Managers are Spouse or Consanguinity within 2 Degrees to Each Other		
Shares	%			Title	Name	Relation
0	0.00	VP of KG Telecom; M.S., Computer Science and Information Engineering, National Taiwan University	Director of Far Eastern Info Service (Holding) Ltd.; Director of Far Eastern Tech-info Ltd.(Shanghai); Director of Omusic Co., Ltd.; Supervisor of Far Eastern Electronic Toll Collection Co., Ltd.	None	None	None
0	0.00	M.S., LLM, Intellectual Property Law. John Marshall Law School, Chicago, Illinois; VP, Head of Ericsson Commercial Management, Ericsson Sweden	Director of ARCOA Communications Co., Ltd.; Director of KGEx.com Co., Ltd.; Director of Yuan Cing Co., Ltd.	None	None	None
0	0.00	Director of PAREXEL Academy Asia; Asia HR VP, American International Group; Bachelor of Computer Science, SooChow University	Director of Yuanshi Digital Technology Co., Ltd.	None	None	None
0	0.00	Special Assistant to Chairman, Far Eastern Textile Ltd.; MBA, New York University, U.S.A.	Director of Far Eastern Info Service (Holding) Ltd.; Director of Far Eastern Tech-info Ltd.(Shanghai); Director of FarEastern New Diligent Company Ltd.	None	None	None
0	0.00	Director of Taiwan High Speed Rail Corporation; M.S., Advertising, University of Illinois, U.S.A.	None	None	None	None
0	0.00	Director of Taiwan High Speed Rail Corporation; M.S., Business Administration, Southern Methodist University, U.S.A.	Director of ARCOA Communications Co., Ltd.	None	None	None
0	0.00	Sales Supervisor of Shin Kong Life Insurance Co., Ltd.; B.S., Accounting, Feng Chia University, Taiwan.	Director of ARCOA Communications Co., Ltd.; Director & President of DataExpress Infotech Co., Ltd.	None	None	None
0	0.00	Vice President of Samsung Electronics Taiwan & GM of IT & Mobile; MBA, Portland State University, Oregon, U.S.A.	President of ARCOA Communications Co., Ltd.	None	None	None
0	0.00	CIO, TestRite Group; President, Global Technology Service, IBM Taiwan; M.S., Engineering Department of National Taiwan University	President of Yuanshi Digital Technology Co., Ltd.	None	None	None
0	0.00	Assistant Manager, Citibank; International Trade, China University of Technology	Director & President of Yuan Cing Co., Ltd.; Director of Far Eastern Info Service (Holding) Ltd.; Director of Far Eastern Tech-info Ltd.(Shanghai)	None	None	None
0	0.00	CPA of California, U.S.A.; MIS Manager of Janssen Cilag Taiwan, Johnson & Johnson; EMBA, National Taiwan University	None	None	None	None
0	0.00	Sales Representative of Carrier Corporation, Taiwan; Master of International Business of CYCU, Taiwan.	None	None	None	None
0	0.00	VP & CFO of New Century InfoComm Tech Co., Ltd.; VP of Digital United Inc.; Master of Business Administration, National Taiwan University	None	None	None	None

Title	Nationality	Name	Gender	Effective Date	Current Shareholding		Shares held by Spouse & Minor	
					Shares	%	Shares	%
VP, Enterprise & Carrier BU	R.O.C.	Mark Lee	Male	2014.10.01	0	0.00	0	0.00
VP, Enterprise & Carrier BU	R.O.C.	Eric Li	Male	2010.10.05	0	0.00	0	0.00
VP, Enterprise & Carrier BU	R.O.C.	James Lee	Male	2007.07.01	676	0.00	0	0.00
VP, Enterprise & Carrier BU	R.O.C.	Andy Kuo (Note 5)	Male	2018.04.01	0	0.00	0	0.00
VP, Strategy & Finance	R.O.C.	Sharon Lin (Note 3)	Female	2018.03.01	11,076	0.00	0	0.00
VP, Strategy & Finance	R.O.C.	David Tsai (Note 3)	Male	2018.03.01	0	0.00	0	0.00
VP, NT	R.O.C.	Bruce Yu	Male	2013.04.01	0	0.00	0	0.00
VP, IT	R.O.C.	Hae Shung Ju	Male	2016.10.01	0	0.00	0	0.00
VP, Legal & Procurement	R.O.C.	Dick Lin (Note 4)	Male	2018.01.03	0	0.00	0	0.00
Senior Director, Consumer BU	R.O.C.	C. J. Lee (Note 1)	Female	2018.01.01	28,452	0.00	0	0.00
Senior Director, Consumer BU	R.O.C.	D.J. Chen (Note 1)	Male	2018.01.01	0	0.00	0	0.00
Senior Director, Consumer BU	R.O.C.	Eric Chu (Note5)	Male	2018.04.01	0	0.00	0	0.00
Senior Director, Consumer BU	R.O.C.	Lopes Lu (Note5)	Female	2018.04.01	155	0.00	0	0.00
Senior Director, Omni Channel Management	R.O.C.	Andy Kuo (Note 1)	Male	2018.01.01	0	0.00	0	0.00
Senior Director of Sales, Omni Channel Management	R.O.C.	Adam Wong (Note5)	Male	2018.04.01	0	0.00	0	0.00
Senior Director of Sales, Omni Channel Management	R.O.C.	Maurice Tsai (Note5)	Male	2018.04.01	0	0.00	0	0.00

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Shares held in Name of Others		Major Education and Experience	Current Position with Other Company	Managers are Spouse or Consanguinity within 2 Degrees to Each Other		
Shares	%			Title	Name	Relation
0	0.00	Director of Sales of New Century InfoComm Tech Co., Ltd.; B.S., Information Technology of Chung-Yuen University	Director of Information Security Service Digital United Inc.	None	None	None
0	0.00	VP of New Century InfoComm Tech. Co., Ltd.; VP of Digital United Inc.; Master of Information Management, National Sun Yat-Set University; Taiwan.	Chairman of New Diligent Co., Ltd.; Director of Digital United Information Technology Co., Ltd. (Shanghai) Director of DataExpress Infotech Co., Ltd.; Director of Information Security Service Digital United, Inc.	None	None	None
0	0.00	Director of KG Telecom; B.S., Electrical Engineering, Feng Chia University, Taiwan	Director & President of Q-ware Communications Co., Ltd.; Director of KGEx.com Co., Ltd.; Director of New Diligent Co., Ltd.	None	None	None
0	0.00	Director of Sales of New Century InfoComm Tech Co., Ltd.; Ph.D. of Management Science, National Taiwan University of Science and Technology.	None	None	None	None
0	0.00	Manager of Vishay General Semiconductor Taiwan Ltd.; M.S, Finance, University of Wisconsin, U.S.A.	Supervisor of ARCOA Communications Co., Ltd.; Supervisor of Q-ware Communications Co., Ltd.;	None	None	None
0	0.00	Manager of U-Ming Marine Transport Corp.; EMBA of Yuan-Ze University, Taiwan	Supervisor of ARCOA Communications Co., Ltd.	None	None	None
0	0.00	Telecom engineer of Siemens Telecom Systems Ltd.; B.S., Computer Science, National Chiao Tung University, Taiwan	Director of KGEx.com Co., Ltd.	None	None	None
0	0.00	Senior consultant, NCR; M.S., Computer Science, Texas A&M University, U.S.A.	Director of KGEx.com Co., Ltd.	None	None	None
0	0.00	Regional General Manager of UTStarcom Inc.; Master of The Grand Canyon University, U.S.A.	None	None	None	None
0	0.00	CFO/COO, Effortel SA Taiwan; Accounting, The Soochow University, Taiwan	Director of Omusic Co., Ltd.	None	None	None
0	0.00	Supervisor of Taiwan Mobile Communication; M.S., Computer Science, California State University, U.S.A.	None	None	None	None
0	0.00	VP, Bank SinoPac AVP, Citibank (New York); MS, EES/OR, Stanford University, U.S.A.	None	None	None	None
0	0.00	Assist. Marketing Manager, Standard Chartered Bank; Major in Accounting & Statistics, Ming-Chuan College	None	None	None	None
0	0.00	Manager of Magical Furniture Corporation; B.S., Business Management, Tamsui Oxford University College, Taiwan.	None	None	None	None
0	0.00	Sales Assistant Manager of KG Telecom; Executive Master, Department of International Business, Soochow University	None	None	None	None
0	0.00	Manager of New Century InfoComm Tech Co., Ltd.; Department of Physics, Chung Yuan Christian University	None	None	None	None

Title	Nationality	Name	Gender	Effective Date	Current Shareholding		Shares held by Spouse & Minor	
					Shares	%	Shares	%
Senior Director, Strategy & Finance	R.O.C.	Joyce Chen (Note 3)	Female	2018.03.01	0	0.00	0	0.00
Senior Director, Strategy & Finance	R.O.C.	Ann Chang (Note 3)	Female	2018.03.01	13,352	0.00	0	0.00
Senior Director, Strategy & Finance	R.O.C.	Gary Lai (Note 3)	Male	2018.03.01	0	0.00	0	0.00
Senior Director, Strategy & Finance	R.O.C.	Andrea Shen (Note 3)	Female	2018.03.01	0	0.00	0	0.00
Senior Director, NT	R.O.C.	Vivian Chiang	Female	2014.10.01	0	0.00	0	0.00
Senior Director, NT	R.O.C.	Jason Kuo	Male	2016.10.01	0	0.00	0	0.00
Senior Director, NT	R.O.C.	Dave Lu	Male	2016.10.01	0	0.00	0	0.00
Senior Director, IT	R.O.C.	Leon Li	Male	2013.10.01	0	0.00	0	0.00
Senior Director, IT	R.O.C.	Andy Weng	Male	2017.04.01	308	0.00	0	0.00
Senior Director, IT	R.O.C.	Barry Chang (Note 6)	Male	2017.07.03	0	0.00	0	0.00
Senior Director, PR & Brand Management	R.O.C.	Yaling Lang (Note 1)	Female	2018.01.01	1,000	0.00	0	0.00
Senior Director, Legal & Procurement	R.O.C.	Jason Chen (Note 4)	Male	2018.01.03	0	0.00	0	0.00
Senior Director, Human Resources & Facility	R.O.C.	Allan Lee (Note 4)	Male	2018.01.03	0	0.00	0	0.00
Chief Auditor, Internal Audit	R.O.C.	Iris Su	Female	2015.03.16	43,246	0.00	0	0.00

Note: The Company has not issued employee stock options.
Note 1: On board on Jan. 01, 2018
Note 2: On board on Feb. 21, 2017
Note 3: On board on Mar. 01, 2018
Note 4: On board on Jan. 03, 2018
Note 5: Promoted on Apr. 01, 2018
Note 6: On board on Jul. 03, 2017

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Shares held in Name of Others		Major Education and Experience	Current Position with Other Company	Managers are Spouse or Consanguinity within 2 Degrees to Each Other		
Shares	%			Title	Name	Relation
0	0.00	Senior consultant of BroadVision, Inc.; MBA, National Taiwan University	None	None	None	None
0	0.00	Arthur Andersen CPA firm; M.S., Management science, National Chiao Tung University, Taiwan	Supervisor of DataExpress Infotech Co., Ltd.	None	None	None
0	0.00	Director of MrTaiwan.com; M.S, Finance, George Washington University, U.S.A.	None	None	None	None
0	0.00	FP&A Senior Manager and Accounting Head of PepsiCo Inc. Taiwan Foods; Executive MBA of NCCU; Bachelor of Law in Public Finance of NCCU, Taiwan	None	None	None	None
0	0.00	Marketing specialist of MiTAC; Engineer of ABS Telecom Inc.; M.S., Computer Science of East Texas State University, U.S.A.	None	None	None	None
0	0.00	Director, Digital United Inc, Taiwan; Master degree of Science in Electrical Engineering, University of Southern California, U.S.A.	None	None	None	None
0	0.00	LANcom Technologies,Inc; M.S., Naval architecture and Ocean engineering, National Taiwan University	None	None	None	None
0	0.00	Manager of KG Telecom.; M.S., Computer Science, Monmouth University, U.S.A.	None	None	None	None
0	0.00	Senior Director, TDC US; Electronic Computer Science, Soochow University, Taiwan	None	None	None	None
0	0.00	AVP, IT Division, Genius Electronic Optics; Master, Institute of Decision and Computer Science, Tsing-hwa University, Taiwan	None	None	None	None
0	0.00	Reporter at TTV & United Daily News; Supervisor, Department of public information, Formosa TV; Special assistant to General Manager, Far Eastern Electronic Toll Collection Co., Ltd; M.S. in Media University of Minnesota–Twin Cities U.S.A.	None	None	None	None
0	0.00	Manager of KG Telecom.; M.S., E.E.,Polytechnic Institute of New York University, U.S.A.(NYU-Poly)	None	None	None	None
0	0.00	Manager of Chung-Chie Property Management; Ph.D. of Economics, Nankai University, China	None	None	None	None
0	0.00	Manager of KG Telecom.; M.S., Computer Information System, Arizona State University, U.S.A.	None	None	None	None

2-6. Remuneration to Directors, President, Executive Vice Presidents and Vice Presidents

Title	Name	Remuneration to Directors							
		Compensation (A)		Pension Fund (B)		Directors remuneration (C) (Note 1)		Operating allowance (D) (Note 2)	
		The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	The Company	Consolidated
Chairman	Douglas Hsu, Representative of Yuan Ding Investment Co., Ltd.	20,332	20,332	0	0	94,154	94,175	6,635	6,635
Managing Director	Peter Hsu, Representative of Yuan Ding Investment Co., Ltd.								
	Jan Nilsson, Representative of Yuan Ding Investment Co., Ltd.								
Independent Director	Lawrence Juen-Yee LAU								
	Kurt Roland Hellström								
	Chung Laung Liu								
Director	Champion Lee, Representative of Yuan Ding Co., Ltd.								
	Jeff Hsu, Representative of Yuan Ding Co., Ltd.								
	Keijiro Murayama, Representative of U-Ming Marine Transport Corp.								
	Bonnie Peng, Representative of Asia Investment Corp.								
	Toon Lim, Representative of Ding Yuan International Investment Co., Ltd.								

* Remuneration to Directors providing service to entities under the Company's most recent financial report (ex. Serving as non-employee consultants), in addition to remuneration disclosed in the above table: None
Note 1：The remuneration from 2017 distribution of earnings is proposed amount, not actual payment amount yet.
Note 2：Including salary, position compensation, bonus, transportation allowance, special disbursement, other allowance, accommodation allowance and company car, etc.
Note 3：The net income refers to after- tax income in the recent year; if the Company adopts International Financial Report Standards, the net income is on the stand-alone basis.

Escalation for Remuneration to Directors

2017/12/31

Escalation for remuneration paid to individual directors of the Company (NTD) (Note 1)	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	All companies in the consolidated statement (H)	The Company	All Affiliated Companies (I)
Less than 2,000,000	Bonnie Peng, Representative of Asia Investment Corp; Toon Lim, Representative of Ding Yuan International Investment Co., Ltd.	Bonnie Peng, Representative of Asia Investment Corp; Toon Lim, Representative of Ding Yuan International Investment Co., Ltd.	Bonnie Peng, Representative of Asia Investment Corp; Toon Lim, Representative of Ding Yuan International Investment Co., Ltd.	Bonnie Peng, Representative of Asia Investment Corp; Toon Lim, Representative of Ding Yuan International Investment Co., Ltd.
2,000,000～5,000,000 （inclusive of 2,000,000）	Chung Laung Liu; Kurt Roland Hellström; Lawrence Juen-Yee LAU; Jeff Hsu, Representative of Yuan Ding Co., Ltd.; Champion Lee, Representative of Yuan Ding Co., Ltd.; Keijiro Murayama, Representative of U-Ming Marine Transport Corp.	Chung Laung Liu; Kurt Roland Hellström; Lawrence Juen-Yee LAU; Jeff Hsu, Representative of Yuan Ding Co., Ltd.; Champion Lee, Representative of Yuan Ding Co., Ltd.; Keijiro Murayama, Representative of U-Ming Marine Transport Corp.	Chung Laung Liu; Kurt Roland Hellström; Lawrence Juen-Yee LAU; Jeff Hsu, Representative of Yuan Ding Co., Ltd.; Champion Lee, Representative of Yuan Ding Co., Ltd.; Keijiro Murayama, Representative of U-Ming Marine Transport Corp.	Chung Laung Liu; Kurt Roland Hellström; Lawrence Juen-Yee LAU; Jeff Hsu, Representative of Yuan Ding Co., Ltd.; Champion Lee, Representative of Yuan Ding Co., Ltd.; Keijiro Murayama, Representative of U-Ming Marine Transport Corp.
5,000,000～10,000,000 （inclusive of 5,000,000）	None	None	None	None
10,000,000～15,000,000 （inclusive of 10,000,000）	None	None	None	None
15,000,000～30,000,000 （inclusive of 15,000,000）	Jan Nilsson, Representative of Yuan Ding Investment Co., Ltd.; Peter Hsu, Representative of Yuan Ding Investment Co., Ltd.	Jan Nilsson, Representative of Yuan Ding Investment Co., Ltd.; Peter Hsu, Representative of Yuan Ding Investment Co., Ltd.	Jan Nilsson, Representative of Yuan Ding Investment Co., Ltd.;. Peter Hsu, Representative of Yuan Ding Investment Co., Ltd.	Jan Nilsson, Representative of Yuan Ding Investment Co., Ltd.; Peter Hsu, Representative of Yuan Ding Investment Co., Ltd.
30,000,000～50,000,000 （inclusive of 30,000,000）	Douglas Hsu, Representative of Yuan Ding Investment Co., Ltd.	Douglas Hsu, Representative of Yuan Ding Investment Co., Ltd.	Douglas Hsu, Representative of Yuan Ding Investment Co., Ltd.	Douglas Hsu, Representative of Yuan Ding Investment Co., Ltd.
50,000,000～100,000,000 (inclusive of 50,000,000）	None	None	None	None
More than 100,000,000	None	None	None	None
Total	11	11	11	11

Note 1: The aforementioned remuneration for Institutional Representative is proposed amount of remuneration (not an actual amount), and is assumed to be equally allocated to institutional representatives.

2017/12/31; NT$'000

(A+B+C+D) Percentage of net income (%) (Note 3)		Remuneration to Concurrent Employment								(A+B+C+E+D+F+G) Percentage of net income (%)(Note 3)		Other Remuneration from Investment Business except subsidiary
		Salary, bonus, special disbursement (E)		Pension Fund (F)		Remuneration to Employees (G)						
						The Company		Consolidated				
The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	Cash Amount	Stock Amount	Cash Amount	Stock Amount	The Company	Consolidated	
1.12%	1.12%	0	0	0	0	0	0	0	0	1.12%	1.12%	6,540

The percentage of remuneration paid to the Board of Directors over after tax net income in recent 2 years:

Year	The Company	All companies in the consolidated statement
2016	1.06%	1.06%
2017	1.12%	1.12%

Remuneration Paid to President, Executive Vice Presidents and Vice Presidents

2017/12/31; NT$'000

Title	Name	Salary (A)		Pension Fund (B) (Note 2)		Bonus and special allowance (C) (Note 3)		Bonus to employees from distribution of earnings (D) (Note 4)				(A+B+C+D) Percentage of net income after tax (%)		Remuneration from invested companie other than the Company's subsidiary
		The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	The Company		Consolidated		The Company	Consolidated	
								Cash bonus	Stock bonus	Cash bonus	Stock bonus			
President	Yvonne Li													
Executive VP	T.Y. Yin													
Executive VP	Magdalina Lin													
Executive VP	Maxwell Cheng													
Executive VP	Philip Tseng (Note 1)													
Executive VP & CFO	Sherman Lee													
Sr. Advisor	Mike Lee													
Executive VP	Herman Rao													
Executive VP	Eton Shu													
VP	Jennifer Liu													
VP	Belinda Chen	111,357	111,357	2,474	2,474	21,244	21,244	37,500	0	37,500	0	1.59%	1.59%	80
VP	Jessie Teng													
VP	Brian Chao													
VP	Andy Tu													
VP	Terrance Yang													
VP	Maggie Mei													
VP	Jessica Sung													
VP	Roger Lin													
VP	Charlene Lin													
VP	Mark Lee													
VP	Eric Li													
VP	James Lee													
VP	Sharon Lin													
VP	David Tsai													
VP	Bruce Yu													
VP	Hae Shung Ju													
VP	Dick Lin													

Note 1：On board on Feb. 21, 2017

Note 2：The figures shown in the table include actual payment for pension fund and pension fund contribution in 2017.

Note 3：Including bonus, special allowance, transportation allowance, special disbursement, accommodation allowance, company car and etc. The total expense for company car leasing is NT$6,981 thousand. In addition, the compensation paid to the driver is NT$670 thousand in total, which is excluded from aboved mentioned remuneration.

Note 4：The remuneration from 2017 distribution of earnings is a proposed amount and not a actual payment amount yet.

Escalation for remuneration to President, Executive Vice Presidents and Vice Presidents

2017/12/31

Escalation for remuneration paid to Presidents and Vice Presidents of the Company (NTD)	Name of President and Vice Presidents	
	The Company	All investment business companies
Less than 2,000,000	None	None
2,000,000～5,000,000（inclusive of 2,000,000）	Hae Shung Ju, Bruce Yu, Mark Lee, James Lee, Eric Li, Roger Lin, Charlene Lin, Terrance Yang, Brian Chao, David Tsai, Jessie Teng	Hae Shung Ju, Bruce Yu, Mark Lee, James Lee, Eric Li, Roger Lin, Charlene Lin, Terrance Yang, Brian Chao, David Tsai, Jessie Teng
5,000,000～10,000,000（inclusive of 5,000,000）	Andy Tu, Jessica Sung, Dick Lin, Sharon Lin, Maggie Mei, Belinda Chen, Jennifer Liu, Mike Lee, Sherman Lee, Eton Shu, Magdalina Lin, Philip Tseng (Note 1), Maxwell Cheng, Herman Rao	Andy Tu, Jessica Sung, Dick Lin, Sharon Lin, Maggie Mei, Belinda Chen, Jennifer Liu, Mike Lee, Sherman Lee, Eton Shu, Magdalina Lin, Philip Tseng (Note 1), Maxwell Cheng, Herman Rao
10,000,000～15,000,000（inclusive of 10,000,000）	T.Y. Yin	T.Y. Yin
15,000,000～30,000,000（inclusive of 15,000,000）	Yvonne Li	Yvonne Li
30,000,000～50,000,000（inclusive of 30,000,000）	None	None
50,000,000～100,000,000（inclusive of 50,000,000）	None	None
More than 100,000,000	None	None
Total	27	27

* Names of employees with the same position are in order of Chinese last name.
Note 1：On board on Feb. 21, 2017

The percentage of remuneration paid to President, Executive Vice Presidents and Vice Presidents over net income after tax:

Year	The Company	All companies in the consolidated statement
2016	1.65%	1.65%
2017	1.59%	1.59%

The remuneration policies, standards and packages of the Company's Directors, President, Executive Vice Presidents and Vice Presidents (hereinafter referred to as manager), procedures for determining remuneration and its correlation with the Directors' performance evaluation, managers' operational performance and future risks:

(1) Remuneration policies, standards and packages:

1. Directors:

Directors' compensation of the Company is based on the Company's Articles of Incorporation and shall be determined by the Remuneration Committee and the Board of Directors, then shall be reported to the Annual Shareholders' Meeting. Additionally, operating expenses paid to Directors are mainly for travel allowance; these are benchmarked against other high tech industry companies and approved by the Board of Directors.

2. Managers:

There are three kinds of remuneration paid to the President, Executive Vice Presidents, Senior Vice Presidents and Vice Presidents (Managers): salary, bonuses and special allowances, and Employees' Compensation. As salary is compensation based on the Company Act, it is paid according to tasks performed, the general economic situation, and market standards. Travel allowances are a major component of bonuses, and special allowances are divided into three options offered: fixed amount allowance, rental cars, or allowance by mileage. Employees' compensation of the Company is based on the Company's Articles of Incorporation and shall be determined by the Remuneration Committee and the Board of Directors, then shall be reported to the Annual Shareholders' Meeting.

(2) Procedures for determining remuneration:

1. Directors:

According to the Articles 26 of Incorporation of the company, if there is profit for the current year, the Company shall set aside not more than 1% of it as compensation for Directors. The Board of Directors shall also determine the ratio of distribution of Directors' compensation and amount and shall report to the Shareholders' Meeting. The compensation of the Company's Directors is distributed in accordance with the shareholding each one represents, and the effort each has contributed to the Company's affairs, which are carefully considered for the remuneration arrangement.

2. Managers:

According to the Articles of Incorporation of the company, the Board of Directors shall also determine the ratio of distribution of Employees' compensation and amount and shall report to the Shareholders' Meeting. The Company's bonus regulations will determine the times and date of the compensation of employees.

(3) Linkage between Directors' remuneration / managers' remuneration and their performance evaluation / operational performance:

1. Directors:

Procedures for determining remuneration are in line with the Company's "Procedures for performance evaluation of Board of Directors Meeting". The overall evaluation results of the Company's board performance evaluation should be reported at the first quarter Borad of Directors Meeting of next year. In the following matters to be discussed at the same Board of Directors Meeting, Directors' compensation is then determined. Furthermore, it is the responsibility of the Company's Remuneration Committee to formulate and periodically examine the performance review, remuneration policy, system, standards, and structure for Directors and managerial officers.

2. Managers:

The employees' compensation is according to company bonus regulations, which cover the achievement of company operational goal and individual annual target. Company goal includes financial and non-financial index. Individual annual target includes operational goal and corporate social responsibility.According to the company performance result, the actual ratio of distribution of Employees' compensation and amount shall be determined at the first quarter of Remuneration Committee and the Board of Directors of next year, its amount is highly correlated with the operational performance of the Company.

(4) Correlation with future risks:

1. Directors:

The remuneration is determined and adjusted in terms of criteria and structure, and is based not only on the historical operational performance but also on future risk factors. In addition, the Remuneration Committee of the Company will also periodically review and evaluate the salary and remuneration for Directors and submit suggestions to the Board of Directors in order to achieve a balance between immortal business and risk control.

2. Managers:

The remuneration is determined and flexibly adjusted in terms of multiple criteria; and its structure is based not only on industry standards and historical operational performance but also the actual operating situation and laws / regulations and amendments. It shall not guide the managerial officers to bring risk to the Company solely for higher remuneration.

In addition, the Remuneration Committee of the Company will evaluate the salary and remuneration for President, Executive Vice Presidents , Senior Vice Presidents and Vice Presidents periodically and submit suggestions to the Board of Directors in order to achieve the balance between immortal business and risk control.

The comparison of the remuneration paid to Directors, President, Executive Vice Presidents and Vice Presidents for both the standalone and consolidated basis of the Company in recent 2 years:

The percentage of net income paid to Directors, President, Executive Vice Presidents and Vice Presidents as the remuneration in the last two years have no significant changes. On the consolidated basis, 2.71% of the net income has been paid to Directors, President, and Vice Presidents as the remuneration for in both 2016 and 2017.

Remuneration to President, Executive Vice Presidents, Vice Presidents and Senior Directors

2017/12/31; Unit: NT$'000

	Title	Name	Stock bonus	Cash bonus (Note 3)	Total	Percentage of Net income after tax (%)
Managers	President	Yvonne Li	0	54,880	54,880	0.51%
	Executive VP	T.Y. Yin				
	Executive VP	Magdalina Lin				
	Executive VP	Maxwell Cheng				
	Executive VP	Philip Tseng (Note 1)				
	Executive VP & CFO	Sherman Lee				
	Sr. Advisor	Mike Lee				
	Executive VP	Herman Rao				
	Executive VP	Eton Shu				
	VP	Jennifer Liu				
	VP	Belinda Chen				
	VP	Jessie Teng				
	VP	Brian Chao				
	VP	Andy Tu				
	VP	Terrance Yang				
	VP	Maggie Mei				
	VP	Jessica Sung				
	VP	Roger Lin				
	VP	Charlene Lin				
	VP	Mark Lee				
	VP	Eric Li				
	VP	James Lee				
	VP	Sharon Lin				
	VP	David Tsai				
	VP	Bruce Yu				
	VP	Hae Shung Ju				
	VP	Dick Lin				
	Senior Director	C. J. Lee				
	Senior Director	D.J. Chen				
	Senior Director	Andy Kuo				
	Senior Director of Sales	Andy Kuo				
	Senior Director	Joyce Chen				
	Senior Director	Ann Chang				
	Senior Director	Gary Lai				
	Senior Director	Andrea Shen				
	Senior Director	Vivian Chiang				
	Senior Director	Jason Kuo				
	Senior Director	Dave Lu				
	Senior Director	Leon Li				
	Senior Director	Andy Weng				
	Senior Director	Barry Chang (Note 2)				
	Senior Director	Yaling Lang				
	Senior Director	Jason Chen				
	Senior Director	Allan Lee				
	Chief Auditor	Iris Su				

Note 1: On board on Feb. 21, 2017
Note 2: On board on July 03, 2017
Note 3: Remuneration of 2017 earnings distribution has not been resolved by the Shareholders' meeting yet, and it's a proposed amount.

2-7. Name, Position and Bonuses Amount of Top Ten Recipients of Employees' Compensation:

2017/12/31; Unit: NT$'000

Name (Note 1)	Position	Bonuses Amount (Note 2)			
		Cash Dividend	Stock dividend		
			Shares	Market Price	Amount
Yvonne Li	President	21,265	0	Not Applicable	0
T.Y. Yin	Executive VP				
Mike Lee	Chief Advisor				
Sherman Lee	Executive VP & CFO				
Eton Shu	Executive VP				
Magdalina Lin	Executive VP				
Maxwell Cheng	Executive VP				
Herman Rao	Executive VP				
Sharon Lin	VP				
Jennifer Liu	VP				

Note 1: Names of employees with the same position are in alphabetic order based on the Chinese last name.

Note 2: Indicated the actual distributing amounts of 2016 earnings.

3. Operation of Corporate Governance

3-1. Operation of Board of Director:

Holding 5 times (A) of the Board Meeting, and the attendance status of Board of Directors from last year up to the Annual Report being Published：

2018/04/30

Title	Name	Times of Attendance (B)	Times of by Attendance by Proxy (C)	Actual Percentage of Attendance (%) (B / A)	Percentage of Attendance (%) (Proxy included) ((B + C) / A)	Remark
Chairman	Douglas Hsu, Representative of Yuan Ding Investment Co., Ltd.	5	0	100	100	
Managing Director	Peter Hsu, Representative of Yuan Ding Investment Co., Ltd.	4	1	80	100	
Managing Director	Jan Nilsson, Representative of Yuan Ding Investment Co., Ltd.	5	0	100	100	
Independent Director	Lawrence Juen-Yee LAU	5	0	100	100	
Independent Director	Kurt Roland Hellström	5	0	100	100	
Independent Director	Chung Laung Liu	4	1	80	100	
Director	Champion Lee, Representative of Yuan Ding Co., Ltd.	4	1	80	100	
Director	Jeff Hsu, Representative of Yuan Ding Co., Ltd.	5	0	100	100	
Director	Keisuke Yoshizawa, Representative of U-Ming Marine Transport Corp.	2	0	100	100	The director’s tenure expired on July 1, 2017, shall present 2 times.
Director	Keijiro Murayama, Representative of U-Ming Marine Transport Corp.	3	0	100	100	The director’s tenure effective on July 1, 2017, shall present 3 times.
Director	Bonnie Peng, Representative of Asia investment Corp.	5	0	100	100	
Director	Toon Lim, Representative of Ding Yuan International Investment Co., Ltd.	4	1	80	100	

Other matters of importance:

1. If any of below listed-circumstances of operation of Board Meeting occours, it’s necessary to be disclosured, including dates of board meetings, sessions, the contents of motions, all independent opinions from Independent Directors and the Company’s response to such Independent Directors’ opinions :
   1.1 The issues of Article14-3 of the Securities and Exchange Act:
   This company already has an audit committee in place. For more detailed information, please refer to the audit committee's activities regarding Article 14-5 of the Securities and Exchange Act.
   1.2 In addition to the above-mentioned matters, records or written board resolutions contain Independent Directors’ counter advices along with qualified opinions: None.
2. Any Directors avoidance of motions due to conflict of interests, including the Directors’ names, the content of the motions and the causes for avoidance and voting: None.
3. In recent years, a number of actions have been made to improve the functions of the Board of Directors, including the establishment of the Audit Committee, and the strengthening of the disclosure of information. Evaluating these:
   3.1 The Audit Committee was officially established when the 7th term of the Board of Directors were elected to the office in 2015 and was made up of the entire number of the Independent Directors. The Audit Committee meeting was held 5 times in the year and the recent year. Please refer to the execution status of the Audit Committee’s participation in the Board Meetings for the details.
   3.2 The Company's public disclosure of the information is quite transparent and immediate. It has set up both Chinese and English websites and appointed personnel to gather and disclose financial and business relevant information including information from the investor’s conference. Furthermore, considering the convenience of information access for both foreign and domestic Shareholders, the Company disclosures information in both Chinese and English on the Market Observation Post System and the Company website.
4. Advices from Independent Directors on significant proposal of the board meeting and the Company’s responses to Independent Directors’ opinions:
   The Company’s Independent Directors have approved major Board of Director’s proposals in the year and the recent year, and there were no counter advices or qualified opinions. Therefore, this section is not applicable.

5. The attendance status of Independent Directors in 2017 and as of April 30, 2018:

Independent Directors	1st meeting in 2017	2nd meeting in 2017	3rd meeting in 2017	4th meeting in 2017	1st meeting in 2018
Lawrence Juen-Yee LAU	V	V	V	V	V
Kurt Roland Hellström	V	V	V	V	V
Chung Laung Liu	V	V	V	V	*

V : Attendance in person. ; * : Attendance by proxy.

3-2. Operation of Audit Committee:

Holding 5 times (A) of Audit Committee Meetings, the attendance status of Independent Directors from last year up to the Annual Report being published：

2018/04/30

Title	Name	Times of Attendance (B)	Proxy	Actual Percentage of Attendance (%) (B/A)	Remark
Convener	Lawrence Juen-Yee LAU	5	0	100	
Member	Kurt Roland Hellström	5	0	100	
Member	Chung Laung Liu	4	1	80	

Other matters of importance:

1. If any any of below listed-circumstances of operation of Audit Committee Meetings, it's necessary to be disclosured, including dates of Audit Committee meetings, sessions, the contents of motions, all independent opinions from Audit Committee members and the Company's response to Audit Committee's opinions :

1.1 The issues of Article 14-5 of the Securities and Exchange Act

Dates & sessions of Board of Director	Contents and motions	Resolution:	The Company's response to Audit Committee's opinions:
The 10th Meeting of the 7th Term (February 15, 2017)	The disposal of equipment and recognition of the impairment loss The execution of foreign exchange hedge transactions The acquisition of 3,000,000 common shares of Alliance Digital Technology Co., Ltd. in the total amount of NT$30,000,000 The internal audit update The 2016 annual financial statements and consolidated financial statements The distribution cash dividend from Retained Earnings and Capital Surplus of the Year 2016 The 2016 business report The Company's 2017 business plan and summary consolidated financial forecast The capital lending to the Company's subsidiary, Q-Ware Communication Co., Ltd., not exceeding NT$250M The Declaration of Internal Control System	Ratified or approved by all attending Members without objection.	Ratified or approved by all attending Directors without objection.
The 11th Meeting of the 7th Term (May 4, 2017)	The disposal of equipment The capital call in the amount of NT$91,710,770 of Far Eastern Electronic Commerce Co., Ltd. The acquisition of 9,000,000 common shares of CDIB Capital Innovation Accelerator Limited in the amount of NT$90M The internal audit update The amendments to the "Handling Procedure for Acquisition and Disposal of Assets" The subscription of the capital call in the amount of NT$350M of "Hiiir Inc." The subscription of the capital call in the amount of NT$150M of "Yuan Hsin Digital Payment Co., Ltd." New Century InfoComm Tech Co., Ltd (NCIC), the Company's major subsidiary, to acquire the land and carry out related building at Taipei Far Eastern Telecom Park (T-Park) for new office/MSC/IDC site.	Ratified or approved by all attending Members without objection.	Ratified or approved by all attending Directors without objection.
The 12th Meeting of the 7th Term (July 28, 2017)	The disposal of equipment The internal audit update The Q2 2017 consolidated financial statements The amendments to the "Internal Control System" The participation in the 2.1GHz spectrum licensing bidding for the mobile broadband businesses	Ratified or approved by all attending Members without objection.	Ratified or approved by all attending Directors without objection.

Dates & sessions of Board of Director	Contents and motions	Resolution:	The Company's response to Audit Committee's opinions:
The 13th Meeting of the 7th Term (Octboer 27, 2017)	The disposal of equipment	Ratified or approved by all attending Members without objection.	Ratified or approved by all attending Directors without objection.
	The internal audit update		
	The 2018 Audit Plan		
	The major capital expenditure budget for Q1 2018		
The 14th Meeting of the 7th Term (February 23, 2018)	The disposal of equipment	Ratified or approved by all attending Members without objection.	Ratified or approved by all attending Directors without objection.
	The assignment of financial officer (Chief Financial Officer) and accounting officer		
	The internal audit update		
	The 2017 annual financial statements and consolidated financial statements		
	The distribution cash dividend from Retained Earnings and Capital Surplus of the Year 2017		
	The 2017 business report		
	The Company's 2018 business plan and summary consolidated financial forecast		
	The Declaration of Internal Control System		

1-2 Any resolutions approved by over two-thirds of the board directors but not approved by the Audit Committee：None.

2. Any Independent Director's avoidance of motions due to conflict of interest, including the Independent Directors' names, the contents of motions, the causes for avoidance and voting : None.
3. Communications among Independent Directors and the Company's Chief Auditor and CPA (Including significant issues, methods, and resolutions of discussion regarding the Company's financial and business status) :
   A. Communications between Independent Directors and the Chief Auditor: Audit Committee meeting is held quarterly, and meeting minutes is submitted to inform Directors, President, and the Company's top management of important discussions and resolutions. In 2017 and the most recent year, there were 5 Audit Committee meetings in which the Chief Auditor reported and updated audit task progress and significant audit activities. Execution, reporting and tracking were based on Independent Directors' instruction. Additionally, monthly Internal Audit Update is submitted to Independent Directors from the Chief Auditor.
   B. Communications between Independent Directors and CPA: In 2017 and the most recent year, 5 related meetings were held. At the Auditing Committee meetings of Q1 2017 and Q1 2018 the CPA reported the audit results to three Independent Directors via separate session. The CPA was present at the rest of three Auditing Committee meetings.
   C. Communication status is listed below:

Communication outlines of independent directors with the chief auditor:

Date	Communication Outlines	Suggestions and Results
2017/02/15 Audit Committee Meeting	1. Chief auditor reported the Control Self Assessment result of FET and its subsidiaries for the year of 2016. 2. Chief auditor reported the progress of internal audit for the fourth quarter of 2016. 3. Chief auditor reported the follow-up status of audit findings.	Without objection.
2017/05/04 Audit Committee Meeting	1. Chief auditor reported the progress of internal audit for the first quarter of 2017. 2. Chief auditor reported the follow-up status of audit findings.	Without objection.
2017/07/28 Audit Committee Meeting	1. Chief auditor reported the progress of internal audit for the second quarter of 2017. 2. Chief auditor reported the follow-up status of audit findings.	Without objection.
2017/10/27 Audit Committee Meeting	1. Chief auditor reported the progress of internal audit for the third quarter of 2017. 2. Chief auditor reported the follow-up status of audit findings.	Without objection.
2018/02/22 Audit Committee Meeting	1. Chief auditor reported the Control Self- Assessment result of FET and its subsidiaries for the year of 2017. 2. Chief auditor reported the progress of internal audit for the fourth quarter of 2017. 3. Chief auditor reported the follow-up status of audit findings.	Without objection.

Communication outlines of Independent Directors with CPA:

Date	Communication Focus	Suggestions and Results
2017/02/15 Audit Committee Meeting	1. Explained the results of the financial statement for 2016. 2. Explained the audit results of the internal control for 2016. 3. Describe the newly revised and published laws and guidelines. 4. Discuss and respond to attendee questions	Without objection.
2017/05/04 Audit Committee Meeting	1. Discuss and respond to attendee questions for the financial statement.	Without objection.
2017/07/28 Audit Committee Meeting	1. Discuss and respond to attendee questions for the financial statement.	Without objection.
2017/10/27 Audit Committee Meeting	1. Communicate the key audit matters for 2017. 2. Discuss and respond to attendee questions for the financial statement	Without objection.
2018/02/22 Audit Committee Meeting	1. Explained the results of the financial statement for 2017. 2. Explained the audit results of the internal control for 2017. 3. Discuss and respond to attendee questions.	Without objection.

4. Resolutions approved by Audit Committee on significant proposals and the Company's responses to Audit Committee's opinions : None.

3-3.Implementation of Code of Ethical Conduct

Evaluation Criteria	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and Reasons
	Yes	No	Illustration	
I. Establishment of Business Conduct policy and plans (i) Do regulations and documents diclosed by the Company express business conduct policies and both the Board of Directors and the management team committed to actively implement these policies?	V		The "Ethical Corporate Management Best Practice Principles" and "Guidelines for the Adoption of Code of Ethical Conduct" have been approved and amended by the 3rd meeting of the 7th term of Board of Directors on July 30, 2015, and has been submitted to the Y2016 FET Shareholders' Meeting. In order to fulfill the "Ethical Corporate Management Best Practice Principles" and "Guidelines for the Adoption of Codes of Ethical Conduct", the Company undertakes educational communications of principles for employees on a regular basis. It also promotes the concept of business conduct in daily operations to all employees. Furthermore, the Company communicates the guidance of "Ethical Corporate Management Best Practice Principles" and "Guidelines for the Adoption of Code of Ethical Conduct" to the Board of Directors and company management at Board of Director meetings bi-annually to ensure their understanding of the guidelines.The Company also requires new suppliers to sign "Code of Ethical Conduct for Fareastone Supplier Chain Social Responsibility" within the commercial document data sheet provided to suppliers as a way of encouraging them to comply with the Company's "Ethical Corporate Management Best Practice Principles".	
(ii) Does the company disclose its "Ethical Corporate Management Best Practice Principles" and explicitly state the measures and plans adopted to prevent unethical behaviors and does it stress standard operating procedure (SOP), guidance, punishment for violating regulations and a redress system?	V		In order to establish an ethical corporate culture and prevent unethical conduct, apart from communicating the "Ethical Corporate Management Best Practice Principles" and "Guidelines for the Adoption of Codes of Ethical Conduct" through FET Intranet, FET has add the "Code of Ethical Conduct for Fareastone Supplier Chain Social Responsibility" into commercial document data sheet to remind the stakeholder groups of FET to follow and respect FET moral and ethical standards.We also remind our staffs to follow related guidelines for their daily operation via Intranet information or e-learning courses. In August 2017, we announced the new "Employee Conduct Codes", emphasizing the "Ethical Corporate Management Best Practice Principles", "Guidelines for the Adoption of Codes of Ethical Conduct" and topics such as internal whistle blowing mechanisms. Besides continuous trainings to strengthen the notions of internal control and internal auditing for new managers, similar trainings are held for all the employees at assistant manager level and above in August and September 2017. FET conducts "Ethical Corporate Management" related training courses, including training course of "Ethical Corporate Management rules, Internal Control and Codes of Ethical Conduct". In 2017, there are total number of 102 training courses were conducted for 2,329 employees, with a total of 4,590 employee-training hours built up. The related SOPs and standards about "Ethical Corporate Management Best Practice Principles" and "Guidelines for the Adoption of Codes of Ethical Conduct" are disclosed on the FET official website at: www.fetnet.net/cs/Satellite/Corporate/coRegulationRule Home>CompanyInformation>CorporateGovernance>Articles of Incorporation and others.) FET has also established each disciplinary and complaints system. Anyone can report an offense by internal mailbox or through public channels.	Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies.
(iii) Does the Company take any precautionary measures to prevent corruption or high-risk illegal business activities, based on Paragraph No.2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?	V		The "Ethical Corporate Management Best Practice Principles" and "Guidelines for the Adoption of Codes of Ethical Conduct" have been approved by the Board of Directors and been submitted to the Shareholders' meeting. These regulations stipulate that board members, the Company's directors, managers, employees, and any personnel taking decisions on behalf or the Company may not, directly or indirectly, offer, promise, demand or accept any form of dishonest benefit while conducting their work. This includes bribes, commissions and expenses; they must also not provide or accept any dishonest benefit to or from customers, agents, contractors, suppliers, government officials or other stakeholders through any means. Anyone discovering dishonest behavior on the part of the other party in business dealings must immediately cease these dealings and list the party as one with which they refuse any further dealing.	
II. Implementation of Code of Business Conduct (i) Does the Company evaluate counterparties' ethical records and specifiy "Ethical clauses" in business contracts?	V		In order to fully implement "Ethical Corporate Management Best Practice Principles", the Company requires that all suppliers sign "Code of Ethical Conduct for Fareastone Supplier Chain Social Responsibility" and stamp the agreements with the Company's seal. The clause of "Ethical Corporate Management Best Practice " is also added to each purchase order as an appendix. This is to encourage all suppliers to abide by it. If any dishonest behavior is found on the part of the other party, business dealings must immediately cease. The contract must terminate and the party must be recorded as one with whom any further dealings will be ceased. All new suppliers are required to submit corporate credit report or no bouncing check report for verification. Only those suppliers without credit issue are eligible for Fareastone suppliers.	Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies.

Evaluation Criteria	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and Reasons
	Yes	No	Illustration	
(ii) Does the Company set up a dedicated unit, for the promotion of ethical business conduct? Please explain the operations status. Does the unit regularly report on the status of these operations to the Board?	V		Far EasTone's Strategy & Finance is the unit responsible for encouraging ethical management. Chief financial officer is in charge of supervision. Its major responsibilities and implementation situation: reported regulatory compliance, promotion, education training and handling declaration matters, etc. It reports the status of its implementation to the Board of Directors every year. No violation of trustworthy management policies were reported in 2017. The Internal Audit will report contravening matters to the Board of Directors.	
(iii)Does the Company promulgate policies for preventing conflicts of interests and does it offer channels for reporting conflicts of interests?	V		In compliance with the Code of Ethics and Business Conduct which have been set up, employees receiving gifts, benefit, or discounts must initiatively submit a declaration. A Far EasTone Employee Notice has been drawn up, for employees to fill out and submit when they suspect a conflict of interest between themselves and the Company. In August 2017, we made a full announcement to employees, re-inforced important principles of business conduct, "Letter of Declaration", and "Application form for employees receiving gifts, benefit, or discounts". All the information can be found at Intranet/Forms and Policies/Code of conduct.categoy	
(iv)Does the Company establish efficient internal audit systems to implement the "Code of Business Conduct" and does it regularly carry out internal auditing by internal auditors or the appointed CPA?	V		The Company has set up rigorous accounting systems and a dedicated accounting department. Financial statements are audited (or reviewed) by a CPA, and are announced and uploaded in compliance with legal requirements to ensure accuracy and transparency of financial information. FET has established the Internal Audit Division and related internal audit systems. It reviews and revises these systems periodically to ensure their effectiveness, so as to enforce the Regulations Governing Establishment of Internal Control Systems by Public Companies and the Ethical Corporate Management Best Practice Principles. In addition, the Internal Audit Division establishes and implements the annual internal audit plan based on risk assessment and reports the audit outcomes to the chairperson, directors, general manager, and relevant authorities so as to enforce the code of business conduct.	
(v) Does the Company regularly hold internal and external training on the "Code of Business Conduct"?	V		The "Ethical Corporate Management Best Practice Principles" were announced through FET Intranet on the 10th of August 2017. Far EasTone has incorporated the "Code of Conduct for Fareastone Supplier Chain Social Responsibility into business documents for external use, such as adding "Ethical Corporate Management Best Practice Principles" to the supplier data sheet. This is to remind Company stakeholders to abide by and respect Far EasTone's ethics and integrity standards. Furthermore, Far EasTone communicates the guidance of "Gidelines for the Adoption of Code of Ethical Conduct" and "Ethical Corporate Management Best Practice Principles" to the Board of Directors and company management at Board of Director meetings bi-annually to ensure their understanding of the guidelines.	
III. Operation of internal /external personnel petition mechanism. (i) Does the Company establish disciplinary and petition mechanisms and built the requisite channels and processes for those violating the code of business conduct to be punished. Does it assign appropriate specialists to investigate any reported cases?	V		Internally, the Internal Audit Division has set the "Regulations of Whistle-blowing Management" in accordance with the "Ethical Corporate Management Best Practice Principles" and "Guidelines for the Adoption of Codes of Ethical Conduct". Employees can report any violation of related regulations via the "whistle-blower" mailbox on the intranet. We has already made a full announcement through intranet, and emphasized internal report mechanisms. If employees are found to have violated the regulations, the Company will implement necessary penalties and ensure that relevant legal action will be taken. The investigations team will ensure that it keeps its processes confidential in order to protect the informant. Far EasTone has established penalty and appeal systems. Anyone can use the Company mailboxes or publicized channels for reporting and for appeals. Externally, external personnel can use reporting channels to report as follows: Opinions for Internal Audit e-mail: ia@fareastone.com.tw Far Eastern Group Purchasing Website ECOME http://www.ecome.com.tw/A00BG/ABG_Connection.aspx The Company's suppliers whoever involving dishonest behavior on the part of the other party in business dealings must immediately cease. The contract between FET and the supplier would be terminated and the supplier must be recorded as one with whom any further dealings will be ceased. Upon receipt of the complaint from external personnel, professional personnel are assigned to immediately launch an investigation, as well as to handle and reply to cases. The name and identity of the complainant and the investigation process are kept confidential, and all matters reported in this way are verified through independent channels in order to protect the complainant.	Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies.
(ii) Does the Company establish standard investigation procedures and security mechanisms for the cases reported?	V		Internally, the Internal Audit Division clearly stated the investigation of cases accepted and specification of procedural norms in Far EasTone's "Regulations of Whistle-blowing Management" that matters reported should be completely confidential to protect the individual making the report. Externally, the Internal Audit Division treats any complaint in a confidential and sensitive manner. Upon receipt of the complaint from external personnel, professional personnel are immediately assigned to launch an investigation, The name and identity of the complainant and the investigation process are kept confidential, and all matters reported in this way are verified through independent channels in order to protect the complainant.	

Evaluation Criteria	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and Reasons
	Yes	No	Illustration	
(iii) Does the Company take measures to protect accused persons from inappropriate treatment?	V		Internally, the Internal Audit Division clearly stated the investigation of cases accepted and specification of procedural norms in Far EasTone's "Regulations of Whistle-blowing Management" that matters reported should be completely confidential to protect the individual making the report. Externally, the Internal Audit Division treats any complaint in a confidential and sensitive manner. Upon receipt of the complaint from external personnel , professional personnel are immediately assigned to launch an investigation, The name and identity of the complainant and the investigation process are kept confidential, and all matters reported in this way are verified through independent channels in order to protect the complainant from any form of improper treatment.	
IV. Improvements in information disclosure Does the Company disclose information related to the "Code of Ethics" through its website and MOPS (Market Observation Post System)?	V		Regarding of the "Ethical Corporate Management Best Practice Principles" and "Guidelines for the Adoption of Codes of Ethical Conduct", please refer to Far EasTone's company website for details. (Website : https://www.fetnet.net/cs/Satellite/Corporate/coHome. Home>CompanyInformation>CorporateGovernance>Articles of Incorporation and others.) The "Ethical Corporate Management Best Practice Principles" and "Guidelines for the Adoption of Codes of Ethical Conduct" are disclosed on "Market Observation Post System" as well.	Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies.

V. If the Company have established our own guidelines for the "Code of Business Conduct" according to Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies, please state the discrepancies (if any) between actual operation and policy: There are no discrepancies.

VI. Other important information revealing the Company's ethical operations:

- The "Code of Procurement Conduct" is shown on each purchasing order to ensure supplier's compliance: "FET employees or FET suppliers shall abide a high-standard of ethics. Suppliers bribing the Company's employees or FET employees asking for bribes from suppliers shall be referred to a court of law. Please follow the code in detail, as set out, as well as in its spirit".
- We also make the following announcement on our procurement system to provide suppliers with a clear petition channel: Suppliers with doubts about any harm to their rights and interests in the process of a procurement project may write to the website of the Far Eastern Group Procurement for petition.

3-4.Implementation of Corporate Social Responsibility and the Corporate Governance

Implementation of "Corporate Social Responsibility" and Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons:

Evaluation Criteria	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies" and Reasons
	Yes	No	Illustration	
I. Implementation and promotion of corporate governance (i) Does the Company establish proper corporate governance framework to formulate and review its corporate social responsibility policies or systems and does it regularly disclose and review their results?	V		FET has established the "FET CSR committee", whose director and CEO are Chairman and President respectively, and set up the CSR (Corporate Social Responsibility) secretariat for the sole management of the unit. FET also defined a "FET Corporate Social Responsibility Policy". The policy was approved as the guiding principle of FET CSR policies at a meeting of the Board of Directors. The FET CSR Committee meets regularly to discuss CSR relevant issues and proposals. Various communication channels are used to strengthen communications with stakeholders. A variety of social, charity and environmental protection initiatives are also used to fulfill FET's CSR goals. All related information such as projects and outcomes are published in FET's CSR report, which could be viewed and downloaded on the official CSR website.	Compliant with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.
(ii) Does the Company organize corporate social responsibility training regularly?	V		FET invites CSR specialists to share CSR trends at the CSR committee and managerial meetings annually.	
(iii) Does the Company set up a dedicated or part-time department for the promotion of corporate social responsibility, please explain the operation status and report to the Board of Directors regularly?	V		The FET CSR committee holds a meeting quarterly and each committee member proposes to discuss in view of the related domain. The Company also pushes together and pursues FET "5G" Go Prosperous, Go Innovative, Go Caring, Go Inclusive and Go Eco for sustainable development in the future. Members on the "5G Growth Group" are composed from various departments to ensure interdepartmental communication, coordination, and resource usage. The group supervises projects, focuses on execution and work schedules, and pushes for results. In addition, implementation results on yearly basis are presented at regular intervals to the board of directors.	
(iv) Does the Company establish a reasonable remuneration policy which combines employees' performance evaluation with corporate social responsibility and a clearly-defined reward and punishment system?	V		FET undertakes a remuneration survey to benchmark the industry every year, and ensures salaries paid are competitive in the market. It also adjusts salaries and pay bonuses every year on the basis of employees' work performance and the overall company performance.	

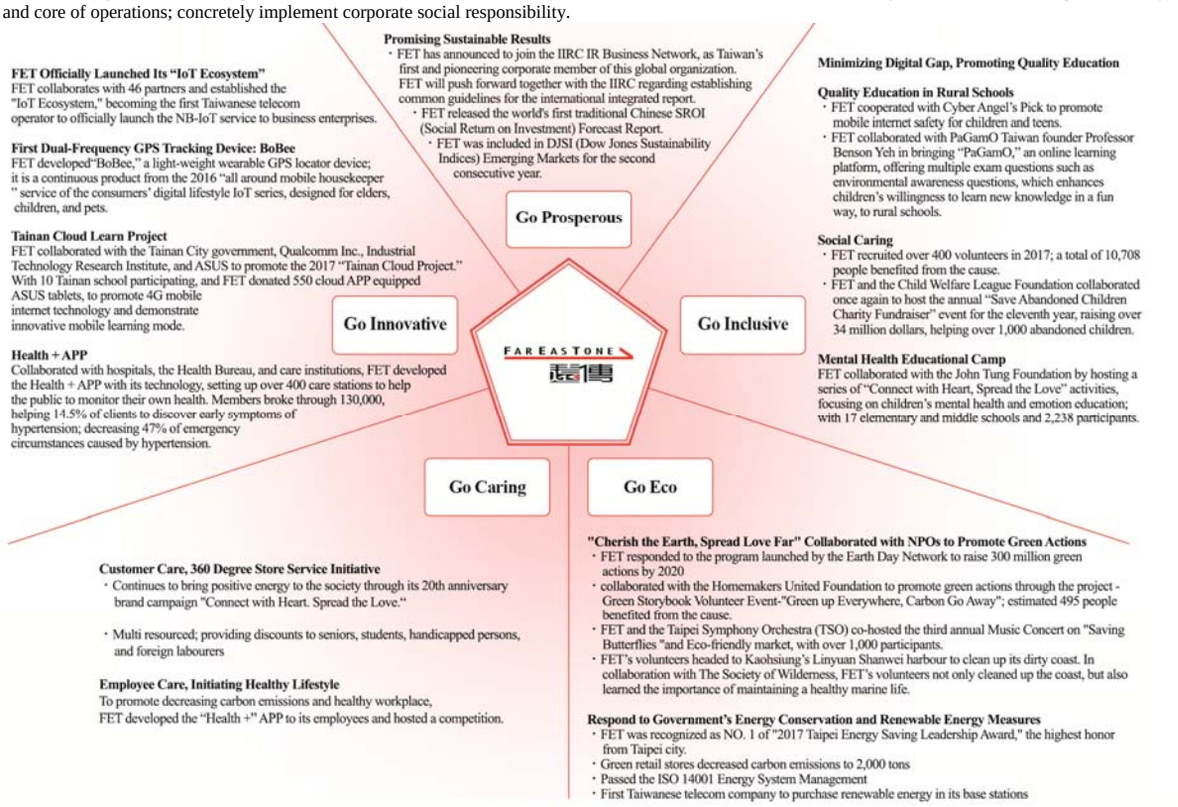
Evaluation Criteria	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies" and Reasons
	Yes	No	Illustration	
(vi) Does the company establish policies which duly reflect its operational performance or achievements on employee compensation?	V		The articles of incorporation of the Company is stipulates "if there is profit for the current year, the Company shall set aside 1%~2% of it as compensation for employees. The employees' compensation is according to company bonus regulations, which cover the achievement of company operational goal and individual annual target.	
II. Development of a sustainable environment (i) Is the Company devoted to improving the utilization rate of various resources and usage of recyclable materials to minimize its impact on the environment?	V		Based on the "Green Network Construction Long-Term Plan", we have been enforcing energy saving and carbon reduction throughout our operations network on an ongoing basis. The outcomes in 2017 included: 1. There is 27.33 mega kwh of electricity saved, and 14,458 tons of CO2 reduced, equal to the annual carbon absorption of 39 Daan Forest Park. 2. Deploy high efficiency base station and power supply equipment, remove extra radio frequency units, and dismantle or shut down old telecom equipment. 3. 261 base stations have been improved with 1.48 mega kwh of electricity saved and 174 inverter air-conditioner have been installed that has 0.1 mega kwh of electricity saved. 267 small weather-proof shelters have been installed, along with high-performance cooling fans that reduce power consumption of air conditioners. 4. Because of the effective energy management and power using efficiency improvement, electricity consumption was reduced 3.22 mega kwh and 1,700 tons of GHG emissions compared to 2017. Major focuses for energy saving and carbon reduction in 2018: 1. Continue to deploy 250 small weather-proof shelters with high-performance cooling fans. 2. Install another 260 fan cooling system in existing shelter type base stations to reduce power consumption. 3. To strengthen the energy management mechanism, set up energy performance goals and regularly review and adjust the set-up goals. 4. Our commitments in environment and energy management through integration of telecom core technology won us the "Silver Award" in "Outstanding Energy Saving Performance Award" of Ministry of Economic Affairs and the "Excellence Award" in "Taipei Energy Saving Leadership Award" in 2017.	Compliant with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.
(ii) Does the Company achieve ISO 14001 and ISO50001 or other similar verification of Environment or Energy Monitoring System?	V		The Company has established an Online Environment Monitoring System, to routinely measure environmental quality, such as temperature, humidity, illumination, indoor CO_2 concentration, hydrogen concentration in battery chambers, etc. The Company obtained ISO50001 (Energy Management System), ISO14001 (Environmental Management system) and ISO14064-1 (Greenhouse Gases Part 1: Specification with guidance) certification.	
(iii) Does the Company develop policies for energy-efficiency, reducing carbon/GHG emissions and implementing a greenhouse gas inventory ,reducing ues of water or other waste management because of an awareness of the impact on company operations brought about by climate change?	V		FET is Highly Concerned about Climate Change. We set up an energy & environmental management committee and energy & environmental management policy ensuring these issues are constantly addressed. For more details, please visit: http://www.fetnet.net/cs/Satellite/Corporate/ coEcoCSR In 2017, FET's GHG (Greenhouse Gas) emission reached 299,305.451 metric tons. Major changes in EnPI(Energy Performance Indicator) as following : Office saving 2.41%, PUE(Power Usage Effectiveness) saving 1.92%, BTS(Base Transceiver Station) increased 3.83% and retail saving 17.77% The Company commissioned the British Standards Institution (BSI) to complete the ISO14064-1 Greenhouse Gas Verification in 2016 and 2017.	
III. Maintenance of Social Charity (i) Does the company formulate management policies and procedures which are in accordance with the relevant internationally-recognized principles and human rights policies based on International Bill of Human Rights?	V		The Company has complied with all relevant labor regulations with regards to employees. And has also convened labor-management meetings to ensure that any additional or changed affairs that affect employees' rights would be made only when both parties go through the sufficient and full communication. The Company has also set up dedicated channels for employees to file complaints as a way of safeguarding their rights. FET is devoted to protect the employees' basic human rights, follow relevant labor laws and regulations, and support and voluntarily comply with international human rights treaties, including the Universal Declaration of Human Rights (UDHR), the United Nations Global Compact (UNGC), the United Nations Guiding Principles on Business and Human Rights and the International Labour Organization Declaration on Fundamental Principles and Rights at Work. We would stop any acts that infringe upon or violate human rights and conduct internal investigations, such as due diligence and risk assessments, in accordance with the guidelines and principles of the aforementioned laws and regulations. We aim to enhance the human rights awareness of our employees and stakeholders.	Compliant with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.

Evaluation Criteria	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies" and Reasons
	Yes	No	Illustration	
(ii) Does the Company set up a mechanism and channels for employees' complaints and does it deal with them properly?	V		Staff can feed back their opinions or report transgressions via the 'I want to complain" channel on the intranet to appeal the issues.	
(iii) Does the Company provide a safe and healthy working environment for employees and implement health and safety education regularly?	V		To ensure the safety and health of personnel as well as prevent occupational injuries, the Company has established a「Labor Safety and Health Office」to formulate, plan, promote, and monitor occupational safety and health related affairs, meanwhile, Labor Safety and Health Committee is built up and meets quarterly to deliberate, coordinate, and advocate occupational safety and health related affairs Education and training on workplace health and safety should be carried out, oversight and supervisory mechanisms should be established, risk and harm awareness should be improved, and engineering and environmental safety checks should be implemented. Work environment monitoring should be carried out to maintain workplace air quality, to enhance employee knowledge of OSH and achieve a zero accident workplace. The Company's premises have medical rooms, we hired full-time nurses to organize fixed intervals staff health check-ups, health activities should be offered. Attended by qualified medical staffs to provide basic workplace accident assistance. They also offer health consultation services, annual CPR training, major disease-oriented screening and seminars on staying healthy. All offices are equipped with first aid kits and nursery rooms, in addition to massage services by visually impaired massage therapists and various employee assistance solutions to maintain employees' physical and mental health.	
(iv) Does the Company establish regular communication mechanisms for employees and does it notify the staff in a reasonable way when there is an operational change that may have a substantial impact on them?	V		In order to strengthen the efficacy and efficiency of communication with employees of FET, the Company provides diverse communication modes to interact and reach a consensus with employees. For more details, please refers to "Employee Care" disclosed under "Corporate Governance".	
(v) Does the Company establish efficient career development and training plans for employees?	V		The Company has established a career development structure and linked it to the Company's core competency measures, using this as the basis for a management mechanism to develop all kinds of opportunities for personnel. The career hierarchy structure is dual-track, incorporating both management skills and professional tracks, and divided into six grades based on the company's short-term strategic direction and operations. It simultaneously maintains consistency of rank across departments and encourages employees to develop cross-functional experience.	
(vi) Does the Company establish relevant policies for protecting consumer rights and appeals procedures on the basis of the research and development, procurement, production, operation and procedure of service?	V		Our company values the voice of consumers, aside from our FET phone shops that offer face-to-face services across Taiwan. Our customer service center provides a 24-hour online service. Customers can also receive real-time service information via diverse platforms, including the FET Self-Care App, online chat services and emails, to ensure their interests are protected at all times.With our ISO 10002 customer complaints management certification, we have set up a special consumer complaints mechanism. This uses a systematized, logical procedure to manage complaints. FET also conducts complaints management inspections to improve existing services and processes, while ensuring the customers' rights are safeguarded, providing a comprehensive and first rate service overall.	
(vii) Does the Company follow the relevant international standard rules for marketing and marking products and services?	V		The Company engages in active, detailed disclosure and communication for all rate plans and services by varied channels such as website and stores and is in compliance with relevant telecommunication laws and regulations.	
(viii) Does the Company evaluate the environmental and social records of suppliers before beginning cooperation with suppliers?	V		Companies with capital of more than NT$5 million must provide a credit statement, and those with less than NT$5 million must provide proof of no bounced checks to serve as a basis for approval. Starting From 2015, FET also requests that suppliers to fill out a CSR self-disclosure statement to ensure they adhere to regulations relating to Environment, Economic and Social regulations.	
(ix) Does the Company draw up contracts which include provisions for terminating or rescinding the contract if the supplier violates the policies of corporate social responsibility and has a remarkable impact on the environment and society for use with major suppliers?	V		When a new contract is signed, FET lists work safety and environmental hazards as matters which must be declared and has set terms for compensation, and requires that contractors assume their corporate social responsibility.	

Evaluation Criteria	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies" and Reasons
	Yes	No	Illustration	
IV. Improvements in information disclosure (i) Does the Company disclose relevant and reliable information concerning corporate social responsibility on its website and Market Observation Post System?	V		The Company has a section entitled "FET Corporate Social Responsibility" on its website to disclose relevant information including corporate governance, social charity commitments, environmental sustainability, and supply chain management. FET corporate social responsibility statements are also available for download. For more details, please visit: http://www.fetnet.net/cs/Satellite/Corporate/coSociety FET discloses its CSR Report not only on its corporate website but also at Market Observation Post System(MOPS), please visit: http://mops.twse.com.tw/mops/web/t100sb11	Compliant with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.
(ii) Does the company disclose stakeholder identities, issues concerned, communication channels and response methods?	V		FET values the importance of communication and partnership with its stakeholders. FET's CSR committee would apply the AA1000SES proposal principle to identify 9 categories of stakeholders' relationship map, which is based on the stakeholders' long-term dependence, influence, degree of concern, responsibility, and ability to provide a multi-dimensional perspective of assessment. At the same time, FET would also ensure the different appeals and expectations of stakeholder. FET set up CSR questionnaires for its stakeholders, which specialized in communications channels on its official website, to obtain more feedback on improved stakeholder communications. For more details, please refer to FET's CSR report.	
(iii) Does the company disclose employees' work environment and personal safety measures and their implementation?	V		The protection measures & implementation of employees personal safety are as follows: To ensure the safety and health of employee as well as prevent occupational injuries, a 「Safety and Health」 section has been set up on the Intranet, providing related policy, information, training material, Employee health management is now an important component of our business strategy. For more details, please visit: http://intra.fareastone.com.tw/sites/Intranet/HR/safety.page According to government Regulations and Fire Act, all FET's workplaces have established appropriate fire-fighting systems and executed regular equipment maintenance declarations, as well as the fire prevention management. We will also implement disaster prevention education every six month to enhance disaster resilience and personnel awareness. According to FET physical security management protocols, all areas are set up with different clearances covered by access control, surveillance and alarm systems. The mechanism has been certified of ISO27001 each year since 2014.	

V. If you have established your own guidelines for Corporate Social Responsibility according to the Corporate Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies, please state the discrepancies (if any) between actual operation and the guidelines: FET's "Corporate Social Responsibility Policy" has been implemented gradually.

VI. Please state any other important information that would facilitate better understanding of your current status in fulfilling corporate social responsibility (i.e. the Company's system, measures or status of implementation on environmental protection, community participation, contribution to society, social services, charity, consumer rights, human rights, safety and health and so forth): FET applies its 「5G」 corporate sustainability pillars: 「Go Prosperous」、「Go Innovative」、「Go Caring」, 「Go Inclusive」、and「Go Eco」 to integrate sustainable development strategy and core of operations; concretely implement corporate social responsibility.



VII. If the Company's products or Corporate Social Responsibility(CSR) statement have/has been accredited by relevant accreditation institutions, please elaborate:

FET 2016 CSR report was verified by SGS Taiwan in June, 2017, as being in accordance with GRI G4 core option and AA1000 (AccountAbility) Type 2 High Level.

Implementation of Corporate Governance and Deviations from "Corporate Governance Best-Practice Principles for TWSE/GTSM listed Companies"

Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE / GTSM Listed Companies" and Reasons
	Yes	No	Illustration	
(I) Does the Company stipulate and disclose "Corporate Governance Principle" based on "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" ?	V		FET has formulated "Corporate Governance Best Practice Principles" in accordance with the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies", and the principles have been approved by Board of Directors. There have been no deviations from these principles up to now. FET discloses its "Corporate Governance Best Practice Principles" not only on its corporate website but also at Market Observation Post System(MOPS). Please visit: http://www.fetnet.net/cs/Satellite/Corporate/coRegulationRule http://mops.twse.com.tw/mops/web/t167sb01	Compliant with the "Corporate Governance Best-Practice Principles for TWSE / GTSM Listed Companies".
(II) Ownership Structure and Shareholders' Equity (i) Does the Company establish internal operating procedure to handle suggestions, doubts, disputes and legal issues from shareholders, and act in accordance with the procedure?	V		FET has formulated "Corporate Governance Best Practice Principles", in which "Protection of Shareholders rights and interests" has been included and executed. The Company's spokesperson and the contracted stock agency, Oriental Securities Co., Ltd., are responsible for shareholders' suggestions and inquiries. If it's legal relevant, legal and Regulatory Department would be involved to handle.	Compliant with the "Corporate Governance Best-Practice Principles for TWSE / GTSM Listed Companies".
(ii) Does the Company identify major shareholders and/ or their ultimate controlling parties?	V		The Strategy and Finance Division of the Company is responsible for collecting the updated information on major shareholders and/or their ultimate controlling parties. This information is disclosed /registered in according with the TWSE Listed Companies Information Reporting Rule.	
(iii) Does the Company set up and operated risk control mechanisms and firewalls between the Company and its affiliated companies?	V		The Company and its affiliated companies are all independent entities in respect of their financial and business operations and have established "Related Party Transactions Regulation" which has been approved by the Board Meeting. Risk control mechanism and firewall have been properly established as well.	
(iv) Does the Company establish internal guidelines to prohibit insider trading?	V		The Company has established "Procedures for Handling Internal Material Information" and "Guidelines for the Adoption of codes of Ethical Conduct" to prohibit any insiders taking advantage of inside information for stock trading. Besides, the Company regularly advocates regulations to prevent "Insider Trading" on a monthly basis.	
(III) Structure and Duties of the Board of Directors (i) Does the Company establish guidelines for the diversification of Board members and disclosure the execution status of it?	V		The Company has established "FET Corporate Governance Best-Practices Principles" in which "Enhancing the Function of Board of Directors" has been included and properly executed. **Diversification of Board Members:** **Gender:** In accordance with the rationale of amendment to Article 20 of "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies", the Company pays more attention to Gender Equality and implements it. There is a female director in current term Board of Directors. **Nationality:** In an attempt to keep up with rapid changes and development in the industry, the Company would like to explore every opportunity from a global perspective. Members with nationality diversity does count for the board composition. Board members' background diversified from United States, Japan, Singapore, Sweden, China, Hong Kong to Taiwan in nationalities. **Industry experience:** In telecommunication industry, members of the Board with varied professional fields play an important part in market competition. The members of the FET Board, being experts from Accounting, Telecommunication, Finance, Economics to Corporate Governance proficiency, assist to facilitate the Company's decision making and strategic planning with their proficiency and proactive views. Preformance evaluation of Board of Directors is conducted every year on a regular basis to verify the diversity and contenpency of the Board. The implementation of the diversity of board members is disclosed in	Except for item 3-2, all items are compliant with the "Corporate Governance Best-Practice Principles for TWSE / GTSM Listed Companies".

Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE / GTSM Listed Companies" and Reasons
	Yes	No	Illustration	
			our company's annual report. (Corporate Governance > Information of Directors > Diversity of Board Members) The results of these evaluations been shown on the company's official website. Please visit http://www.fetnet.net/web/Corporate/IR/DiversificationofFETBoardofDirectorMeeting.pdf	
(ii) Other than Remuneration Committee and Audit Committee, Does the Company set up any functional committee?		V	The Company hasn't established other functional committees.	
(iii) Are the Company's regulations or procedures for evaluating the performance of the Board of Directors approved by the Board, and is self-evaluation conducted at least once a year, and have the results of these evaluations been shown on the company's official website or in the annual report?	V		The Company has set up the "Procedures for performance evaluation of Board of Directors Meeting". The results have been approved by the 8th meeting of the 7th term Board of Directors on Nov. 4, 2016. The company has formulated procedures to assess the performance of the Board of Directors, and that each year it conducts regularly scheduled performance assessments of the board of directors. Results of performance evaluation of Board of Directors Meeting and action items: The 2016 performance evaluation of Board of Directors Meeting has been completed. The conduct of Questionnaire of Self- Evaluation of Performance of the Board members went well, but four items in Questionnaire of the Board's Procedure Unit did not meet the requirements. The results have been reported at the 10th meeting of the seventh-term Board of Directors on Feb 15, 2017. The 2017 performance evaluation of Board of Directors Meeting has been completed. The conduct of Questionnaire of Self-Evaluation of Performance of the Board members went well, but two items in Questionnaire of the Board's Procedure Unit did not meet the requirements. The results have been reported at the 14th meeting of the seventh-term Board of Directors on February 23, 2018. All directors have completed the 6 or 12 hours courses related to corporate governance in last year. In this year, the Company will appoint an external evaluation institution or panel of external experts and scholars to conduct evaluations of board performance and strengthen the board of directors' performance in accordance with the Article of the aforesaid procedures of the Company.	
(iv) Have the Company's regulations or procedures for evaluating the performance of the Board of Directors approved by the Board? Do they clearly stipulate that external evaluation will be conducted at least once every three years, as also according to the deadline stipulated in the regulations? Does the company share the implementation status and results of these evaluations on the its official website or in its annual report?	V		The Company has set up the "Procedures for performance evaluation of Board of Directors Meeting". The results have been approved by the 8th meeting of the 7th term Board of Directors on Nov. 4, 2016. The Company's board performance evaluation shall be conducted by an external professional independent institution or a panel of external experts and scholars at least once every three years. The Company plans to entrust external specialized agencies to conduct external appraisal in year 2018. The result of appraisal will be disclosed on the Company's website and annual report respectively after being submitted to the Board of Directors.	
(v) Does the board regularly (at least once a year) evaluate the independence and eligibility of the Company's appointed CPA and disclose the assessment procedure clearly ?	V		The Company has set up the "Guidance of Certified Public Accountant Performance Assessment". The accounting department is responsible for evaluating the independence of the CPA appointed by the Company annually and submitting the results of evaluations to the Board of Directors. The results have been approved by the 10th meeting of the 7th term Board of Directors on Feb. 15, 2017, and the 14th meeting of the 7th term Board of Directors on Feb. 23, 2018, respectly. ("Confirmation of Independence" and "Assessment Result of Expertise and Eligibility of Certified Public Accountant" from Accounting firm are included) The guidances to evaluate the independence of the CPA as follows: 1.Regularly obtain a Confirmation of Independence from CPA periodically. 2.A CPA does not assume the Company's external auditor for 7 consecutive years. All currently appointed CPAs meet the requirements of independence. Annex 1: Assessment table of expertise and eligibility of Certified Public Accountant. Annex 2: Assessment table of independence of Certified Public Accountant.	

Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE / GTSM Listed Companies" and Reasons
	Yes	No	Illustration	
(IV) Does the company establish specialized units or dedicated members and personnel responsible for corporate governance affairs, as well as carring out key actions and reporting statuses (e.g. : including but not limited to provid the information that board directors and supervisors request to perform their duties, ensuring the general affairs of board meetings and shareholders' meetings are held in accordance with regulations, applying and changing of company registration, and taking meeting minutes for board meetings and shareholders' meetings.)	V		Vice president of Strategy & Finance Division - Treasury & Credit Management, David Tsai, is responsible for FET's Corporate Governance . The Chief Financial Officer is in charge of supervision. FET's 2017 corporate governance matters included the following: 1. Handling corporate amendment registration: 1 time (change of representatives of institutional shareholders). 2. Handling matters relating to the meetings of the Board and the Audit Committee: 4 times each, a total of 8 times. 3. Handling matters relating to the shareholders' meetings and producing the meeting minutes: 1 time. 4. Providing the latest development in laws and regulations pertaining to the operation of the Company: 4 times (3 times for the Board and 1 time for the Remuneration Committee). 5. Assisting with Directors' continuing education: 12 persons, a total of 81 hours. 6. Handling affairs relating to investor relations, e.g. convening or participating in investor conferences: 16 times. 7. Responsible for the corporate governance evaluation and the provision of information for the corporate governance section in the CSR report. The execution status of the Corporate Governance Personnel in 2017 was as follows: The Company has established the "Procedures for Performance Evaluation of the Board of Directors" and the Corporate Governance Personnel shall submit the assessment outcome to the Board for approval on a yearly basis. (The outcomes were approved at the 10th meeting of the 7th-term Board on February 15, 2017 and the 14th meeting of the 7th-term Board on February 23, 2018, respectively)	Compliant with the "Corporate Governance Best-Practice Principles for TWSE / GTSM Listed Companies".
(V) Does the Company build up communication channels with interest-conflicting parties (including but not limited to shareholders, employees, customers and suppliers), delicate a specific area on the Company website, and properly respond to important issues regarding CSR?	V		In addition to a formal spokesperson mechanism, the Company has set up adequate connection to the Company for suggestions from stakeholders, such as mail box on the Company website (ir@fareastone.com.tw), or could be communicated via retail stores, our customer service center which also provides a 24-hour online service (Mobile Direct Line on 123) , FET Self-Care App and e-mail (ecare @ fareastone. com.tw). Retailed shareholders can contract the stock agency, Oriental Securities Co., Ltd. for any comments and suggestions.	Compliant with the "Corporate Governance Best-Practice Principles for TWSE / GTSM Listed Companies".
(VI) Does the Company assign professional Share Transfer Agent to handle shareholders' Meeting?	V		The Company has appointed "Oriental Securities Corporation" as stock agency to assist shareholders' meeting affairs.	Compliant with the "Corporate Governance Best-Practice Principles for TWSE / GTSM Listed Companies".
(VII) Information Disclosure (i) Does the Company set up a website to disclose financial, operational and corporate governance information?	V		The Company website address: www.fareastone.com.tw The Company discloses real-time financial, operational and corporate governance information on company's website.	Compliant with the "Corporate Governance Best-Practice Principles for TWSE / GTSM Listed Companies".
(ii) Does the Company adopt any other disclosure channels? (e.g. English website; designated personnel in charge of company information collection and disclosure; implementation of a spokesperson policy; disclose process of institutional investors' meetings information on company website, etc.)	V		The Company has established an English website. A special personnel has been assigned to manage the gathering and disclosure of financial and business relevant information and taking the minutes of institutional investors meetings.	

Annex 1. Assessment table of expertise and eligibility of Certified Public Accountant

Expertise and Eligibility of Certified Public Accountant			
Item	Description	Yes (Normal)	No (Abnormal)
1	Whether certificated with the license of Certified Public Accountant to perform auditing.	V	
2	Whether never reprimanded by authority and Certified Public Accountant organization nor penalized accordance with article 37-3 of Securities and Exchange Act.	V	
3	Whether equipped with industry knowledge.	V	
4	Whether perform auditing of financial statements accordance with Generally Accepted Auditing Principles and Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants.	V	
5	Whether never presume the position of Certified Public Accountant to conduct malignant commercial competition.	V	

Annex 2. Assessment table of independence of Certified Public Accountant

Independence			
Item	Description	Result	Independence Y/N
1	Whether Certified Public Accountant has direct or significant indirect financial interests with the Company.	No	Y
2	Whether or not Certified Public Accountant has any financing or guarantees of conduct with the Company or the directors of the Company.	No	Y
3	Whether Certified Public Accountant has a close business relationship and potential employment relationship with the Company.	No	Y
4	Whether Certified Public Accountant or members of their audit team had any positions in the Company as directors, managers or significant influence on the audit during the audit period.	No	Y
5	Whether Certified Public Accountant has any non-audit services to the Company which may directly affect the audit work.	No	Y
6	Whether Certified Public Accountant has an intermediary to issue shares or other securities of the Company.	No	Y
7	Whether Certified Public Accountant has acted as the Company's defender or on behalf of the Company to coordinate conflicts with other third parties.	No	Y
8	Whether Certified Public Accountant has a kinship with the directors, managers of the Company or persons who have a significant influence on the audit work	No	Y

(8) If there's any material information that helps to explain the implementation of corporate governance (i.e. included but not limited to employee rights and interests, employee care, investor relations, supplier relations, stakeholders' rights, Board Directors' training status, implementation status of both risk management policy and risk measurement criteria, implementation status of customer policy, the status of purchase of liability insurance for all Board of Directors and of reporting to the board of members:

8-1 Employee rights and interests:

It has been handled according to the Labor Standards Act and the Personnel Regulations of FET and FET's subsidiaries.

8-2 Employee Care:

The Company is always mindful of communication with its employees, the existing communication channels are as follows:

Physical Communication Channel

Lantern Legend Meeting	On a quarterly basis, or more frequently where necessary, meetings are held in which constructive suggestions which promote organizational harmony, demonstrate core values, and enhance corporate competitiveness, may be raised. This is so as to build a better unified future for FET.
Employee Conference	The "Employee General Meeting" is hosted by the general manager as a forum for sharing operational outcomes and communicating new policies that benefit employees.
United Employee Welfare Committee Meeting	On a quarterly basis, or more frequently where necessary, the "United Employee Welfare Committee" holds meetings where employee activities are planned out as a way of driving employee welfare.
Management Two-way Communication Conference	At the "Two-Way Quarterly Meeting" with officers, operational policies and implementation effectiveness, and market trend information are communicated. Senior managers propose operation-related topics for discussion, with management responding to these topics at the meeting as a way of improving staff-management interaction.
Employee Engagement Survey	An employee engagement survey is conducted on an regular basis by external organizations in order to gain a deeper understanding of employee sentiment for the purpose of building continuous organizational improvement.

Electronic Communication Channel

e-Newsletter	Published various topic articles and new trending content on knowledge center of intranet monthly, as a way of encouraging learning and sharing within the organization.
e-News	Published FET the latest news and industrial information on time on “company news bulletin ”on intranet.
e-Express	Continual ad-hoc distribution of important real-time information for immediate employee attention.
e-Offer	Published promotion activities for FET production and services in the intranet when selected by employees as way of increasing exposure to important information.
Employee Suggestions	We welcome all creative proposals which benefit organizational operations from employees through the intranet.
I Want to Complain	Employees may seek assistance through the opinion box for cases where queries to responsible units or supervisors has met with no response.
“Whistle-blower” mailbox	Employees could report the violation of Business Conduct via mailbox.

Internal Communication Meeting：Held regularly or irregularly, this is also an important channel to communicate directly and build a good relationship with employees.

8-3 Investor Relations:

High quality investor relations are built on effective communication. Our company has established an “Investor Relations Division”(IR) responsible for communicating with institutional investors and shareholders, and between management and external investors. Through two-way communication, IR also serves as a bridge for providing market intelligence to internal corporate management to develop long term strategies. Additionally, to ensure information transparency, quarterly investor conferences have been held for over 10 years, so that investors’ questions and suggestions can be addressed. An email dedicated to investor service has also been established as a way of facilitating responsive and effective communication with institutional investors and shareholders.

8-4 Supplier Relations:

We regard supplier management as an important part of corporate sustainable risk management. Therefore, in 2014 we issued the Supplier Corporate Social Responsibility Guideline. This guideline formally includes the environmental, social and governance (ESG) requirements for members of our supply chain, and is incorporated into FET’s procurement management. Suppliers are also required to sign a Declaration of Business Ethics. To maintain accuracy of the supplier information and effective trading activity, the accounts of vendors that it has not dealt with for more than three years will be freezed. When transactions resume, a credit report, proof of no bounced checks, and the Self-Declaration must be re-sent to ensure that the supplier credit and CSR information is up to date.

Considering that major issues faced by local suppliers focus on environment, health and safety aspects, all contracts explicitly require suppliers to conform to environment, health and safety legislations, such as the “Air Pollution Control Act”, “Noise Control Act”, “Waste Disposal Act”, “Occupational Health and Safety Act”, and other relevant laws. Appropriate prevention and control measures must also be taken. Suppliers must sign the “Contractor Declaration on Occupational Safety, Health and Environmental Protection” and the “Contractor Statement on Environmental Hazards in the Workplace”, as well as read through the "Contractor Occupational Health and Safety Management Guidelines". Under the "Regulations for Labor Health and Safety Organization Management and Inspection", contractors are expected to carry out all OSH management and disaster-prevention tasks in order to avoid damaging the health and safety of employees through improper practices. FET conducts regular supplier evaluations to ensure that they conform to the relevant rules and provide high quality telecom services that benefit environment, society and customers.

8-5 Rights of Interest-conflicting Parties:

In order to provide investors with transparent and timely information, financial, operational and corporate governance related information can be obtained on the Far Eastone corporate website for investors’ reference. Furthermore, concerning the convenience of data accessibility for both foreign and domestic investors, information is provided in Chinese and English on Market Observation Post System and company website.

8-6 Board Directors training status:

According to the “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies” of the Taiwan Stock Exchange Corporation, the Company's directors complete continuing professional education courses regularly.

A. Directors:

Title	Name	Study Date	Sponsoring Organization	Course Name	Training Hours	Accumulated Training Hours
Chairman	Douglas Hsu	2017/07/13	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3	6
		2017/12/26	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3	
Director	Champion Lee	2017/07/13	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3	6
		2017/12/26	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3	
Director	Peter Hsu	2017/04/07	Securities and Futures Institute	2017 Corporate Governance Forum – Insider Trading and Corporate Social Responsibility	3	12
		2017/05/04	Taiwan Corporate Governance Association	Corporate Governance and Directors' Duties and Liabilities under Taiwan Company Act	3	

Title	Name	Study Date	Sponsoring Organization	Course Name	Training Hours	Accumulated Training Hours
		2017/07/28	Taiwan Corporate Governance Association	Corporate Governance & Directors' Duties and Liabilities under Securities and Exchange Act	3	
		2017/12/26	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3	
Director	Jan Nilsson	2017/05/04	Taiwan Corporate Governance Association	Corporate Governance and Directors' Duties and Liabilities under Taiwan Company Act	3	6
		2017/07/28	Taiwan Corporate Governance Association	Corporate Governance & Directors' Duties and Liabilities under Securities and Exchange Act	3	
Director	Jeff Hsu	2017/05/04	Taiwan Corporate Governance Association	Corporate Governance and Directors' Duties and Liabilities under Taiwan Company Act	3	6
		2017/07/28	Taiwan Corporate Governance Association	Corporate Governance & Directors' Duties and Liabilities under Securities and Exchange Act	3	
Director	Bonnie Peng	2017/09/06	Taiwan Corporate Governance Association	What the directors and supervisors can do to make sure the management of information safety risk	3	6
		2017/11/03	Taiwan Corporate Governance Association	How the directors to lead the company in the rapidly changing technological environment	3	
Director	Toon Lim	2017/05/04	Taiwan Corporate Governance Association	Corporate Governance and Directors' Duties and Liabilities under Taiwan Company Act	3	6
		2017/07/28	Taiwan Corporate Governance Association	Corporate Governance & Directors' Duties and Liabilities under Securities and Exchange Act	3	
Director	Keijiro Murayama	2017/07/13	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3	12
		2017/07/28	Taiwan Corporate Governance Association	Corporate Governance & Directors' Duties and Liabilities under Securities and Exchange Act	3	
		2017/09/28	Taiwan Corporate Governance Association	Breach of insider, disclosure of Information, and insider trading for Corporate Governance	3	
		2017/10/03	Taiwan Corporate Governance Association	Director and Supervisor responsibility for financial statement fraud	3	
Independent Director	Lawrence Juen-Yee LAU	2017/05/04	Taiwan Corporate Governance Association	Corporate Governance and Directors' Duties and Liabilities under Taiwan Company Act	3	6
		2017/07/28	Taiwan Corporate Governance Association	Corporate Governance & Directors' Duties and Liabilities under Securities and Exchange Act	3	
Independent Director	Kurt Roland Hellström	2017/05/04	Taiwan Corporate Governance Association	Corporate Governance and Directors' Duties and Liabilities under Taiwan Company Act	3	6
		2017/07/28	Taiwan Corporate Governance Association	Corporate Governance & Directors' Duties and Liabilities under Securities and Exchange Act	3	
Independent Director	Chung Laung Liu	2017/05/05	Taiwan Corporate Governance Association	Compensation Strategy for Critical Talent- the trend and practice sharing of High-Tech employees' reward	3	6
		2017/07/28	Taiwan Corporate Governance Association	Corporate Governance & Directors' Duties and Liabilities under Securities and Exchange Act	3	

Note: Except for the above mentioned education status, the Company would semi-annually inform all directors of updated Corporate Governance related regulations.

B.Executive Management

Title	Name	Study Date	Sponsoring Organization	Course Name	Training Hours	Accumulated Training Hours
President	Yvonne Li	2017/11/23	Securities and Futures Institute	Practice Advanced Seminar for Directors and Supervisors (including Independent Directors)	3	6
		2017/12/07	Securities and Futures Institute	Practice Advanced Seminar for Directors and Supervisors (including Independent Directors)	3	

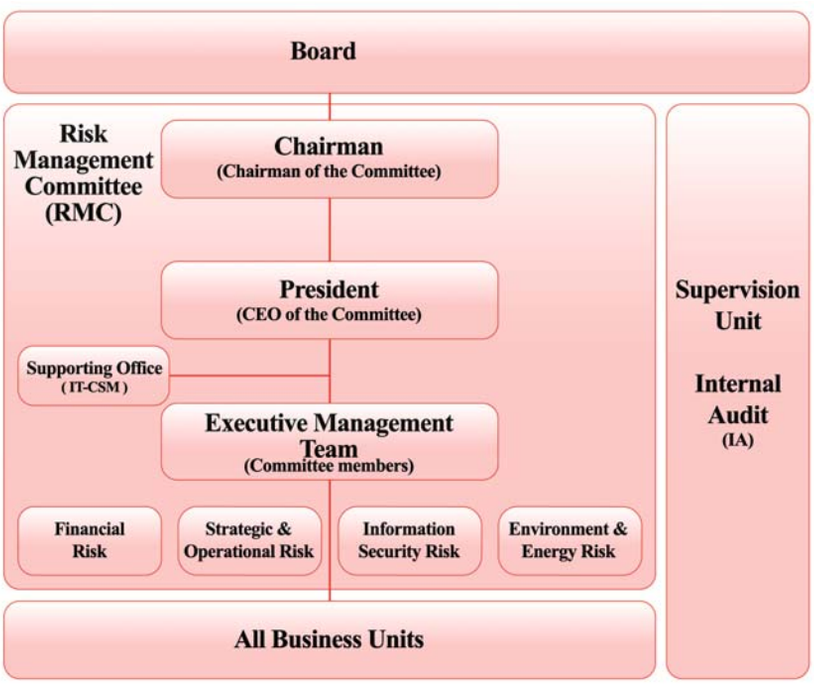
Note: Except for the above mentioned education status, the Company would monthly inform all management of updated Corporate Governance related regulations.

8-7 Corporate Risk Management Policy and Organizational Structure:

The telecommunications industry is highly driven by the development of internet technology, and its operations are becoming ever more complex and dynamic. The impacts of intense competition in the industry, changes in consumer behavior, restrictions imposed by national laws and regulations and natural disasters caused by climate change all require systematic prevention and management mechanisms, so as to appropriately evaluate the risks and opportunities that they present.

To safeguard company assets, reduce impact on business, maximize business gains and ensure the sustainability of the Company, FET further integrated and strengthened the risk management framework in 2017. The Board of Directors approved the establishment of "Risk Management Committee (RMC)" and corporate risk management policy and oversees the effective operation of the risk management mechanism. The risk management committee is chaired by the Chairman of the Company, while the President is the CEO and the senior management of all business units serves as members of the committee to implement the corporate risk management in a more comprehensive manner with the scope including financial risk, strategic and operational risk, information security risk, and environment and energy risk. Through the design and operation of four lines of defense mechanism, including (1) the staff, systems and control of all units; (2) the Board of Directors, the Risk Management Committee; (3) internal audit; (4) external audit, with the flexibility of risk management, supervision as well as risk response, to better control the risks in the rapid-changing business environment and achieve the Company's strategic goals.

The Risk Management organization structure and responsibility are as follows:



1. Board of Directors: is the highest decision-making unit of the company, main responsibilities:
   - Approve risk management policies and framework.
   - Supervise the effective operation of the risk management mechanism.
2. Risk Management Committee (RMC): The Chairman of the company acting as chairman of RMC, the President acting as chief executive officer, all business units' high-level executives (all members in Executive Management Team) are the RMC's members. The supporting office is assigned by the President to assist RMC's operations and the promotion of policy and regulations. Main duties of RMC:
   - Develop risk management policies and framework; define risk appetite, tolerance and goals.
   - Manage the overall risks of the company and regularly review the development, implementation and execution efficiency of the overall mechanism.
   - Coordinate the effective allocation of resources and supervise all business units to carry out risk control activities.
   - Implement the board of directors' risk management decisions, timely report to the board of directors on the execution status of risk management.
   - Establish risk management culture.
3. Business units: are the responsible units of risk control implementation and management, main responsibilities:
   - Responsible for the management and reporting of the daily risks and take the necessary countermeasures.
   - Identify, analyze and evaluate the likelihood and impact of assessing risks.

- Monitor the risk situation, ensure the effective implementation of the control procedures, and timely report risk information to comply with the relevant laws and regulations and corporate policies.
- Facilitate and promote relevant policies and regulations.

In addition to the above organizations, in the event of a risk, the relevant units shall immediately set up contingency management teams to respond promptly to various risk conditions and communicate with both internal and external relevant stakeholders, to ensure compliance with laws and regulations and to minimize potential losses and impacts.

Furthermore, the Internal Audit division of the Company is the supervisory unit to review the risks and report the audit results to the Board of Directors.

8-8 Implementation of Customer Policies:

FET holds to a vision that "FET Connects and Enriches Life", striving to provide ever better customer service.

The FET customer service center has established service and quality management mechanisms, using customer satisfaction surveys that seek to understand customers' experiences and feedback. In addition, meetings and inspections are regularly held to review service quality, with the aim to ensure that customers consistently receive a high quality of service.

The FET market research team tracks satisfaction levels of various products and services via regular customer surveys, and implements projects to understand customer behavior, with the aim to provide consumers a thoughtful service and keep increasing our customer loyalty.

8-9 Purchase of liability insurance for all Board of Directors and reporting to the board:

The Company's Directors provide professional and objective opinions from their varied professional fields, facilitating the decision making in the best interest of the Company and shareholders. To protect Directors from individual liability and financial loss brought by third party lawsuits, while conducting Directors' duties, the Company purchased liability insurance for all Directors after the Board was re-elected in June 2015. The insurance coverage is US$10 million; insured period from June 18, 2017 to June 18, 2018. It will be reported to the recent term (Q3) of Board of directors meeting after renewal of insurance policy in accordance with "Corporate Governance Best Practice Principles".

8-10 For those staff who work to create transparency in the Company's financial affairs, relevant licences and certification obtained from professional authorities are shown:

Name of Certification	Department	Number of People
R.O.C. CPA	Strategy & Finance, Consumer BU	6
U.S.A. CPA	Strategy & Finance, Consumer BU, Internal Audit	3
Certified Internal Auditor	Strategy & Finance, Internal Audit	5
Certified Information System Auditor	Internal Audit	1
ISO 27001 Internal Auditor	Strategy & Finance, Internal Audit, Information Technology, Network & Technology, Omni Channel Management	63
ISO 9001 Internal Auditor	Strategy & Finance, Information Technology	3
BS 10012 Lead Auditor	Information Technology, Omni Channel Management	12
Debt-Collection Personnel's proficiency test held by Taiwan Academy of Banking and Finance	Strategy & Finance	155
Stock Personnel's Proficiency Test held by Securities and Futures Institute	Strategy & Finance	3
Bond Personnel's Proficiency Test held by Securities and Futures Institute	Strategy & Finance	1

(9) Base on the result of "Corporate governance Evaluation" announced by TWSE (Taiwan Stock Exchange Corporation) in a recent year to illustrate the status of matters have been already improved and priority measures to reinforce matters haven't been improved：

In 2016, the Company's to-be-improved items included Directors' training, frequency of meetings and relationship between the directors, etc. Due to constraints of region, time, and language, some of the overseas directors did not meet the 6-hour training requirement in Corporate Governance courses. In 2017, the Company has arranged all of the Board of Directors to complete the courses.

(10) If the Company has established the Corporate Governance Principles and the related regulations, it shall disclose the inquiry method:

"Corporate Governance Best Practice Principles" has been established and approved by Board of Directors and uploaded to MOPS(Market Observation Post System) with Chinese and English versions to facilitate shareholders' inquiries.

(11) Other information relating to corporate governance:

11-1 Execution of policies to protect consumers or customers:

Providing safe and trustworthy telecommunications services to customers is FET's responsibilities, which is also crucial to maintain customers' relationship and enhance their confidence in FET. To show the importance it attaches to and commitment to information security, FET is continually improving its information management system. Moreover, FET continuously receives international standard certification for business processes. It shows not only a high degree of self-management, but also great commitment to information security and customer information protection.

11-2 Employees behavior and Code of Ethics:

It is necessary for each employee to sign the " Code of Ethics and Business Conduct " and "Non-disclosure Agreement" and declare his/her agreement to comply with the "Work Rules" in his/her "Employment Contract". The said documents will be kept in the employees' files and disclosed on the Company's intranet to be available to all employees. The contents of the documents are briefed as following:

- Code of Ethics and Business Conduct, including: (1) to avoid activities for personal gains; (2) the responsibility for making good use of Company resources; (3) confidentiality of the Company's information; (4) the fair transaction; (5) compliance of the rules and regulations; (6) prevent the conflicts of interests; (7) the responsibility for ensuring the Company's use of gifts and premiums complies with the commercial customs, laws and code of ethics.
- Non-disclosure Agreement, including (1) definition of confidential information; (2) assignment of rights; (3) non-disclosure obligation; (4) legal effect for breach of the agreement and obligation thereof; (5) effect upon termination of the employment relationship; (6) successors and assignment of rights; (7) governing law and jurisdiction.
- Employment Contract, including (1) date of hire; (2) salary; (3) bonus; (4) benefit; (5) special leave; (6) insurance; (7) transfer; (8) work hours; (9) health examination; (10) code of management.
- Work Rules passed by the Labor-Management Conference and sent for approval to the Taipei City Department of Labor. This includes (1) employment, severance and resignation; (2) wage and bonus; (3) work hours, rest, vacation and leave; (4) retirement; (5) performance appraisal and reward/punishment; (6) compensation and pension for occupation disaster; (7) benefit measures and health and safety.

(12) The Company has established the "Internal Material Information Disclosure Procedure" and proceeded to promote as follows:

1. The "Internal Material Information Disclosure Procedure" would be provided to Directors at least once a year when holding board meetings.
2. The "Internal Material Information Disclosure Procedure" would be provided to new insiders when they signed "Manager's Declaration".
3. The Company promotes not only the "Internal Material Information Disclosure Procedure", but also the "Insider Trading" related information posted on TWSE(Taiwan Stock Exchange Corporation) website with the e-mail for the declaration of shareholding variation to remind insiders every month.
4. The Company's insiders and employees are required to sign the "Confidential Agreement" when joining the Company and the latest guidance regarding "Internal Material Information Disclosure Procedure" to employees was posted on the intranet on April 27, 2018.

3-5. The Composition of the Remuneration Committee Member, and the Official Powers of the Remuneration Committee.

(A) Information of the Remuneration Committee Members

Role	Name \ Condition	With work experience for more than 5 years and the following professional qualification requirements			Conform to Independent (Note1)								No. of Public companies in which he/she serves as Remuneration Committee Member	Remark
		An instructor or higher up in a department of commerce, law, finance, accounting, or other academic department related to company business in a public or private junior college, college, university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a professional capacity that is necessary for company business	Having work experience in the area of commerce, law, finance, or accounting, or otherwise necessary company business	1	2	3	4	5	6	7	8		
Independent Director	Lawrence Juen-Yee LAU	V			V	V	V	V	V	V	V	V	0	
Independent Director	C.L. Liu (Note: 2)	V			V	V	V	V	V	V	V	V	3	
others	Edward Y. Way		V	V	V	V	V	V	V	V	V	V	3	
others	Doris Wu (Note: 3)			V	V	V	V	V	V	V	V	V	0	

Note 1: Indicates qualified members during the two years before being elected or during the term of the appointment.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company or any its affiliates. This is not restrictive on any person who is an independent director of the Company, or its parent company which established based on this law or local law.

(3) Not an individual shareholder who, together with those held by the person's spouse, minor children, or held under others' names, holds shares in an aggregate amount of one percent or more of the total outstanding shares of the Company, or an individual who ranks among the top ten shareholders in terms of the share volume held.

(4) Not a spouse, or relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any the persons in the preceding three subparagraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total outstanding shares of the Company or ranks among the top five corporate shareholders in term of share volume held.

(6) Not a director, supervisor, executive officer, or shareholder holding five percent or more shares of a specific Company or institution, and who also has financial or business dealings with the Company.

(7) Not a professional, or owner, partner, director, supervisor, or executive officer and the spouse thereof of a sole proprietorship, partnership, Company, or institution that provides commercial, legal, financial, accounting or consulting services to the Company or to any affiliates of the Company.

(8) Not affected by the circumstances as listed in the subparagraphs of Article 30 of the Company Act.

Note2 : On board on Oct. 27, 2017.

Note3 : Relinquished on Oct. 27, 2017.

(B) Operation of the Remuneration Committee

1. There are currently three members on the Remuneration Committee.

2. The current term of office is from June 18, 2015 until June 17, 2018. Remuneration Committee meetings have been held three times (A), with the attendance status listed below:

Title	Name	Times of Attendance (B)	Times of Attendance by Proxy	Actual Percentage of Attendance (%) (B/A)	Remark
Convener	Lawrenc Juen-Yee Lau	3	0	100%	This is the member of the 3rd term of the Remuneration Committee of the Company, who was elected again on June 18, 2015, shall present 3 times.
Committee member	C.L. Liu	1	0	100%	This is the member of the 3rd term of the Remuneration Committee of the Company, who was elected on October 27, 2017, shall present 1 time.
Committee member	Edward Y.Way	2	1	67%	This is the member of the 3rd term of the Remuneration Committee of the Company, who was elected again on June 18, 2015, shall present 3 times.
Committee member	Doris Wu	2	0	100%	This is the member of the 3rd term of the Remuneration Committee of the Company. The expiration of the term is October 27, 2017, shall present 2 times

Other matters of importance:

1. Instances where the Board of Directors declines to adopt, or attempts to modify, recommendations from the remuneration committee, any objection should specify the dates of meetings, sessions, contents of motion, resolution by the Board of Directors, and the Company's response to the remuneration committee's opinion (for example, where the remuneration passed by the Board of Directors exceeds the recommendations of the remuneration committee, the circumstances and reasons for the difference of opinions shall be specified) : None.
2. Instances where resolutions of the remuneration committee were objected to by members, or subject to qualified opinion and recorded or declared in writing (where date of meetings, sessions, contents of motions, all members' opinion and the response to members' opinion are specified): None.

3-6. Implementation of Internal Control System

(1) The declaration of internal control system

Far EasTone Telecommunications Co., Ltd.
The Declaration of Internal Control System

Date: February 23, 2018

Based on the self-examination results of the internal control system for the year ended December 31, 2017, Far Eastone Telecommunications Co., Ltd. (The Company) therefore declares the following:

I. The Company's board of directors and management understand their responsibilities of developing, implementing and maintaining the internal control system and such a system has been well established. The purpose of establishing the internal control system is to reasonably assure the following objectives:
   1. Effectiveness and efficiency of business operations (including earnings, operating performance and the safeguard of company assets);
   2. Reliability, timeliness, transparency, and regulatory compliance of reporting;
   3. Compliance with applicable laws, regulations, and bylaws.

II. The internal control system has its inherent limitations, no matter how well designed, effective internal control system can only provide reasonable assurance on the foresaid three objectives. Moreover, the effectiveness of internal control system may vary with changes in the environment. However, the Company management develops self-monitoring mechanism to detect deficiency and take corrective actions.

III. The evaluation of effectiveness of the internal control system design and implementation is performed in accordance with "Regulations Governing Establishment of Internal Control Systems by Public Companies" (the Regulations). The Regulations examine the following components throughout the internal control process: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Details could be referred to the Regulations.

IV. The Company management has assessed the effectiveness of the internal control system design and implementation based on the above Regulations.

V. The Company management declares that the internal control system (including Subsidiary Governance) has effectively assured that the following objectives have been reasonably achieved during the assessment period:
   1. Effectiveness and efficiency of business operations (including earnings, operating performance and the safeguard of company assets);
   2. Reliability, timeliness, transparency, and regulatory compliance of reporting;
   3. Compliance with applicable laws, regulations, and bylaws.

VI. This Declaration is a significant item in the Company annual report and prospectus available to the general public. If it contains false information or omits any material contents, the company is in violation of Articles 20, Articles 32, Articles 171 and Articles 174 set forth in the ROC Securities and Exchange Law.

VII. The Declaration of Internal Control System has been approved by the Company's board of directors on February 23, 2018.

Far EasTone Telecommunications Co., Ltd.

Douglas Hsu
Chairman

Yvonne Li
President

(2) **The special audit of the Company's internal control systems conducted by CPA retained by the company :** None.

3-7. Any penalties for violations of regulations or the company's internal control systems by the personal；major defects and the status of corrections in the internal control systems from last year up to the Annual Report being published : None.

3-8. From last year up to the Annual Report being published, major resolution and execution status of Shareholder's Meetings and Board Meetings

(1) Major Resolutions and Execution status of Shareholders' Meetings

Date	Resolutions of Shareholders' Meeting	Execution
June 23, 2017	Resolutions in the Annual Shareholders' Meeting of Year 2017 **Matters to be reported** 1.Business report of Year 2016. 2.Financial report of Year 2016. 3.The 2016 Audit Committee's review report. 4.The 2016 directors' and employees' compensation. 5.The issuance of corporate bonds. **Matters to be approved** 1. Approval of the Year 2016 closing report (Including business report).	
	2. Approval of the proposal regarding Year 2016 earnings distribution.	July 18, 2017 was fixed as the record date of ex-cash dividends, and cash dividends were paid on August 4, 2017. (Cash dividend per share is NT$3.129)
	Matters to be discussed 1. Approval of the cash distribution from Capital Surplus.	July 18, 2017 was fixed as the record date of ex-cash dividends, and cash were paid on August 4, 2017. (The Cash dividend per share is NT$0.621)
	2. Approval of the amendment to "Handling Procedure for Acquisition and Disposal of Assets" of the Company.	The Company has released the amended Procedure on the official website and the Market Observation Post System on July 10, 2017 and proceeded accordingly.

(2) Major Resolutions of Board Meetings

Date	Resolutions of the Board Meetings
February 15, 2017	(1) Approval of the 2016 directors' and employees' compensation of the Company. (2) Approval of the 2016 annual financial statements and consolidated financial statements of the Company. (3) Approval of the distribution of cash dividend from Retained Earnings and Capital Surplus of the Year 2016. (4) Approval of the 2016 business operation report of the Company. (5) Approval of the dates and agenda of the Company's 2017 Annual Shareholders' Meeting. (6) Approval of the Company's 2017 business plan and summary consolidated financial forecast. (7) Approval of the capital lending to Q-Ware Communication Co., Ltd., not exceeding NT$250M. (8) Approval of the Declaration of Internal Control System of the Company.
May 04, 2017	(1) Approval of the amendments to the "Handling Procedure for Acquisition and Disposal of Assets" and other corporate governance related regulations of the Company. (2) Approval of the additions to the agenda of the 2017 Annual Shareholders' Meeting. (3) Approval of the subscribing of the capital call with NT$350M of "Hiiir Inc.". (4) Approval of the subscribing of the capital call with NT$150M of "Yuan Hsin Digital Payment Co., Ltd." (5) Approval of the New Century InfoComm Tech Co., Ltd (NCIC), the Company's major subsidiary, to acquire the land and carry out related building at Taipei Far Eastern Telecom Park (T-Park). (6) Approval of the issuance of domestic unsecured corporate bond not exceeding NT$5 billion. (7) Approval of the loan agreements to be executed with banks. (8) Approval of the appointment of representative of the Company's System Integration Branch Office. (9) Approval of the release of recent dual employments and competition restriction on managerial officers of the Company. (10) Approval of the setup of "Risk Management Committee" and the "Risk Management Policy" of the Company.
July 28, 2017	(1) Approval of the amendments to the Internal Control System of the Company. (2) Approval of the participation in the 2.1GHz spectrum licensing bidding for the mobile broadband businesses.
October 27, 2017	(1) Approval of the 2018 Audit Plan. (2) Approval of the major capital expenditure budget for Q1 2018. (3) Approval of the release of recent dual employments and competition restriction on managerial officers of the Company. (4) Approval of the appointment of the Remuneration Committee Member of the Company.

Date	Resolutions of the Board Meetings
February 23, 2018	(1) Approval of the assignment of financial officer (Chief Financial Officer) and accounting officer of the Company. (2) Approval of the 2017 directors' and employees' compensation of the Company. (3) Approval of the 2017 annual financial statements and consolidated financial statements of the Company. (4) Approval of the distribution of cash dividend from retained earnings and capital surplus of 2017. (5) Approval of the 2017 business report of the Company. (6) Approval of the re-election of the Board of Directors of the Company. (7) Approval of the dates and agenda of the Company's 2018 Annual Shareholders' Meeting. (8) Approval of the Company's 2018 business plan and summary consolidated financial forecast. (9) Approval of the issuance of domestic unsecured corporate bond not exceeding NT$5 billion. (10) Approval of the Declaration of Internal Control System of the Company.

3-9. From last year up to the Annual Report being published, dissenting comments on major Board Resolutions from Board Directors: None.

3-10. From last year up to the Annual Report being published, the resignation/dismissal situation of the Officers (Including Chairman, President, Accounting Manager, Financial Manager, Internal Auditor Manager and R&D Manager):

Title	Name	Effective Date	Date of Termination	Reasons of Resignation or Termination
CFO	T.Y. Yin	2010.03.15	2017.12.31	Job Rotation

4. Certified Public Accountant (CPA) Professional Fee Information

4-1. Information of CPA

2017/12/31

Accounting Firm	Name of CPA		Audit Period	Note
Deloitte & Touche	Annie Lin	Denny Kuo	2017.01.01 ~ 2017.12.31	

4-2. Professional Fees of CPA

4-2-1.

Unit: NT$'000

Amount (NTD)	Item	Audit Fees	Non-audit Fees	Total
1	Less than 2,000			
2	2,000 ~ 4,000 (inclusive of 2,000)		V	
3	4,000 ~ 6,000 (inclusive of 4,000)			
4	6,000~ 8,000 (inclusive of 6,000)			
5	8,000 ~ 10,000 (inclusive of 8,000)	V		
6	More than 10,000 (inclusive of 10,000)			V

4-2-2.

2017/12/31; Unit: NT$'000

Accounting Firm	Name of CPA	Audit Fees	Non-audit Fees					Audit Period	Note
			System Design	Registration	Human Resources	Other	Total		
Deloitte & Touche	Annie Lin	$8,650	None	None	None	$2,720	$11,370	2017.01.01~ 2017.12.31	Non-audit Fees are mainly consulting fees for cases.
	Denny Kuo							2017.01.01~ 2017.12.31	

4-3. If the audit fees of the year in which the company changes CPA firm is lower than that of the prior year, specify the amount of audit fee before and after, and the reason: Not applicable.

4-4. If the audit fee dropped year on year by more than 15%, specify the amount, percentage, and reason for the reduction: Not applicable.

5. Change of Certified Public Accountant (CPA)

None.

6. The Company's Chairman, President and Managers Responsible for Finance or Accounting Who Have Held a Post in Company's Audit Firm or its Affiliations in the Last Year

None.

7. Shares Transferred by Directors, Management and Major Shareholders from last year up to the Annual Report being Published

7-1. Shareholding Variation:

2018/04/16

Title	Name	2017		2018/01/01 ~ 2018/04/16	
		Shares Increased (Decreased)	Pledged Shares Increased (Decreased)	Shares Increased (Decreased)	Pledged Shares Increased (Decreased)
Chairman	Douglas Hsu, Representative of Yuan Ding Investment Co., Ltd. (Note 1)	0 *0	(12,689,514) *0	0 *0	0 *0
Managing Director	Peter Hsu, Representative of Yuan Ding Investment Co., Ltd. (Note 1)	0 *0	(12,689,514) *0	0 *0	0 *0
Managing Director	Jan Nilsson, Representative of Yuan Ding Investment Co., Ltd. (Note 1)	0 *0	(12,689,514) *0	0 *0	0 *0
Independent Director	Lawrence Juen-Yee LAU	0	0	0	0
Independent Director	Kurt Roland Hellström	0	0	0	0
Independent Director	Chung Laung Liu	0	0	0	0
Director	Champion Lee, Representative of Yuan Ding Co., Ltd.	0 *0	0 *0	0 *0	0 *0
Director	Jeff Hsu, Representative of Yuan Ding Co., Ltd.	0 *0	0 *0	0 *0	0 *0
Director	Keijiro Murayama, Representative of U-Ming Marine Transport Corp.	0 *0	0 *0	0 *0	0 *0
Director	Bonnie Peng, Representative of Representative of Asia investment Corp.	0 *0	0 *0	0 *0	0 *0
Director	Toon Lim, Representative of Ding Yuan International Investment Co., Ltd.	0 *0	0 *0	0 *0	0 *0
President	Yvonne Li	0	0	0	0
Executive VP	T.Y. Yin	0	0	0	0
Executive VP	Magdalina Lin	0	0	0	0
Executive VP	Maxwell Cheng	0	0	0	0
Executive VP	Philip Tseng (Note 2)	0	0	0	0
Executive VP & CFO	Sherman Lee	0	0	0	0
Sr. Advisor	Mike Lee	0	0	0	0
Executive VP	Herman Rao	0	0	0	0
Executive VP	Eton Shu	0	0	0	0

Title	Name	2017		2018/01/01 ~ 2018/04/16	
		Shares Increased (Decreased)	Pledged Shares Increased (Decreased)	Shares Increased (Decreased)	Pledged Shares Increased (Decreased)
Sr. VP	Vivian Lee (Note 3)	N/A	N/A	0	0
Sr. VP	Olivia Chew (Note 3)	N/A	N/A	0	0
VP	Jennifer Liu	0	0	0	0
VP	Belinda Chen	0	0	0	0
VP	Jessie Teng	0	0	0	0
VP	Brian Chao	0	0	0	0
VP	Andy Tu	0	0	0	0
VP	Terrance Yang	0	0	0	0
VP	Maggie Mei	(30,000)	0	0	0
VP	Jessica Sung	0	0	0	0
VP	Roger Lin	0	0	0	0
VP	Charlene Lin	0	0	0	0
VP	Mark Lee	0	0	0	0
VP	Eric Li	0	0	0	0
VP	James Lee	0	0	0	0
VP	Andy Kuo (Note 4)	0	0	0	0
VP	Sharon Lin	0	0	0	0
VP	David Tsai	0	0	0	0
VP	Bruce Yu	0	0	0	0
VP	Hae-Shung Ju	0	0	0	0
VP	Dick Lin	0	0	0	0
Senior Director	C. J. Lee	0	0	0	0
Senior Director	D.J. Chen	0	0	0	0
Senior Director	Eric Chu (Note 4)	N/A	N/A	0	0
Senior Director	Lopes Lu (Note 4)	N/A	N/A	0	0
Senior Director	Andy Kuo	0	0	0	0
Senior Director of Sales	Adam Wong (Note 4)	N/A	N/A	0	0
Senior Director of Sales	Maurice Tsai (Note 4)	N/A	N/A	0	0
Senior Director	Joyce Chen	0	0	0	0
Senior Director	Ann Chang	0	0	0	0
Senior Director	Gary Lai	0	0	0	0
Senior Director	Andrea Shen	0	0	0	0
Senior Director	Vivian Chiang	0	0	0	0
Senior Director	Jason Kuo	0	0	0	0
Senior Director	Dave Lu	0	0	0	0
Senior Director	Leon Li	0	0	0	0
Senior Director	Andy Weng	0	0	0	0
Senior Director	Barry Chang (Note 5)	0	0	0	0
Senior Director	Yaling Lang	0	0	0	0
Senior Director	Jason Chen	0	0	0	0
Senior Director	Allan Lee	0	0	0	0
Chief Auditor	Iris Su	0	0	0	0

Note 1: Who are the major shareholders that hold over 10% share.
Note 2 : On board on Feb. 21, 2017
Note 3 : On board on Jan. 03, 2018
Note 4 : Promoted on Apr. 01, 2018
Note 5 : On board on Jul. 03, 2017
*Number of shares held and shareholding percentage of the individual representative.

7-2.Shareholding Transferred: None. Due to the counter party is not a related party.

7-3.Shareholding Pledged: None. Due to the counter party is not a related party.

8. Relationship between Top Ten Shareholders defined as Related Parties, Spouse or a Relative within Two Degrees

2018/04/16

Name	Current Shareholding		Spouse & Minor Children's Shareholding		Shareholding in Name of Others		Name, relationship of top ten shareholders are Spouses of within 2 degrees of consanguinity to each other		Note
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Yuan Ding Investment Co., Ltd.	1,066,657,614	32.73	N/A	N/A	0	0.00	An Ho Garment Co., Ltd. Yuan Tung Investment Co., Ltd. Kai Yuan International Investment Co., Ltd.	Same ultimate parent company Same ultimate parent company Same ultimate parent company	None
Chairman & Representative:Douglas Hsu	0	0.00	0	0.00	0	0.00	Peter Hsu	Brother	None
Representative:Peter Hsu	0	0.00	0	0.00	0	0.00	Douglas Hsu	Brother	None
Representative:Jan Nilsson	0	0.00	0	0.00	0	0.00	None	None	None
Shin Kong Life Insurance Co., Ltd.	270,874,000	8.31	N/A	N/A	0	0.00	None	None	None
Chairman: Tung-Chin Wu	0	0.00	0	0.00	0	0.00	None	None	None
NTT DOCOMO Inc.	153,543,573	4.71	N/A	N/A	0	0.00	None	None	None
Chairman: Kazuhiro Yoshizawa	0	0.00	0	0.00	0	0.00	None	None	None
Cathay Life Insurance Co., Ltd.	132,634,000	4.07	N/A	N/A	0	0.00	None	None	None
Chairman: Tiao-Kuei Huang	0	0.00	0	0.00	0	0.00	None	None	None
Fubon Life Insurance Co., Ltd.	112,920,696	3.47	N/A	N/A	0	0.00	None	None	None
Chairman: Richard M. Tsai	0	0.00	0	0.00	0	0.00	None	None	None
Taiwan Post Co., Ltd.	104,226,696	3.20	N/A	N/A	0	0.00	None	None	None
Chairman: Kwo-Tsai Wang	0	0.00	0	0.00	0	0.00	None	None	None
Yuan Tong Investment Co., Ltd.	100,237,031	3.08	N/A	N/A	0	0.00	Yuan Ding Investment Co., Ltd. An Ho Garment Co., Ltd. Kai Yuan International Investment Co., Ltd.	Same ultimate parent company Same ultimate parent company Same ultimate parent company	None
Chairman: David Wang	0	0.00	0	0.00	0	0.00	None	None	None
An Ho Garment Co., Ltd.	40,817,592	1.25	N/A	N/A	0	0.00	Yuan Ding Investment Co., Ltd. Yuan Tong Investment Co., Ltd. Kai Yuan International Investment Co., Ltd.	Same ultimate parent company Same ultimate parent company Same ultimate parent company	None
Chairman: Alan Tsai	0	0.00	0	0.00	0	0.00	None	None	None
Kai Yuan International Investment Co., Ltd	34,149,031	1.05	0	0.00	0	0.00	Yuan Ding Investment Co., Ltd. Yuan Tong Investment Co., Ltd. An Ho Garment Co., Ltd.	Same ultimate parent company Same ultimate parent company Same ultimate parent company	None
Chairman: Humphrey Cheng	0	0.00	0	0.00	0	0.00	None	None	None
Morgan Stanley & Co. International Plc	31,817,125	0.98	0	0.00	0	0.00	None	None	None

Information Sources: Market Observation Post System, Commerce Industrial Services Portal and company's website.

9. Comprehensive Shareholding Information Relating to Company, Directors, Management, and Companies Affiliated through Direct and Indirect Investment

2018/03/31; Unit: share; %

Affiliated Company (Note 1)	Investment of Far EasTone		Directors, Managements and Direct or Indirect Investment of the Affiliated company		Consolidated Investment	
	Shares	%	Shares	%	Shares	%
New Centry InfoComm Tech Co., Ltd.	2,100,000,000	100.00	0	0	2,100,000,000	100.00
FarEastern Electronic Toll Collection Co,. Ltd	118,250,967	39.42	44,796,239	14.93	163,047,206	54.35
Yuanshi Digital Technology Co., Ltd.	90,014,424	86.41	7,494,333	7.20	97,508,757	93.61
ARCOA Communication Co., Ltd.	82,762,221	61.63	0	0	82,762,221	61.63
KGEx.com Co., Ltd.	68,897,324	99.99	0	0	68,897,324	99.99
Yuan Hsin Digital Payment Co., Ltd.	37,432,782	30.00	24,955,188	20.00	62,387,970	50.00
Ding Ding Integrated Marketing Service Co., Ltd.	10,408,200	15.00	45,102,200	65.00	55,510,400	80.00
Alliance Digital Technology Co., Ltd.	6,000,000	14.40	0	0	6,000,000	14.40
Omusic Co., Ltd.	2,500,000	50.00	0	0	2,500,000	50.00
Yuan Cing Co., Ltd.	2,000,000	100.00	0	0	2,000,000	100.00
Q-ware Communications Co., Ltd.	175,430	81.63	0	0	175,430	81.63
Far Eastern Info Service (Holding) Ltd.	1,200	100.00	0	0	1,200	100.00
DataExpress Infotech Co., Ltd.	0	0	12,866,353	70.00	12,866,353	70.00
New Diligent Co., Ltd.	0	0	54,000,000	100.00	54,000,000	100.00
Information Security Service Digital United Inc.	0	0	10,249,047	100.00	10,249,047	100.00
Digital United (Cayman) Ltd.	-	-	4,320,000	100.00	4,320,000	100.00
Sino Lead Enterprise Limited	-	-	30,000	100.00	30,000	100.00
FarEastern New Diligent Company Ltd.	-	-	-	100.00*	-	100.00*
New Diligent Hong Kong Company Ltd.	-	-	-	100.00*	-	100.00*
Linkwell Tech. Ltd.	-	-	-	100.00*	-	100.00*
Home Master Technology Ltd.	-	-	-	100.00*	-	100.00*
Far Eastern Tech-info Ltd. (Shanghai)	-	-	-	100.00*	-	100.00*
New Diligent (Shanghai) Co., Ltd.	-	-	-	100.00*	-	100.00*

Note 1: Investment accounted for using equity-method.
*The ratio is based on the proportion of investor company's contributions to the registered capital.

IV Fund Raising Status

1. Capital and Shares
2. Issuance of Corporate Bonds
3. Preferred Shares
4. Issuance of Overseas Depository Receipt
5. Employee Stock Options
6. Employee Restricted Stock Options
7. Shares Issued for Merges or Acquisitions
8. Fund Utilization Plans and Status

1. Capital and Shares

1-1 History of Capitalization

2018/04/16

Year. Month	Par Value (NT$)	Authorized Capital		Shares Outstanding		Remarks		
		Shares ('000)	Amount (NT$'000)	Shares ('000)	Amount (NT$'000)	Source of Capital	Non-Monetary Capital Expansion	Effective Date & Cert. No.
2008.01	10	4,200,000	42,000,000	3,258,501	32,585,008	Capital reduction of NT$7,745,326 thousand	None	(Note 1)

Note 1: 2008.1.22 MOEA Ruling Ref.No.09701015390

Current Capital Sources : Unit:NT$'000

Source of Capital	Initial capital	Capital increase through cash paid-in	Capitalization of earnings	Capitalization of additional paid-in capital	Others (Including ECB Conversion & Acquisition of the issue of new shares)	Total
Amount	9,000,000	4,112,570	12,926,063	4,331,098	2,215,277	32,585,008
Percentage of Capital (%)	27.62	12.62	39.67	13.29	6.80	100

2018/04/16; Unit:'000 Shares

Type of Stock	Authorized Capital			Note
	Shares Outstanding	Un-issued	Total	
Common Shares	3,258,501	941,499	4,200,000	Listed stock

Note：According to Article 179 of the Company Act, a shareholder shall have one voting power in respect of each share in his/her/its possession.

1-2 Information for Shelf Registration: Not Applicable.

1-3 Shareholder Structure

2018/04/16

Quantity \ Shareholder Structure	Government Institutions	Financial Institutions	Other Institutional Shareholders	Individual Shareholders	Foreign Institutions and Individual Shareholders	Total
Numbers	13	54	158	21,141	841	22,207
Shares	27,516,068	693,632,852	1,496,427,964	86,825,146	954,098,780	3,258,500,810
Shareholding ratio (%)	0.84%	21.29%	45.92%	2.67%	29.28%	100%

Note: According to the official letter No.0990002770 of Financial Supervisory Commission (“FSC”) on January 15, 2010, the Telecommunications Enterprise was the prohibited investment industry. The individuals, juristic persons, organizations, other institutions from Mainland China can’t invest in the Company, hence the percentages of ownership of China investors is “0”.

1-4 Share Distribution-Common Stock

2018/04/16

Level	Number of shareholders	Shares	%
1 - 999	5,331	1,414,108	0.04
1,000 - 5,000	12,875	25,865,690	0.79
5,001 - 10,000	1,681	13,343,084	0.41
10,001 - 15,000	521	6,665,844	0.20
15,001 - 20,000	329	6,045,567	0.19
20,001 - 30,000	312	7,808,737	0.24
30,001 - 50,000	263	10,425,719	0.32
50,001 - 100,000	245	17,496,394	0.54
100,001 - 200,000	159	22,789,899	0.70
200,001 - 400,000	146	41,865,314	1.28
400,001 - 600,000	69	34,318,660	1.05
600,001 - 800,000	42	29,199,565	0.90
800,001 - 1,000,000	30	26,561,740	0.82
1,000,001 and above	204	3,014,700,489	92.52
Total	22,207	3,258,500,810	100.00

Note: The Company has not yet issued any preferred shares until April 16, 2018.

1-5 Top 10 Major Shareholders

2018/04/16

Major Shareholders \ Shares	Shares	%
Yuan Ding Investment Co., Ltd.	1,066,657,614	32.73
Shin Kong Life Insurance Co., Ltd.	270,874,000	8.31
NTT DOCOMO INC.	153,543,573	4.71
Cathay Life Insurance Co., Ltd.	132,634,000	4.07
Fubon Life Insurance Co., Ltd.	112,920,696	3.47
Taiwan Post Co., Ltd.	104,226,696	3.20
Yuang Tung Investment Co., Ltd.	100,237,031	3.08
An Ho Garment Co., Ltd.	40,817,592	1.25
Kai Yuan International Investment Co., Ltd.	34,149,031	1.05
Morgan Stanley & Co. International Plc	31,817,125	0.98

1-6 Share Price, Net Value, Earnings, Dividends and Related Information in Last 2 years

Unit: NT$; shares

Item \ Year			2016	2017	2018 (as of March 31)
Share price (Note 1)	High		81.90	79.90	78.50
	Low		64.50	70.20	72.10
	Average		73.11	73.77	74.99
Net value per share	Before distribution		21.79	21.41	24.11
	After distribution		18.04	(Note 2)	(Note 2)
Earnings per share	Weighted-average outstanding shares		3,258,500,810	3,258,500,810	3,258,500,810
	Earnings per share	Before adjustment	3.50	3.33	0.75
		After adjustment (Note3)	3.50	3.33	0.75
Dividend per share	Cash dividend		3.75 (Note 7)	3.75 (Note 8)	Not Applicable
	Stock dividend	Distribution of surplus	0	0	Not Applicable
		Additional Paid-In Capital	0	0	Not Applicable
	Accumulated un-distributed dividend		0	0	Not Applicable
Return on Investment	Price/Earnings Ratio (Note 4)		20.89	22.15	Not Applicable
	Price/Dividend Ratio (Note 5)		19.50	19.67	Not Applicable
	Cash dividend yield (Note 6)		5.13%	5.08%	Not Applicable

Note 1: High/Low means the highest/lowest share price for the period and average share price is calculated based on transaction amount and volume for the period.
Note 2: Earnings distribution shall be resolved by Shareholders' Meeting in the subsequent year.
Note 3: Earnings per share after stock dividend is distributed.
Note 4: Price/Earnings Ratio = Average closing share price of the period/Earnings per share.
Note 5: Price/Dividend Ratio = Average closing share price of the period/Cash dividend per share.
Note 6: Cash dividend yield = Cash dividend per share/average closing share price of the year.
Note 7: The cash dividend of year 2016 distribution NT$3.75 per share was based on 3,258,500,810 shares.
Note 8: The cash dividend of year 2017 has not been approved by the Shareholder's Meeting.

1-7 Dividend Policy

1-7-1 Dividend Policies under the Articles of Incorporation

The dividend payout ratio each fiscal year shall be no less than fifty percent (50%) of the final surplus, which is the sum of the after-tax profit of the fiscal year to withhold previous loss, if any, legal reserve and special reserve as required by law; while cash dividend declared by the Corporation shall be no less than fifty percent (50%) of the total dividends distributed that year; provided, however, depending on whether the Corporation has any financial structure improvement or major capital expenditure plans in the year, the earnings unallocated and accumulated in the preceding year may be distributed, and the payout ratio and percentage of cash dividend may be raised or lowered by a resolution adopted at the shareholders' meeting.

Taking the Company's pay-out dividends over past three years as example, the dividend payout ratios from 2015 to 2017 were 106%, 107% and 113% respectively. All dividend payout ratios are all in accordance with the Articles of Incorporation of FET that outline that the cash dividend declared by the Company shall be no less than fifty percent (50%) of the total dividends distributed that year. Please see the below table for details:

Unit:NT/share

Year	EPS after income tax (A)	Cash Dividend from retained earnings (B)	Cash Dividend from the capital surplus-additional paid-in capital-share issuance in excess of par value (C)	Total of the Cash Dividend (B+C=D)	Payout Ratio(D/A)	Cash Payout Ratio (B+C)/D
2015	3.52	3.174	0.576	3.75	106%	100%
2016	3.50	3.129	0.621	3.75	107%	100%
2017	3.33	3.037	0.713	3.75	113%	100%

1-7-2 Dividend Allocation proposed to be approved at the Annual Shareholders' meeting

The 2017 profit allocation resolved by the Board of Directors on February 23rd, 2018 for reporting to the 2018 Annual Shareholders' Meeting is as follows: Distribute profits of NT$9,896,066,960 in the form of shareholder dividends, NT$3.037 per share. A Cash Surplus: Net Assets from Merger of NT$2,323,311,078 will be distributed at NT$0.713 per share, giving a total cash dividend of NT$3.75 per share held in 2017.

1-8 Impact of Stock Dividend Distribution on Business Performance, EPS and Return on Investment:

FET did not distribute any stock dividend, thus it's not applicable.

1-9 Remuneration to Employees and Directors

1-9-1 Description regarding compensation for employees and Directors in the Articles of Incorporation:

The standard is set according to Articles of Incorporation of the Company: "If there is profit for the current year, the Company shall set aside 1%~2% of it as compensation for employees and, shall set aside not more than 1% of it as compensation for Directors. If there is accumulated loss on the books of the Company, portion of the profit equaling the loss shall first be set aside to cover the latter.

1-9-2 The accounting treatment for the differences between actual and accrued amount of compensation for employees and Directors :

Prior to the release date of annual financial reports, material differences between the accruals and the amount resolved by the Board of Directors are adjusted in the current (financial reporting) year. After the release of annual financial reports, if the actual amounts differ from the amount resolved by the Board of Directors, the differences are recorded and adjusted in the following (financial reporting) year as changes in accounting estimate.

1-9-3 Status of compensation distribution to the Board of Directors:

(1) The differences between employees' and Directors' compensation distributed from the 2017 earnings by cash resolved by the Board of Directors on February 23rd, 2018, and the accrued amount in the year these remunerations were recognized as expenses are as follows:

Unit: NT$'000

Item / Amount	Bonuses for Employees	Remuneration to Directors	Treatment of Discrepancy
Accrued Amount (A)	$261,539	$94,154	None
Proposed Distribution (B)	$261,539	$94,154	
Variance（B）-（A）	$0	$0	

(2) Proposed employee compensation by shares as percentages of net income and total employee compensation: It is revolved to be distributed by cash, hence it is not applicable.

1-9-4 Remuneration to employees and Directors of Year 2017:

The difference between cash compensation actual distributed to employees and Directors from the 2016 earnings, which has been resolved by the Board of Directors on February 15th, 2017, and the accrued remunerations amount recognized as expenses in 2016 are as follows:

Unit: NT$'000

Item / Amount	Remuneration to Employees	Remuneration to Directors	Treatment of Discrepancy
Recognized Accrued Amount (A)	$262,208	$94,395	None
Actual Distribution（B）	$262,208	$94,395	
Variance（B）-（A）	$0	$0	

1-10 Shares buyback by the Company: None.

2. Issuance of Corporate Bonds

2-1 Information of unretired corporate bonds and unissued corporate bonds for which an issuance is currently under preparation and impact on shareholders' equity should be disclosed in compliance with Article 248 of the Company Act:

Until the Annual Report being published, the Company has issued corporate bonds with outstanding amount totaling NT$26.9 billion, terms and impacts on shareholders' equity disclosed as below. And currently subsidiaries of the Company do not issue corporate bond.

Issuance		Domestic 4th Unsecured Corporate Bond	Domestic 5th Unsecured Corporate Bond	Domestic 6th Unsecured Corporate Bond
Issue Date		2013/06/27	2013/10/15	2013/12/24
Denomination		NT$10,000,000	NT$10,000,000	NT$10,000,000
Issue Price		At par value	At par value	At par value
Total Amount		NT$5,000,000,000	NT$4,000,000,000 (B Issue: NT$4,000,000,000)	NT$3,200,000,000 (C Issue: NT$3,200,000,000)
Coupon		1.33%	B Issue:1.58%	C Issue:1.58%
Tenor and Maturity Date		7 years Maturity: 2020/06/27	B Issue: 5 years Maturity: 2018/10/15	C Issue : 6 years Maturity : 2019/12/24
Guarantor		None	None	None
Trustee		Chinatrust Commercial Bank, Trust Department	Mega International Commercial Bank, Trust Department	Mega International Commercial Bank, Trust Department
Underwriter		Not Applicable	Not Applicable	Not Applicable
Legal Counsel		Lee and Li Attorney Grace Wang	Lee and Li Attorney Grace Wang	Lee and Li Attorney Grace Wang
Auditor		Deloitte & Touche CPA, Tony Chang	Deloitte & Touche CPA, Tony Chang	Deloitte & Touche CPA, Tony Chang
Credit rating agency, rating date, bond ratings		Taiwan Ratings Corp. twAA+ (2013/05/02)	Taiwan Ratings Corp. twAA+ (2013/08/22)	Taiwan Ratings Corp. twAA+ (2013/11/07)
Repayment		Repay 50% of principal each in the 5th & 7th year.	Bullet repayment	Bullet repayment
Outstanding Balance		NT$5,000,000,000	NT$4,000,000,000	NT$3,200,000,000
Redemption or Early Repayment Clause		None		
Covenants		None		
Other rights of Bond holders	Amount of converted or exchanged into common shares, ADRs or other securities	Not applicable		
	Rules governing issuance or conversion (Exchanged or subscription)	Not applicable		
Dilution Effect and other adverse effects on existing shareholders		None		
Custodian of exchanged securities		Not applicable		

2-2 Corporate Bonds to be due within one year upon Publication of the Annual Report:

The Domestic 4th Unsecured Corporate Bond A Issue, and the Domestic 5th Unsecured Corporate Bond B Issue, according to its issuance rules, will be repaid the entire principal of NT$2,500,000,000 on 2018/06/27 and NT$4,000,000,000 on 2018/10/15, respectively. Total principal amount to be paid is NT$6,500,000,000.

2-3 Convertible Bond: None.

2-4 Exchangeable Bond: None.

2-5 Shelf Registrations for Issuing Corporate Bonds: None.

2-6 Bond with Warrants: None.

2-7Issuance of Corporate Bonds through Private Placement in Recent 3 Years: None.

2018/04/30

2016 Domestic 1st Unsecured Corporate Bond	2017 Domestic 1st Unsecured Corporate Bond	2017 Domestic 2nd Unsecured Corporate Bond	2017 Domestic 3rd Unsecured Corporate Bond	2018 Domestic 1st Unsecured Corporate Bond
2017/01/05	2017/04/26	2017/09/04	2017/12/20	To be issued in May 2018
NT$10,000,000	NT$10,000,000	NT$10,000,000	NT$10,000,000	NT$10,000,000
At par value	At par value	At par value	At par value	At par value
NT$5,200,000,000	NT$4,500,000,000	NT$2,000,000,000	NT$3,000,000,000 (A Issue: NT$1,500,000,000) (B Issue: NT$1,500,000,000)	NT$5,000,000,000 (A Issue: NT$1,500,000,000) (B Issue: NT$3,500,000,000)
1.17%	1.17%	1.17%	A Issue:0.95% B Issue:1.09%	A Issue:0.85% B Issue:1.01%
5 years Maturity: 2022/01/05	5 years Maturity: 2022/04/26	7 years Maturity: 2024/09/04	A Issue: 5.5 years Maturity: 2023/06/20 B Issue: 7 years Maturity: 2024/12/20	A Issue: 5 years Maturity: To be matured in May 2023 B Issue: 7 years Maturity: To be matured in May 2025
None	None	None	None	None
Mega International Commercial Bank, Trust Department	Chinatrust Commercial Bank	Taishin International Bank	Chinatrust Commercial Bank	Chinatrust Commercial Bank
KGI Securities	Yuanta Securities	KGI Securities	KGI Securities	KGI Securities
Lee and Li Attorney Grace Wang	Lee and Li Attorney Grace Wang	Lee and Li Attorney Grace Wang	Lee and Li Attorney Grace Wang	Lee and Li Attorney Grace Wang
Deloitte & Touche CPA, Annie Lin	Deloitte & Touche CPA, Annie Lin	Deloitte & Touche CPA, Annie Lin	Deloitte & Touche CPA, Annie Lin	Deloitte & Touche CPA, Annie Lin
Taiwan Ratings Corp. twAA- (2017/02/17)	Taiwan Ratings Corp. twAA- (2017/02/17)	Taiwan Ratings Corp. twAA- (2017/02/17)	Taiwan Ratings Corp. twAA- (2017/02/17)	Taiwan Ratings Corp. twAA- (2018/01/09)
Bullet repayment	Bullet repayment	Bullet repayment	Bullet repayment	Bullet repayment
NT$5,200,000,000	NT$4,500,000,000	NT$2,000,000,000	NT$3,000,000,000	NT$5,000,000,000

3. Preferred Shares

None.

4. Issuance of Overseas Depository Receipt

2018/03/31

Item \ Date of Issuance			June 11, 2004	
Total Price of Issuance			US$132,190,000	
Unit Price of Issuance			US$13.219	
Total number of units issued			10,000,000	
Type of underlying securities			Far EasTone common stocks	
Amount of underlying securities			15 shares	
Rights and obligations of subscribers			Same as common stock holders	
Trustee			Not applicable	
Depositary Bank			The Bank of New York (Luxembourg) S.A.	
Custodian Bank			Far Eastern International Bank	
Number of outstanding shares			6,322,465 shares	
Bearers of Related charges incurred during issuance and holding period			Charges of GDR issuance shall be borne by sellers; charges incurred during holding period shall be borne by the Company.	
Major terms of Depositary Agreement and Custodian Agreement			None	
Place of issuance			Luxembourg Stock Exchange	London Stock Exchange
Market Price per unit	2017	High	US$38.801	US$36.000
		Low	US$32.850	US$35.681
		Average	US$36.251	US$35.834
	2018 (as of March 31, 2018)	High	US$39.600	US$36.000
		Low	US$37.400	US$36.000
		Average	US$38.324	US$36.000

5. Employee Stock Options

None.

6. Employee Restricted Stock Options

None.

7. Shares Issued for Mergers or Acquisitions

7-1 Information from Completed Merger or Acquisition from last year up to the Annual Report being published:

7-1-1 The lead underwriters' evaluationon on any merger, acquisition, or issuance of new shares due to the share transfer from other companies in the previous quarter**:** Not Applicable.

7-1-2 If the progress or effect of the implementation does not meet the goal in the previous quarter, please specify the influence on shareholders' equity and the improvement plan: Not Applicable.

7-2 Information from Shares Issued for Acquisition or due to Acquisition of shares of other companies from last year up to the Annual Report being published: None.

7-3 Impact on shareholders equity from Shares Issued for Merge or Acquisitions from last year up to the Annual Report being published: None.

8. Fund Utilization Plans and Status

The Company had issued domestic unsecured corporate bonds since 2017-2018, the utilization of these funds was fully executed as the planned schedule. Please refer to below table:

Unit: NT$'000

Bond name	Issue amount	Issue date	Use of funds	Planned execution date	Actual execution status
Far EasTone Y2016 Domestic 1st Unsecured Corporate Bond	5,200,000	2017/01/05	To repay short-term bank loans	2017 Q1	Had completely executed by 2017/01.
Far EasTone Y2017 Domestic 1st Unsecured Corporate Bond	4,500,000	2017/04/26	To repay short-term bank loans	2017 Q2	Had completely executed by 2017/04.
Far EasTone Y2017 Domestic 2nd Unsecured Corporate Bond	2,000,000	2017/09/04	To repay short-term bank loans	2017 Q3	Had completely executed by 2017/09.
Far EasTone Y2017 Domestic 3rd Unsecured Corporate Bond	3,000,000	2017/12/20	To repay short-term bank loans	2017 Q4	Had completely executed by 2017/12.
Far EasTone Y2018 Domestic 1st Unsecured Corporate Bond	5,000,000	To be issued in May 2018	To repay short-term bank loans	2018 Q2	Expected to completely execute by 2018/05.

The yet-to-be issued securities or those made by private placement or projects completed over the past three years but yet to benefit the Company : None.

V Operational Highlights

1. Business Activities
2. Markets and Sales Overview
3. Employee Information in Recent 2 Years up to the Annual Report being Published
4. Environmental Protection Expenditure
5. Employee Relations
6. Major Contracts and Agreements

1. Business Activities

1-1 Business Scope

(1) Major Business Items of FET and its subsidiaries as follows:

- Type I Telecommunications Enterprise;
- Type II Telecommunications Enterprise;
- Sales of communications products and office equipment;
- Call center services;
- Electronic information providing services;
- Sale of communications products;
- Security and monitoring service via Internet;
- Research and design of computer system;
- Computer software, data processing and provision of network information.

(2) Operating Revenue Breakdowns

Unit: NT$'000

Item \ Year	2016		2017	
	Amount	%	Amount	%
Telecommunication Service Revenue	67,315,200	71	63,590,599	69
Others	27,029,066	29	28,479,082	31
Total	94,344,266	100	92,069,681	100

Note: The figures are on consolidated base.

(3) Existing Products and Services
Products/Services provided by FarEasTone

A. Consumer Business

- Type I Telecommunication Services:
  Provide mobile telecommunications services, including 3G and 4G voice calls on mobile phones and data communication services along with value-added services. Those services are categorized into postpaid and prepaid according to payment methods.
- Fixed Line Communication Services:
  This includes domestic phone call service, long-distance internet phone call service, 007 international call service, 070 software call service, Wagaly Talk cost saving service, etc.

B. Enterprise Business

- Professional telecommunication integrated services: 4.5G mobile service, broadband service, mobile data service, mobile voice service, fixed network voice service, data communication service, internet data center (IDC) and cloud application service.
- Services for small and medium enterprises: Tailored solutions to owners, the one-stop cloud digitalized services, is launched, providing owners of small and medium enterprises and startup companies with diverse digital tools and facilitating domestic vendors to accelerate their transformation.
- NB-IoT application services: internet of scooters, smart street lights and smart building. The NB-IoT network service is adopted to connect various sensing equipment and transfer information to the cloud management platforms for field equipment monitoring.
- FET combines innovative applications, such as Internet of Things (IoT), big data and AI, with the professional information security consulting services of the subsidiary, Information Security Service Digital United Inc. It offers more flexible, comprehensive and secured solutions concerning information and communications and cloud to enterprise users and government departments, and builds diverse IoT applications encompassing smart city, smart transportation/Internet of Vehicle, smart healthcare, smart manufacturing and smart retail.

C. Home Segment Business

- Mobile Service Communication Services: LTE Fixed Wireless Access Service.
- Internet Access Services: ADSL and FTTx.
- Fixed Line Services: 070 software call service, Wagaly Talk cost saving service
- Smart Home Services: surveillance & care services.

D. Digital Segment Business

Digital Application Services: friDay digital services includes friDay video, friDay music, friDay wallet, friDay

shopping and friDay shopping plus.

(4) New Products or Services under Development

A. Consumer Business

Voice Service provides different pricing plan to different target audiences. We would maintain our insights into customers' needs, lead the industry development trends and plans and develop innovative services in line with consumers' demand.

B. Enterprise Business

The NB-IoT and network services at the northern region were officially launched at the end of 2017. Partners from the supply chain were allied to initiate the first IoT ecosystem in Taiwan. There were close to 100 companies participated in service testing and the project was selected to take parts in the "Asia Silicon Valley Development Plan" of Industrial Development Bureau, Ministry of Economic Affairs, using NB-IoT technology to assist the seven industrial parks at Taoyuan with smart upgrade. The NB-IoT network coverage over the whole island is scheduled to complete by the first half of 2018. Besides duplicating relevant applications to other cities and parks, we will gradually launch a number of IoT applications, e.g. internet of scooters/bikes, smart parking management, environmental monitoring, smart retail, and smart access management, on the NB-IoT network. In addition, we will work closely with the AI research and development hub of Microsoft in Taiwan, focusing on industries including manufacturing, remote healthcare/medical research and retail/servicing at the initial stage and helping enterprises to speed up their AI applications in practice.

C. Home Segment Business

Smart home will continue to integrate diversified devices & control interfaces in order to expand home IoT application and enhance user experiences.

D. Digital Segment Business

Based on the brand spirit of friDay, we continue to develop diversified mobile digital services to meet consumers' need and satisfactions including but not limited to mobile entertainment, mobile payment and mobile commerce.

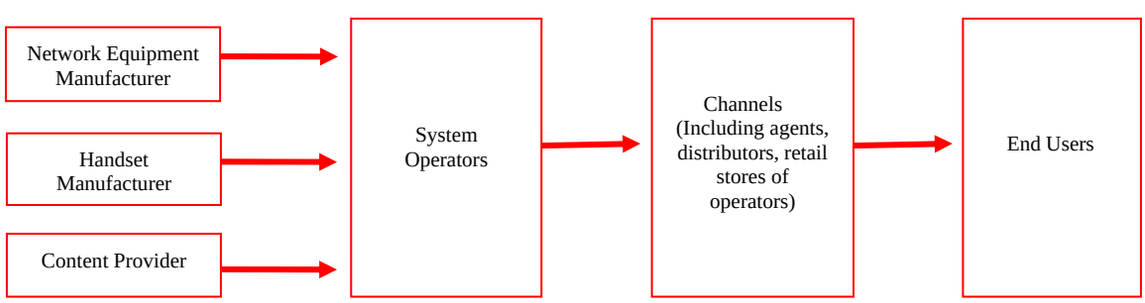
1-2 Industry Overviews

A. Consumer Business

(1) Industry Status and Development

According to National Communication Commission(NCC) statistics, total mobile subscribers in Taiwan reached 28.66 million by the end of 2017 where 22.59 million are 4G subscribers and 6.07 million are 3G subscribers.

(2) Industry Value Chain:



(3) Products and Services Development Trends

While gearing up for the next mobile era, FET has not only collaborated with the telecom-equipment giant, Ericsson, to establish the first 5G Lab in Taiwan, but has also completed several advanced 5G technology testing to drive the 5G and IoT development in Taiwan. We aim to provide the fastest network speed by employing the quad-band TDD and FDD technologies. Along with our innovative IoT applications and quality mobile services, we will be consumers' preferred partner in the digital life. Welcome to the future of 5G roll-out.

(4) Product Competitions Landscape

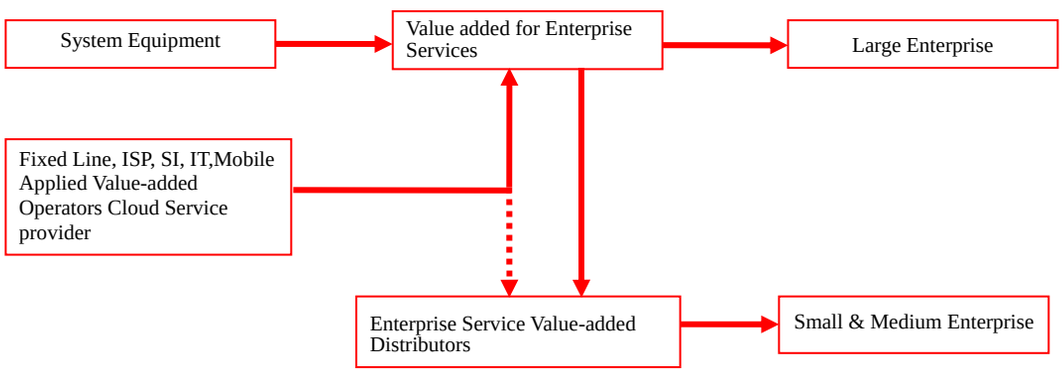
The telecom market in Taiwan continues to be dominated by three large and two small players. As the two small operators unceasingly offer competitive rate plans to acquire customers, competition intensifies.

B. Enterprise Business

(1) Industry Status and Development

Affected by trends of ICT integration and digital convergence, the market of corporate sector has shifted from traditional telecommunications services to ICT integration, providing customers with applications which integrated telecommunication services, mobile commerce, cloud platform, big data analysis and IoT. We aim to build one-stop services and solutions that are more diverse, intelligent, flexible and in line with industrial features.

(2) Industry Value Chain:



Note : Cloud service solutions of FET include cloud architecture planning, hybrid cloud platform establishment, service transfer, service data backup, service maintenance, etc. To provide customers with the most reliable and finest cloud services, the Company proactively forms strategic alliances or enters agency agreements with the leading ICT software and hardware brands and system integrators. Enterprise customers can thus enjoy one-stop shopping and services and the customer service efficiency and customer satisfaction would be enhanced.

(3) Products and Services Development Trends

According to the 2018 ICT industry trends predicted by MIC, ICT-related fields are expected to move in the four directions of intelligence, openness, service, and integration. In other words, the cross-sector trends include AI, software openness and network computing architecture, 5G emerging services, cross-border applications and cross-system integration.

(4) Product Competitions Landscape

In the enterprise user market, Chunghwa Telecom, with its fixed network services and economies of scale, continues to be our primary competitor and industry leader. In addition to continuously improving the 4G network development and investing in the 5G and IoT technology research, the Enterprise and Carrier BU takes on a more aggressive approach in developing intelligence applications and solutions to fulfill the needs of various industries and government departments. Those applications and solutions cover sectors of smart city, smart transportation/Internet of Vehicle, smart medical treatment/healthcare, smart manufacturing and smart retail. We aim to differentiate ourselves from competitors in the enterprise market with strong innovation skills and integration ability plus flexible services.

C. Home Segment Business

(1) Industry Status and Development

With the popularity of home internet access, ADSL has been replaced by FTTx in recent years, FTTx has become the mainstream of home fixed broadband service. The quality of FTTx also evolved to be more stable and reliable, higher speed- 100Mbps to 1Gbps is market trend at present. Meanwhile, providing the combination of internet access and OTT service in one go will also become the main focus for ISP providers in the future. In addition, the Taiwan's 4G penetration rate has reached 92% and consumers are accustomed to high-speed Wi-Fi. At present, industry players in Taiwan have started on 5G technology development. Commercial operations are expected to begin within three years, providing more mobile applications and fulfilling customers' various demands concerning mobile internet.

In smart homes, various devices such as lighting, power switch, IPCam, smart appliances, smart utilities, sensors, etc., can be controlled by either a remote or a smartphone. At the same time, Voice Assistant is playing an ever increasing role in smart home services.

(2) Industry Value Chain

Telecom internet access service is comprised by circuit provider, device manufacturer (upstream), telecom operator (midstream), and channel operator (downstream). We provide fixed-internet access service to our customers through FET branded stores and non-FET telecom stores.

Smart Home ecosystem needs to integrate stakeholder such as product design, platform service, and user channel to speed up the development of a sustainable business case.

(3) Products and Services Development Trends

As the popularity of high quality video increasing, the requirement of high speed broadband will continue growing, therefore, ADSL segment will keep shrinking; meanwhile the 4G mobile internet access will become more popular because some users choose to adopt it to replace home fixed internet access.
The advanced technology development has already enabled various devices to be connected and controlled by one device at smart homes. Voice assistant is also playing a catalyst role in market development.

(4) Product Competitions Landscape

Broadband access service is saturated. In contrast to the competitor who provides bundled products with fiber broadband network and its own media platforms (MOD and CVTV) along with its "last-mile" advantage in resource to expand its market share, our subsidiary, we adopt a more flexible strategy by leveraging FET Fixed-Wireless Service with friDay services to provide more competitive products to our home broadband users.
Currently, major Smart Home business model is DIY, consumers need to overcome the obstacles of inter-connectivity among smart devices. Thus, open platform ecosystem offers better user experiences.

D. Digital Segment Business

(1) Industry status and development

According to Taiwan Network Information Center, the proportion of Taiwan's mobile internet users surpasses that of home users for the first time in 2017, indicating the digital lifestyle has become the trend. The dependence on mobile phones (or mobile devices) for entertainment, shopping, living, information, etc. is growing. Meanwhile, competition among digital service providers turns fierce as the number of participants increases.

(2) Industry Value Chain

Besides taking active steps to improve products, friDay family is devoted to cooperate with industry players in a diverse and open way to satisfy consumers' demand for digital services. friDay strengthens its connection with up, mid and downstream companies through cooperation, alliance, investment, etc. friDay Video takes parts in content publishing by working with GaragePlay to acquire exclusive digital film distribution rights. friDay wallet fosters numerous channel cooperation and launches friDay co-brand card with Taishin International Bank to promote mobile wallet services.

(3) Products and Services Development Trends

The intense competition in digital service drives the market to provide customized, personal services to satisfy consumers' personal needs. friDay leverages big data analysis to understand consumers' spending behaviors, interests and lifestyles, and utilizes the advantages of telecommunications industry to offer the most appropriate services and product prices.

(4) Product Competitions Landscape

As consumers form the habit of using digital services and the market matures, operators start to enter the market. Telecom operators offer bundled pricing and actively cultivate the digital service market. We leverage consumer behavior data to make friDay the best digital partner in areas including digital content, mobile payment and e-commerce.

1-3 Technology Development Overviews

(1)Major R&D Expenditure from last year up to the Annual Report being published

2018/03/31; Unit: NT$'000

Item \ Year	2017	2018 Q1
R&D Expenditure	813,732	195,521 (Note)
Total Operating Revenue	92,069,681	21,666,560
R&D Expenditure as percentage of Total Operating Revenue (%)	0.88	0.90

Note: 2018 Q1 R&D expenditure is an estimated amount.

(2)Products and Services Developed in the Recent Years and until the Annual Report being Published

With 4G broadband becoming widespread and ready for smartphones, consumers' daily life and lifestyle changed. In the future services, combining mobility, social community, diversified digital content will be the most important application and trend of digital convergence era:

Year	Name of Plan	Content of Plan
2017	friDay Video	friDay Video provides exclusive content to meet the diverse needs of consumers and recommends the most suitable digital content using content curation.
	friDay Music	Consumers can have their unique musical playlists under different scenario by mean of curation. Music recognition function allows consumers to identify songs quickly. friDay Omusic persistently improves product interface and content.
	friDay Wallet	"Your phone is the transport card." friDay Wallet can be equipped with EasyCard, iPass and HappyCash cards and the phone would be all you need for your outing. Whether it is shopping , point accumulation, ticket booking or payment, friDay wallet can meet all your life purchasing needs. We launch the friDay co-brand card with Taishin International Bank to take care of consumers' daily activities.
	friDay Shopping	friDay Shopping and GoHappy have been merged since 2017. Through synergy, friDay Shopping can enlist hundreds of thousands of goods from Far East Department Store, SOGO Department Store and a.mart. friDay Shopping leverages telecom resource and launches "Bargain Buy" project to make purchases easier and wiser.
	Alley	Alley is committed to promote gourmet. It employs micro-location based beacon technology to provide local food and store information.
	FET 4G Mobile Video Conference	FET has targeted 4G mobile services and integrated "cloud applications", "4G mobile" and "economical simplicity" to satisfy the demand of mobile meeting for medium and large companies or personnel located in different locations such as instant video conference in multiple locations, report sharing and other application services. In addition, by providing mobile robot (IROBT) along with cloud video conferencing services in multiple locations to support all types of smart mobile devices, that enables enterprises to carry out instant video conferences at any time and at anywhere. integrates the service, Moreover, it with traditional video conferencing facilities and to lower the installation cost effectively.
	FET Cloud Email Service – upgrade version	FET provides corporate customers exclusive email servers and professional IT personnel to manage emails. Customers need not purchase nor install hardware and software facilities and network maintenance in order to own mail box accounts with their own domain names. Also, the Company offers global anti-virus, anti-spam and email audit services that provide comprehensive protection for corporate e-mails.
	FET G suite	FET provides a series of innovative tools, which has integrated mailbox, calendar, network hardware, online office documents and video meeting system helps to integrate people's interactions and exchanges at work with a more diversified method.
	Far EasTone Securities 4-in-1 Real time Exchange Platform	In response to future demand for more instantaneous market data, we will look to adjust the matching mechanisms. By improving the environment of current securities 4-in-1 platform to stock exchange facilities, the speed of the exchange time can be improved from the current matching time of five seconds.
	IPLC Submarine Cable Investment and Installation	FET actively participates in the installation and investment of submarine cables (FASTER, TSE-1 (DanFu Cable)) to increase international band width and competitiveness.
	Corporate Fleet Management System	FET Company Car Cloud offers integrated cloud services, including onboard terminals, network and platform applications, to effectively solve management issues involving company cars. The e-management of company vehicle usage and conditions allows enterprises to have effective control and real time information of their vehicles. It eliminates the hassle of system integration and is offered to enterprise users as a monthly subscription plan to lower the obstacles and costs of adoption.
	FET Smart Patrol Inspection System	The Smart Patrol Inspection System adopts NFC and Beacon technologies. It can effectively support industries that require regular inspections and audits on premises, goods and equipment, e.g. medical, security and logistics industries, as well as environmental management or security units within large organizations. The system replaces paper-based patrol inspection with a more effective procedure and collects key information on business operations as management foundation. For rivers and public facilities that are associated with public safety, patrol inspection can be implemented thoroughly to protect the general public and achieve energy efficiency and carbon reduction.
	Smart Owner	FET works with strategic partners to provide the integrated ICT service required for small and medium business to start a new business. The service is designed with the integration of simple operation, cloudifying and mobility to reduce the burden on small business owners' shoulder, allowing them to focus on shop management and business development. It also incorporates the cloud POS and commercial monitoring systems in order to effectively reduce the number of transaction disputes and prevent malpractices, giving small business owners and directors peace of mind.

Year	Name of Plan	Content of Plan
2017	FET O365	It provides Microsoft's innovative cloud Office service, including e-mail, calendar, internet drive, video conference and online Office document, to satisfy small and medium businesses needs for office work, conference and collaboration.
	FET IoT Platform	FET partnered with PTC, a large international developer, to build a ThingWorx-based IoT platform that provides a convenient interface connection terminal with a modular drag and drop development tool to simplify the development of application services. Big data and machine learning analytic tools are also combined with AR to provide the best user experience.
	Enterprise Application Cloud Management Service	In response to the trend that enterprises migrate their application services to the cloud for the increase of flexibility in IT resource utilization and reduction of operating cost, the service is launched to provide a Hybrid cloud solution to meet the enterprises' requirement for the safe interface between public and private clouds as well as the flexible application of computing resources. Moreover, FET's ICT professional advisor team, with its rich experiences and strengths, assists enterprises in the safe migration of application service, deployment of backup and failover, and operation and maintenance of services. All these advantages make the one-stop cloud solution ideal for enterprises.
	Fixed Wireless Access	With superior 4.5G mobile network technology, and highly-efficient wifi home routers in the market, FET provide consumers with a wide range of competitive rate plans, from which consumers can find the right home internet tariff to meet their needs.
	Smart Home	Provide care & surveillance service through a variety of devices such as IPCam, Reed, PIR (Pyro-electric Infrared Detector Smart Outlet), Pet Feeder.

1-4 Long-term & Short-term Sales Development Plan

A. Consumer Business

(1) Short-term plans

- Expand market share and build high-value, loyal customer groups.
- Dedicate to the development and promotion of new products and add-values.
- Dedicate to building a corporate brand trusted by customers.
- Continue to improve network quality and infrastructure.
- To cater to the digital lifestyle of the mobile generation, FET launches "FET Self-Care App" as the one-stop Online to Offline (O2O) service.

(2) Long-term plans

- Keep up with the trends of global communication network technology and product development.
- Combine services of fixed network, mobile phone and internet access through strategic alliances and integration of internal resources to stay abreast of the digital convergence trend.
- Strengthen human resources by enlarging talent reserves in the field of telecommunication to facilitate the expansion of operations.

B. Enterprise Business

(1) Short-term plans

- Application of NB-IoT at smart city:

  With support from the Forward-looking Infrastructure Development Program, central and local governments are actively involved in the introduction of IoT applications to build a smart city. Moreover, the demand for IoT at industry level is increasing. FET Enterprise and Carrier BU expect more collaboration with ministries, local governments and industry partners in 2018 to comprehensively develop the NB-IoT network applications, including air pollution/environmental monitoring, smart energy, disaster prevention, traffic and parking management, security applications and GPS tracking.
- Adoption of AI in information security:

  The rapid IoT development posts a serious threat to information security. FET and the subsidiary, Information Security Service Digital United Inc., will spend more efforts on applying AI to strengthen the enterprise users' defense mechanisms. Those measures include precision improvement for intelligence analysis, abnormity detection through behavior analysis, efficiency enhancement using identity authentication, sandbox testing and system defect detection and repair, etc.
- Small and Medium enterprises:

  Digital transformation remains the key in the pursuit of growth for small and medium enterprises and start-up companies. FET's "Tailored solutions to owners" will continue to select more cloud and digital instruments that are appropriate for small and medium enterprise owners and provide one-stop professional ICT integration and consulting services.
- Cloud:

We work with Microsoft to launch the on-premises version of public cloud, Azure Stack, providing more choices in hybridcloud deployments and one-stop services to assist more enterprises in shifting their core systems to the cloud.

- Big data:

  We worked with Chiayi County Government in the "2018 Taiwan Lantern Festival in Chiayi" and for the very first time to utilize telecommunications big data in the analysis of daily visitors. The Government could have real time data on visitor numbers in order to dynamically allocate resources. We expect more collaborations in large events organized by both public and private departments to provide early warnings and management.

(2) Long-term plans

- Cloud and AI:

  In response to the market trends of IoT and AI applications, we will provide IoT and AI with cloud services and system integration via "Platform as a Service" (PaaS), assisting enterprises to use cloud computing resources and platform in the development of IoT and AI applications to achieve digital transformation.

- IoT:

  As mobile telecommunications technology moves quickly towards 5G, FET will gradually introduce 5G technology to satisfy the diverse demand of IoT.

C. Home Segment Business

(1) Short-term plans

- We will constantly develop home internet access business, encourage users to subscribe higher speed service and optimize our internet access network quality. Meanwhile, we will consolidate fixed broadband, 4G wireless broadband and digital service to satisfy user demand.
- Combined with content providers, push IoT service, develop creative service appliances.
- Utilize big data and CRM platform, focusing on precision marketing, understanding customer need, home service content and then strengthen customer intimacy and loyalty.
- Continuously strengthening information security, and help home internet security.
- Adopt new technology to speed up application in Smart Home service area.

(2) Long-term plans

- Focus on the integration and optimization of both fixed and mobile broadband, and providing diverse ICT services to fulfill customers' need.
- Take advantage of strategic partners from different industries to fulfill customers' need for digital life.
- Integrate group resources and synergy to develop integrated ICT project service and explore the market.
- Build up smart home ecosystem to speed up the market growth.

D. Digital Segment Business

(1) Short-term plans

- Provide diverse mobile value-added services by cooperating with digital content providers.
- Develop and expand mobile payment merchants and mobile payment tools to provide more convenient shopping services.
- Leverage big data to analyze consumer behavior and enhance precision marketing to satisfy castomers' personalized needs.
- Shape friDay brand image, strengthen customer loyalty and establish customer-first spirit.

(2) Long-term plans

Continuously to promote the three main services: digital content, mobile payment and mobile commerce. Products shall meet customers' demand in aspects of content, price and services and to set new profit target by differentiate product and services.

2. Markets and Sales Overview

2-1 Market Analysis

A. Consumer Business

(1) Main Products and Service Area

We persistently integrate online and offline sales services and introduce various smart 3C products. Based on our objective of "FET Connects and Enriches Life", apart from introducing integrated services for the ICT market, we will improve the service quality of local stores to enhance customers' experience with innovative services including communication devices, voice calls, broadband and value-added services. By the end of 2017, the total number of store is around 900, comprising FET, ARCOA, and Data Express, enabled customers to enhance experience professional service and care via wide store coverage.

(2) Market Share

Telecommunications companies run extensive advertising campaigns and promotions, subsidize mobile phones and offer flexible rate plans to attract consumers. With the launch of 4G services, new market participants and increased market saturation, mobile service revenue of the big three operators will stay steady in general, while CHT will be the leader in this segment. In 2017, the market share of all operators in mobile service revenue is as follows: CHT: 34.9%, TWM: 28.9%, FET: 27.9%, and Asia Pacific Telecom and Taiwan Star together account for 8.3%. Future changes in market share will be determined by the quality of customer service, quality network and communication connections, diverse rate plans, and innovative services and applications, along with the bundling of various devices including smartphones, tablets and so forth. (Source: 2017 mobile service revenue is sourced from public information released by each company.)

(3) Supply, Demand and Growth of the Future Market

As the market matures, operators usually place the focus on value-added services and heavy users. Take the leading international mobile operator, Vodafone, for example – with market growth slowing, its focus shifts from general consumers to enterprise customers. FET proactively collaborates with enterprise application service providers of various industries to promote enterprise ICT integration services, and cloud and IoT applications.

(4) Competitive Advantages

- Brand Image and Professional Certification

  FET provides brand value which consumers are more inclined to identify with and intend to play the role of "Connector" in interpersonal communication. We encourage consumers to express positive emotions in order to build a closer relationship with them and create a brand value from inside out.

- Place a high degree of importance on customers' personal information

  FET is committed to continually improving the quality of our services. We provide services that exceed our customers' expectations. With customer service philosophy built on the principle of empathy, we promote personal data protection concerning customers and enhance our problem solving capabilities. FET garnered the SGS BS 8477 Code of Practice for Customer Service Certification and become the first and only authenticate carrier in Asia. We place a high degree of importance on customers' personal information, not only upholding awareness via internal training, but also being continuously awarded the international certifications including ISO 27001(Information Security Management System), BS10012(Personal Information Management System), ISO20000 (Service Management System) and CSA STAR(Security,Trust&Assurance Registry) certifications; All these efforts are intended to demonstrate FET's determination to implement information security policy and protect customers' personal information.

- Marketing Channel

  Currently, the total number of FET retail stores – including retail sellers, franchise, ARCOA and Data Express stores, is around 900. FET promises to ensure that FET retail and franchise sales representatives three thousand are able to serve 2.5 million of customers monthly and expect to bring customers caring, proactive and professional services. With the vision of "FET Connects and Enriches Life", FET will continue to introduce the best services, products and pricing plans to be the leading brand amongst Taiwanese consumer.

- Seizing the Future

  Looking to the future, FET has already setup first 5G lab in Tainan, which will lead the way to enrich customers' mobile life.

(5) Advantages and Disadvantages of Future Developments and Countermeasures

Advantages of Future Developments

4.5G 3CA offers the best indoor and outdoor signal, professional management team and outstanding corporate image and technology advancement increases added value, thus mobile phone will be the integrated media for all kinds information transmissions.

Disadvantages of Future Developments

The initiation of mobile number portability intensifies the SIM card competition among operators, overall revenue shrunk due to NCC (National Communications Commission) restriction on telecom market pricing and CHT's

(Chunghwa Telecom) "Last-mile" advantage on broadband network and fixed net services

Countermeasures:

- Based on the combination of mobile communication and internet, to build up multi-media services of communication and internet and then provide intergrated mobile internet services.
- Offer a variety of value-added rate plans to customer.
- Differentiate products and services in order to avoid Red Ocean competition that leads to a price war.
- Be precise to segment customers and their needs, so as to increase overall revenue.
- Continue to upgrade island-wide 4G coverage and improve transmission speed.

B. Enterprise Business

(1) Main Products and Service Areas

FET provides enterprise customers with services ranging from domestic and international voice, data, mobility, roaming to cloud along with corporate solutions including IoT and ICT integration. Taiwan is our main market. Details on the sales of cloud and IoT services are as follows:

- Cloud: The key customers are enterprise customers in Taiwan. FET can assist companies with deploying their services at cloud platforms in Taiwan or other countries.
- IoT: The key customers are enterprise customers in Taiwan. FET can not only assist customers with developing local applications, but also help the manufacturing industry with developing IoT applications for products. As the demand for IoT application increases, FET will also assist multinational enterprises to promote the IoT applications of their products in Taiwan.

(2) Market Share

As of December 31, 2017, we have 73,000 enterprise customers who account for 16% of our overall revenue in 2017. We are committed to provide better services in the future.

(3) Supply, Demand and Growth of the Future Market

The free instant messaging software and fierce price competition result in a flat or slightly declined market for traditional telecommunications services, e.g. fixed and mobile telecommunications services, in recent years.

- In the fixed-network market, the domestic fixed communications revenue declined by 7.8% comparing to 2016 due to mobile communication and free instant messaging applications, according to the telecommunications market revenue analysis published by NCC. Among which, landline network, long-distance network and international network were down by 4.5%, 10.9% and 17.6%, respectively.
- With regard to fixed broadband access services, the NCC data indicate a small increase in the number of accounts, which went from 5.69 million in the early 2017 to 5.72 million by the end of year. The continuous promotion of high-speed broadband plans by internet service providers, the increasing speed from xDSL to fiber optic internet and the huge increase in the demand for video transmission from 4G generation consumers led to a small increase of 0.5% in the number of FTTx and Cable Modem users in 2017.
- TWNIC's long-term survey, "A Survey on Broadband Internet Usage in Taiwan", states that there are 17.6 million internet users aged 12 and above in Taiwan and the total number of users is estimated to be 18.79 million, which is equivalent to an 80.0% internet usage. Among which, mobile telecommunications network is the primary access and accounts for 39.1%. The percentage surpasses that of ADSL (including ADSL and WLAN) / VDSL (FTTH/FTTB+LAN) for the first time since 2003 when the survey is launched. It shows that mobile internet has become the most popular internet access for Taiwanese. Moreover, the report issued by Legg Mason Global Asset Management in August 2017 points out that Taiwan ranks first worldwide in term of its mobile internet usage, which is 97%.
- In recent years, the increasing market penetration of smart mobile devices demonstrates the importance of fixed–mobile convergence (FMC). The rapid developments in cloud computing and technologies such as IoT, big data, artificial intelligence and robots bring brand new market growth opportunities.
- There are 80,000 to 100,000 new small and medium enterprises in Taiwan annually. In general, owners and procurement decision makers in small and medium enterprises are lacking in ICT professional knowledge and assistance from specialized IT personnel. Thus, there is great demand for ICT products and services at the company's start-up stage.

(4) Competitive Advantages

- We have comprehensive and stable network infrastructure, international companies as partners in the fields of cloud, information and AI, and extensive experience in introducing services to large and medium enterprise customers. All of which put us in an advantageous position to break free from the framework, seize the chances of exploiting new customers and provide existing customer with better service experience.
- The existing ICT products and services for small and medium enterprises are individually provided to a single company. Rarely can we see ICT and integrated services needed by companies at the start-up stage. Under the concept of one-stop shopping, we combine our core competence of cloud and mobility with strategic partners and provide ICT services and products required by owners of small and medium enterprises to start their business.

Those owners can thus focus on business promotion and operations and avoid the troubles of ICT product and service selection and procurement.

(5) Advantages and Disadvantages of Future Developments and Countermeasures

Advantages of Future Developments

Building long-term relationship with enterprise customers and having a basic telecommunications customer group facilitate the promotion of value-added ICT integrated services. On the other hand, enterprise-related services and products can be sold via our nation-wide stores.

Disadvantages of Future Developments

The telecommunications market becomes saturated in recent years. Each player also actively competes in both developing and providing enterprise customers integrated ICT services.

Countermeasures

- For large and medium customers, we stay customer service oriented. We continuously innovate, understand the development trends in the technology market, provide integrated solutions and develop solutions in line with industrial characteristics, e.g. solutions for mobile application, IoT, cloud computing, big data and information security, to satisfy the needs of different customer groups in fixed network, broadband, mobile applications, international voice and data, and integrated information application services. On the other hand, we will collaborate with international telecommunications giants to provide multinational corporations with localized professional services, work towards being an all-around ICT service provider and assist customers to complete their comprehensive digital transformation.
- Small and medium enterprises play an important role in Taiwan. Under our brand of “Tailored Solutions to Owners”, we provide them with one-stop ICT products and services. The brand not only fulfills the owners’ needs to start the business, but also enhances our unique competitive advantages in the small and medium enterprises ICT market as the value-added integrated products are free from price competition in the market. We also plan to promote more diverse ICT services to those customers via our retail store channels nation-wide.
- Our domestic SD-WAN product service adopts technology that is novel to the market. The technology gradually matures in the past two years and has been used by numerous customers abroad. FET is the pioneer to launch the product in Taiwan, FET combines it with existing competitive products, aiming to seize market shares and achieving competitive advantages over peers.

C. Home Segment Business

(1) Main Products and Service Areas

Fixed broadband (ADSL and FTTx), wireless broad band (4G Router), Smart home service revenue & related devices.

(2) Market Share

Until Dec. 2017, the market share of fixed broad band is 2%. (Source: Subscriber number is according to Dec. 2017 NCC’s statistics and public information released by each company.)

(3) Supply, Demand and Growth of the Future Market

According to Taiwan Network Information Center (TWNIC) research, in Taiwan, there are 17.6 million internet users who are older than 12; the whole internet users is 18.79 million, so overall the popularity rate of access rate is 80.0%,which means it’s common to have internet service. Refer to Telecom Technology Center (TTC) speed measure by fixed broad band in 2015, average speed 39.1Mbps/14.8Mbps in 22 cities, with growth 12.68%/18.4% in 2014, which means the speed needed is getting higher.

Based on Statista survey & forecast (https://www.statista.com), ASIA smart home market revenue is expected to show an annual growth rate (CAGR 2018-2022) of 35.9 %, resulting in a market volume of US$43,338 million in 2022.

Household penetration is at 4.0 % in 2018 and is expected to hit 15.4 % by 2022.

(4) Competitive Advantages

FET aggressively integrates fixed line and mobile broadband; combined with big data analysis, to precisely focusing on customer needs and user scenario, and to develop customized service to fulfill different customers’ needs. The smart home service focuses on expanding applications and scope for existing mobile broadband users in order to meet consumer demands and provide user experience as enticements for current users.

(5) Advantages and Disadvantages of Future Developments and Countermeasures

Impacted by free communication APPs, the overall usage of telephone line and long distant call, VoIP services has been decreasing year by year. FET will keep focusing on the following countermeasures:

- Strengthen customer management, integrate marketing and service, provide customized product, and enhance customer value.
- Integrate all kinds of content service of home appliances to increase revenue.
- Launch diverse home internet packages for different type of customers and, meanwhile, develop IoT and new application services to fulfill customers’ needs.

- Keep tracking of the possible impact of VoLTE and VoWIFI and make timely strategy.

The advanced technology has enabled various devices to be connected and controlled by one device at smart homes. FET will focus on two directions to expand related business.

- Alignment with partners to build open ecosystem and provide better service and meet consumer needs to grab more opportunities.
- Introduction of new technology and devices to enlarge consumer adoption and market maturity.

D. Digital Segment Business

(1) Main Products and Service Areas

FET digital services are available all over Taiwan, including "friDay Shopping", "friDay Shopping Plus", " friDay Video", "friDay Music" and "friDay Wallet" etc. services to cater to the needs of customers.

(2) Market Share

FET aggressively exploits the digital service market. There are close to one million users in every friDay service. "friDay Wallet" is officially launched in mid-December 2016 and already has over one million downloads with more than 500 thousand registered members. "friDay Video" has over 1.6 million members, among which 300,000 are monthly subscribers. "friDay Omusic" and "friDay Shopping" have over one million and close to one million members, respectively. There are over 2.1 million users enjoying the FET collection service.

(3) Supply, Demand and Growth of the Future Market

The demand for mobile digital services is growing every day, and the market competition is heating up. According to IDC survey, the global mobile payment transaction will amount to US$1.09 trillion (approximately NT$31 trillion) in 2017. Taiwan government also sets 52% as the target of electronic payment adoption rate by 2020, which indicates the popularization of mobile payment in the near future. For the mobile audio/video sector, international players also take parts in Taiwan market, indicating the coming of intense competition in the digital services.

(4) Competitive Advantages

friDay family focuses on content variety and customization which drive the growth of telecom subscribers and simultaneously build customer loyalty and enhance their willingness to pay.

(5) Advantages and Disadvantages of Future Developments and Countermeasures

Due to the decrease in mobile internet price and the diversification of digital content, mobile applications are commonly seen nowadays. The integration of telecommunications, video streaming and mobile payments accelerates the development of future mobile services. The fierce market competition allows customers could have more choices. Besides local companies, foreign players have entered Taiwan market with their global resources which intensifies the degree of competition in the domestic market. In addition to improve the content of our digital products, we need to strike a balance between content and prices and build consumer identity and preference. Our priority is to fulfill consumers' demand and service more users.

2-2 Main Features and Prodution Process of Major Products

(1) Main Features of Major Services

Major Service	Major Features
Short message service	4G/3G communications; interconnection with other domestic operators' networks.
3G Service	WCDMA communications; interconnection with other domestic operators' networks.
3.5G & HSPA Service	WCDMA high speed wireless access function, providing 7Mbps/21Mbps/42Mbps high-speed wireless access.
WiFi Service	WLAN (Wireless Local Area Network) access service at hotspots allows overseas roaming with operators.
4G Service	LTE 700/1800/2600 high-speed wireless broadband service, providing 375Mbps broadband data service theoretical value.
Smart Enterprise Network Services (MVPN)	The most powerful and flexible mobile service integration program within Taiwan.

(2) Production Process:

FET is a mobile operator not a manufacturer. Therefore, there is no manufacturing process engaged.

2-3 Supply of Raw Material

FET is a mobile operator not a manufacturer.Therefore, there is no raw material requirement.

2-4 Major Suppliers/Customers Accounting for above 10% (inclusive) of Purchases / Sales in Recent 2 Years

2-4-1Suppliers accounting for above 10% (inclusive) of purchases in recent 2 years

2018/03/31; Unit: NT$'000, %

Year / Item	2016				2017				2018/03/31			
	Company	Amount	% of Total Operating Cost	Relations with the Company	Company	Amount	% of Total Operating Cost	Relations with the Company	Company	Amount	% of Total Operating Cost	Relations with the Company
1	Company A	9,899,447	17.62	None	Company A	13,519,446	24.01	None	Company A	3,094,190	21.21	None
2	Company B	6,542,200	11.64	None	Company B	6,863,535	12.19	None	Company B	1,860,534	12.75	None

Note: The figures are on consolidated base.

2-4-2Customers accounting for above 10% (inclusive) of sales in recent 2 years

2018/03/31; Unit: NT$'000, %

Year / Item	2016				2017				2018/03/31			
	Company	Amount	% of Total Operating Cost	Relations with the Company	Company	Amount	% of Total Operating Cost	Relations with the Company	Company	Amount	% of Total Operating Cost	Relations with the Company
	None				None				None			

Note: The figures are on consolidated base.

2-4-3 Reasons for Variation of Major Suppliers and Customers

The above table shows that there was no significant change for suppliers in the recent two years; there was no customer whose sales amounted above 10% of the consolidated revenues for recent two years.

2-5 Production Volume for the Recent 2 Years: Not applicable.

2-6 Sales Volumes for Recent 2 Years

Year / Quantity / Item	2016		2017	
	Quantity	Revenue (NT$'000)	Quantity	Revenue (NT$'000)
Mobile telecom service revenue	7,345,522 Subscriber number as of the end of the year	59,328,723	7,158,142 Subscriber number as of the end of the year	56,485,675
Domestic fixed communication service revenue	763,710 Thousand minutes	1,398,606	674,691 Thousand minutes	1,217,542
International communication service revenue	541,453 Thousand minutes	2,701,537	364,958 Thousand minutes	2,016,656
Data telecommunication service revenue	291 Thousand lines	3,886,334	295 Thousand lines	3,870,726
Sales & other operating revenue	Not applicable	27,029,066	Not applicable	28,479,082
Total	Not applicable	94,344,266	Not applicable	92,069,681

* The figures disclosed above are on consolidated basis and there's no export sales information need to be disclosed.

3. Employee Information in Recent 2 Years up to the Annual Report being Published

2018/03/31

Year		2016	2017	2018/03/31
Number of Employees	Total	6,405	6,389	6,253
Average Age		36.5	37.0	37.3
Average Years of Service		7.8	8.3	8.6
Breakdown of Educational Level (%)	Ph.D.	0.02	0.02	0.02
	Master	12.94	12.96	13.15
	College	74.46	72.79	71.65
	High School	12.58	14.23	15.18
	Below High School	0	0	0

4. Environmental Protection Expenditure

Any loss or penalty due to environmental pollution from last year up to the annual report being published: None.

5. Employee Relations

5-1 Implementation of Policies and Programs related to Welfare, Learning, Training and Retirement of Employees, as well as various protections of Employee Rights and Benefits

5-1-1 Welfare Policy

(1) Compensation and Benefit

The Company provides competitive salary, annual bonus, performance incentives, sales incentives and special performance bonuses. In addition to complying with labor standard laws, the Company provides additional benefits to better the health and lifestyle of its employees, such as physical check-ups, group insurance, clinic service, employee consolation services, health and safety forums, a cafeteria, employee handset subsidy, and monthly airtime subsidy. Moreover, an employee welfare committee was founded to promote employee social activities, subsidize employee outings and event funding.

(2) Advanced Studies and Training

The telecommunications industry is fast-changing, with continual technology innovation challenging our ability to adapt and also testing the ability of all employees.

We reviewed existing talent within the Company. By adopting various training programs to keep and cultivate talent systematically, key talents are able to adapt within this competitive and changing telecom-industry, and are able to activate organizational competitiveness.

According to respective occupational abilities and career levels, as well as to the training blueprints of structural development, we have pinpointed areas of weakness with regards to ability and competency, and continue to reinforce training efficiency. We also plan leadership & management, professional, technical, and trend courses, cultural seminars, manager discussion workshops, management function roadmap, and department internal professional training guidance development courses, in order to deepen diverse learning skills and training development plans.

The Company has also worked to gradually build up five training systems for staff learning. This includes: talent and career development, core functional training, individual professional training (including telecommunications technology and divisional training), self-development training (including humanity lectures, subsidies for on-job-trainings), and orientation programs for new-joining employees and management

At the same time, to increase overall competitiveness and help outstanding employees learn and grow and nurture professional and technical talent, FET has planned the “Rules the management of in-service training subsidy”, so that employee can apply for a subsidy towards the fees for in-service study on a program at a designated domestic and foreign educational institution.

A total of 1,868 training courses were conducted for 156,186 employees, with a total of 399,980 employee-training hours built up. This was conducted at a total expense of NTD 32,900,000 in 2017.

(3) Two-way Communications

The Company recognizes the importance of listening to employees, and drives the concept of two-way communication channels through the following ways, as a way of showing resolve to continuously improve.

- In order to understand and reflect employees' opinions on areas for improvement, an outsourced employee engagement survey is conducted when necessary.
- Yearly employee update meetings are held to provide opportunities for employees to communicate with the executive team directly.
- The “United Employee Welfare Committee” holds meetings quarterly, or whenever necessary, to plan and conduct employee activities that increase and enhance employees’ welfare.
- At the two-way quarterly meeting with officers, the operational policies and implementation effectiveness are communicated. Officers propose operation-related issues for discussion, and higher-level officers respond to these issues at the meeting, as a way of developing interactive communication.
- The company share the information through the e-News and monthly e-Newsletter are issued electronically on the intranet, in order to assist employees in understanding Company events and, at the same time, to express their opinions.
- Employees are also able to voice their creative proposals or seek assistances through the Employee Suggestion Box or Appeal Letter Boxes on the Intranet.
- The departmental communication meeting was held either regularly or irregularly for employees in the same department to directly communicate their ideas, so as to promote mutual trust and cooperation among employees.

5-1-2 Retirements

The Company offers retirement benefits for permanent employees according to the Labor Standard Laws. Pension payment is calculated based on the years of service rendered and the average salaries of the six months prior to retirement.An equivalent of 2% of employee's monthly base salary is allotted to the employee's retirement reserve, which is managed by its own supervisory committee, and deposited into the Bank of Taiwan under the name of Far EasTone Employee Retirement Fund Committee. Furthermore, the Labor Pension Act has been enforced as of July 1, 2005. The Company will contribute 6% of the insurance amount to the Labor Insurance Bureau on a monthly basis for employees who choose to apply to the new system.

5-1-3 Labor negotiations and protection of employee benefits

The Company has always complied with related labor laws and maintained good relations with its employees. Any amendments or additions concerning employee benefits only take place after discussion and communication with employees. The Company has established the Lantern-Legend Meeting and Employee Suggestion Box and Appealing Box on the Intranet to keep efficient communication channels open, and to better protect the rights of employees.

5-1-4 Company Work Environment and Employee Personal Safety Provisions and Implementation status

To provide employees with an excellent working environment and maintain their physical and mental health, the Company adopts the following safety measures:

(1) Physical safeguard

To ensure the safety of personnel and property we have put in place relevant guidelines and procedures in compliance with NCC’s directives. We have been awarded with ISO 27001 in 2012 and BS 10012 in 2013, and these two certifications have been renewed annually. We have also received awards in protection exercises both from the Office of Homeland Security and NCC in 2015 and 2017, respectively. Details of measures associated with physical safeguard are listed below:

- Operations management: The Company has established a safety control center, providing 24-7 protection to offices and MSC/IDC. Besides ensuring the stability and reliability of systems’ daily operations, as incidents occur, it can alert, take preventive measures and respond effectively to manage risks.
- Access control: Some areas have multiple protective measures in each office and MSC/IDC. They are controlled through the access control system. All personnel need authorization to access and real-time records are maintained for reference. We also have the “Access Control Management Methods” which explicitly specify the movement of personnel in the work place to maintain the security of premises and personnel.
- Surveillance system: There are 24-7 surveillance systems at major entrances or exits of offices and MSC/IDC or at key premises. Video recordings are retained for a specific period of time pursuant to relevant rules for reference.
- Electronic security: The Company has entered into electronic security contracts with professional security firms to ensure 24-hour protection at key offices, MSC/IDC and at about 380 retail stores. Those contracts also strengthen the responsiveness at each location.

- Security guards: In addition to access control and surveillance and electronic security systems, the Company has security guards stationed at the headquarters, key offices and MSC/IDC to strengthen control on personnel, vehicles and goods.

(2) Equipment Maintenance

- Fire Safety: The Company regularly commissions fire equipment companies to maintain and repair fire-fighting equipment (e.g. fire alarms, fire extinguishers) and has dedicated personnel conducting regular reviews and keeping records. There are periodic fire and emergency drills held at workplace annually to raise employees' awareness on preventive measures.
- Environmental Safety: To maintain the quality of drinking water and air, the Company commissions vendors to monitor the water quality and carbon dioxide quarterly. The offices are cleaned and disinfected periodically to maintain workplace safety and comfort.
- Each office site is equipped with an automated external defibrillator and staffed with a sufficient number of first-aid personnel.

(3) Disaster Prevention and Response:

- The Company has a dedicated Occupational Safety and Health Office responsible for formulating, planning, promoting, and monitoring occupational safety and health related affairs.
- The Company has established the occupational safety and health committee which meets quarterly to deliberate, coordinate, and make recommendations on the matters of occupational safety and health.
- The "Safety and Health Work Rules" and "Emergency Preparedness & Disaster Management Plan" are established to specify the responsibilities and tasks of all personnel in major incidents and emergencies. Relevant educations and training sessions are held on a regular basis. 7 occupational safety and health training sessions were held in 2017 and a total of 870 employees and contractors participated.
- Industrial Safety and Health Association of the ROC gave Gold award of no accident record to FET in 2017.

(4) Physical and Mental Health:

Have a full-time professional medical staff and contracted doctors on site to: carry out new recruit physical checkups and arrange regular companywide medical examinations; analyze, evaluate, manage and retain employee physical and medical examination records; deal with workplace injury and illness prevention, health consultation and first-aid and emergency treatment; provide health management, disease prevention, health education, health promotion, and other activities pertaining to employee health.

- Medical examinations: New recruits are required to take pre-employment physical checkups and all employees are entitled to biennial medical examinations which is better than the regulatory requirements. There are dedicated health management personnel to process the examination results. A total of 2,363 employees had taken the medical examinations in 2017, which was an achieve rate of 99%.
- There are 3,148 employees participated in the 86 health activities organized in 2017, which cover health management, disease prevention, health education, health promotion, etc.
- A total number of 1,726 employees took parts in the step count challenge in 2017 with 104,296,527 steps counted, which was about 52,148 km.
- Help employees to develop regular exercise habits and create a win-win-win situation for employees, the Company and the sports industry. By doing so the Company realizes its corporate social responsibility. The Company got "The Exercise Enterprise Certification Mark" by the Sports Administration, Ministry of Education in 2017.
- Taichung office got the Goodwill Breastfeeding Award by Department of health, Taichung City government.
- Massage services by visually impaired massage therapists are available to relieve employees of work stress and improve health. A total of 26,112 employees used the service in 2017 with satisfaction score of 4.9 out of 5.
- The Company provides employee assistance programs (EAP) through contracted professional consultation firms, aiming to assist employees to solve issues pertaining to family, marriage, pressure and interpersonal relationships in order to maintain their physical/mental well-being and ensure work safety, quality and productivity.

5-1-5 Precautionary measures of sexual harassment

When the Gender Equality in Employment Act was enforced, the Company communicated with its employees throughout Taiwan with respect to the prevention of sexual harassment in the workplace. Nevertheless, in order to cope with the enforcement of Prevention Act of Sexual Harassment, the Company undertook relevant publicity in its major offices throughout Taiwan and established procedures for processing sexual harassment cases pursuant to the relevant requirements to keep a healthy workplace free from harassment and discrimination.

5-2 Losses of the Company and its subsidiaries caused by labor disputes, and to disclose the estimated amounts and action plans of recent and future possible labor disputes from last year up to the Annual Report being Published: None.

6. Major Contracts and Agreements

2018/03/31

Contract Type	Counter Party	Contract Period	Description	Restricted Clauses
Procurement (FET)	Ericsson Taiwan Ltd.	1996.12.05 ~ Present	Purchase for 2G/3G/4G cell site, mobile phone system and network equipment, software, installation, system construction and technical service	Confidential Clause
	XunWei Tech. Co., Ltd	2009.12.30 ~ Present	Frame Agreement For 3G & 3.5G RAN Acquisition and technical support	
	Apple Asia LLC	2010.01.29 ~ Present 2010.09.30 ~ Present	Procurement contract for iPhone Wireless Service License for Apple's iPad Products	
	Taiwan International Standard Electronics LTD.	2014.08.01 ~ Present	Purchase Agreement for equipment.	
Procurement (Subsidiary - NCIC)	Taiwan International Standard Electronics LTD.	2013.01.30 ~ Present	Procurement Agreement for network equipment, software, installation, system implementation and technical services	Confidential Clause
Strategic Alliance (FET)	NTT DOCOMO, Inc. StarHub Mobile FET Group (FET and KGT) Hutchison (HongKong)	2006.02.13 ~ Present	Strategic alliance among Asia Pacific Telecommunication operators	Confidential Clause
	All Conexus Members	2007.03.01 ~ Present	Collaboration Agreement with Conexus Members	
		2010.06.15 ~ Present	Collaboration Agreement with Conexus Members	
		2010.06.15 ~ Present	Supplemental Agreement #4 to Conexus Mobile Alliance Agreement	
		2010.07.01 ~ Present	Amended and Restated Conexus Mobile Alliance Agreement	
	Vodafone Sales & Services Limited	2013.05.01 ~ Present	Master Service Agreement	
Commercial Cooperation (FET)	China Mobile Limited	2013.04.18 ~ Present	It's a business cooperation framework agreement. Based on Business Cooperation Frame Agreement, the Company and China Mobile Limited will continue exploring opportunities for long-term extensive cooperation between both parties in various fields of mobile communication business, and after the Taiwan laws and regulations permit investment in Type I Telecommunications Enterprise by China investors, both parties may reconsider the possibility of equity cooperation.	Confidential Clause
Inter Company Loan (Subsidiary-NCIC)	Far EasTone Telecommunications Co., Ltd.	2017.08.02 ~ Present	NCIC loans FET	Confidential Clause
	Far EasTone Telecommunications Co., Ltd.	2017.12.22 ~ Present	NCIC loans FET	

VI Review and Analysis of the Financial Condition, Operating Performance and Risk Issues

1. Financial Condition
2. Financial Performance
3. Cash Flow
4. Key Performance Indicator(KPI)
5. Analysis of Major Capital Expenditure and Sources of Funding
6. Investment Policies, Reasons for Profit/Loss, Plans for Improvement in the Recent Year and Future Investment Plan in the Coming year
7. Risk Issues
8. Impact of the Financial Distress Occurred to the Company and Affiliates from last year up to the Annual Report being Published
9. Others

1. Financial Condition

Review and Analysis of Financial Condition

2017/12/31; Unit: NTD'000

Item / Year	December 31, 2017	December 31, 2016	Variance	
			Amount	%
Current Assets	$26,284,153	$26,557,388	($273,235)	(1)
Properties, Plants and Equipment	46,233,707	49,849,572	(3,615,865)	(7)
Intangible Assets	56,109,371	52,458,457	3,650,914	7
Other Assets	4,079,124	3,941,905	137,219	3
Total Assets	132,706,355	132,807,322	(100,967)	(0)
Current Liabilities	30,391,974	30,980,704	(588,730)	(2)
Non-current Liabilities	31,868,168	30,104,017	1,764,151	6
Total Liabilities	62,260,142	61,084,721	1,175,421	2
Capital Stocks	32,585,008	32,585,008	0	0
Capital Surplus	8,143,345	10,166,874	(2,023,529)	(20)
Retained Earnings	29,011,927	28,387,615	624,312	2
Other Shareholders' Equity Item	18,132	(133,479)	151,611	114
Non-controlling Interest	687,801	716,583	(28,782)	(4)
Total Shareholders' Equity	70,446,213	71,722,601	(1,276,388)	(2)

1-1 Analysis of variation of plus-minus (+/-) 20%

1. The decrease in Capital Surplus because of dividend distribution.
2. The increase in Other Shareholders' Equity Item mainly comes from the disposal of available-for-sale financial assets, which was originally listed as an unrealized gain/loss in shareholders equity section and from the unrealized gains/losses on cash flow hedge of one of our affiliated entities of “Far Eastern Electronic Toll Collection Co., Ltd.

1-2 Impacts of change in financial condition: No significant impacts on financial condition.

1-3 Future response plans: Not applicable.

2. Financial Performance

Analysis of Financial Performance

2017/12/31; Unit: NTD '000; %

Item \ Year	2017	2016	Variance	
	Amount	Amount	Amount	(%)
Operating Revenues	$92,069,681	$94,344,266	($2,274,585)	(2)
Operating Costs and Expenses	77,853,383	79,319,916	(1,466,533)	(2)
Operating Income	14,216,298	15,024,350	(808,052)	(5)
Non-Operating Incomes and (Expenditures):				
Financial Costs	(461,784)	(441,781)	(20,003)	(5)
Losses on Disposal of Property, Plant, Equipment and Intangible Assets (include impairment loss)	(756,192)	(997,497)	241,305	24
Share of the Loss of Associates	(79,524)	(164,917)	85,393	52
Other Profits or Losses	243,774	369,180	(125,406)	(34)
Income Before Income Tax	13,162,572	13,789,335	(626,763)	(5)
Income Tax Expense	2,308,929	2,378,660	(69,731)	(3)
Net Income	10,853,643	11,410,675	(557,032)	(5)
Other Comprehensive Income (Loss)	171,098	(42,178)	213,276	506
Total Comprehensive Income	11,024,741	11,368,497	(343,756)	(3)
Net Income Attributable to:				
Owners of Far EasTone	10,856,682	11,391,303	(534,621)	
Non-controlling interests	(3,039)	19,372	(22,411)	
Comprehensive Income Attributable to:				
Owners of Far EasTone	11,027,319	11,347,860	(320,541)	
Non-controlling interests	(2,578)	20,637	(23,215)	

2-1 Analysis of variation

1. Decreases in Losses on Disposal of Property, Plant and Equipment and Intangible Assets(include impairment loss): mainly the recognition of impairment loss in 2016 as future cash flows from the telecommunication equipment are expected to decrease when 2G license expires and services cease to be rendered in June 2017.
2. Decrease in Share of the Loss of Associates: the increase in investment income mainly comes from “Far Eastern Electronic Toll Collection Co., Ltd” last year.
3. Decrease in Other Profits or Losses: mainly due to the substantial decrease in Non-Operating Incomes.

4. Increase in Other Comprehensive Income (Loss): mainly comes from the disposal of Available-for-Sale Financial Assets, which was originally listed as an unrealized gain/loss in shareholders equity section and from the unrealized gains/losses on cash flow hedge of one of our affiliated entities, "Far Eastern Electronic Toll Collection Co., Ltd.

2-2 For the estimated sales volume and the underlying rationale for the following year, the potential impacts on the Company's future business and action plans: Please refer to the "Letter to Shareholders".

3. Cash Flow

3-1 2017 Cash Flow Analysis

Unit: NT$ '000; %

Item	2017	2016	Variance	Variance%
Net cash generated from operating activities	24,849,266	27,074,691	(2,225,425)	(8.2)
Net cash outflow from (used in) investing activities	(14,158,138)	(17,546,575)	3,388,437	19.3
Net cash outflow generated from (used in) financing activities	(12,602,055)	(15,270,889)	2,668,834	17.5
Effect of exchange rate changes	(512)	6,749	(7,261)	(107.6)
Net decrease in cash	(1,911,439)	(5,736,024)	3,824,585	66.7

1. Operating activities: The decrease in cash inflow from operating activities was due to increase in inventories in 2017.
2. Investing activities: The decrease in cash outflow mainly due to less 4G concession and capex payment in 2017.
3. Financing activities: Cash outflow from financing activities decreased as the Company issued NT$14.7 billion corporate bonds and repaid borrowings in 2017.

3-2 Remedy plans for insufficient liquidity: Not Applicable

3-3 Estimated Cash Flow Analysis for 2018

Unit: NT$ '000

Cash and Cash Equivalents in the Beginning (1)	Forecast Net Cash Inflow from Operating Activities (2)	Forecast Total Cash Outflow (3)	Forecast Balance of Cash and Cash Equivalents (1) + (2) - (3)	Expected Remedy Plans for Negative Balance of Cash and Cash Equivalents	
				Investment Plan	Financing Plan
8,347,304	24,484,733	24,408,128	8,423,909	-	-

1. Operating activities: 2018 projected cash inflow from operating activities is expected to remain stable.
2. Investing activities: The net cash used in investing activities in 2018 is for network expansion and enhancement.
3. Financing activities: Mainly for cash dividend distribution and corporate bond repayment.

4. Key Performance Indicator (KPI)

Unit: NT$ Mio

KPI	2017 Target	2017 Actual	KPI Achievement Ratio
Total Revenue	$94,358	$92,070	97.6%
EBITDA	$28,147	$28,168	100.1%
Net Income	$10,763	$10,857	100.9%

5. Analysis of Major Capital Expenditure and Sources of Funding

5-1 Major Capital Expenditure and Sources of Funding in 2017

Company	Plan Item	Actual or Estimated Source of Capital	Actual or Estimated Fund Utilization Schedule	Total Capital Needed (Unit: NT$ '000)
FET and its Subsidiaries	Network Expansion: including 4G network expansion and upgrade, and value added system implementation and expansion.	Working Capital	2017	8,755,745

5-2 Expected Benefit: Expansion of future Mobile Broadband Business (4G).

6. Investment Policies, Reasons for Profit/Loss, Plans for Improvement in the Recent Year and Future Investment Plan in the Coming year

6-1 Investment Policies

The Company's long-term investments are for strategic purpose or new business development.

6-2 Reasons for Profit/Loss and Plans for Improvement

In 2017, on a consolidated basis, the Company's losses from long-term investments under the equity method amounted to NT$79,524 thousand, investments benefit of these long-term investment hasn't become significant. However, FET would continuously develop the business and improve operating cost controlling, and the Company expects return on investment to be improved.

6-3 Future Investment Plan

No concrete investment plans at this moment.

7. Risk Issues

7-1 Impact and Response to Interest Rates, Exchange Rates, and Inflation Level on the Company in the Year Preceding Publication of Annual Report

7-1-1 Interest Rate Risk Analyses and Response strategy

The Company performs its financial operations in a conservative manner. In an attempt to manage interest rate fluctuation risk, the Company's current outstanding liabilities are partially back up by long-term fixed-rate corporate bonds issuance (as of the end of 2017, fixed-rate corporate bonds accounted for 72% of total borrowings). Therefore, current interest expenses of the Company and its subsidiaries shall not be significantly impacted by interest rate fluctuations.

7-1-2 Exchange Rate Analyses and Response strategy

(1) Sources of Exchange Gains/Losses

The foreign currency position was mainly to pay the charges of global roaming services and purchase equipments. The percentage of foreign exchange gains/losses over operating revenue and operating income in 2017 and Q1 2018 are as follows:

2018/03/31; Unit: NT$'000

Item \ Year	2017	2018 (as of March 31)
Foreign Exchange Gains (Losses) (A)	(11,628)	6,334
Operating Revenue (B)	92,069,681	21,666,560
% of Operating Revenue (A)/(B)	(0.013%)	0.029%
Operating Income (C)	14,216,298	3,251,312
% of Operating Income (A)/(C)	(0.082%)	0.195%

As shown in the above table, the foreign exchange gains/losses accounted for a small percentage of operating revenue were (0.013%) in 2017 and 0.029% in Q1 2018 and operating income were (0.082%) in 2017 and 0.195% in Q1 2018.

(2) Other Expected Gains or Losses Caused by Foreign Exchange Fluctuation

As of March 31, 2017, FET's subsidiary, New Century InfoComm Tech Co., Ltd. ("NCIC"), holds short-term investments as foreign financial assets in amount of US$20 million. Investment gains or losses, as well as exchange rate gains or losses, resulted from executing disinvestment, are expected to directly impact the net income of FET and NCIC. As a consequence, NCIC has enforced into partial currency hedges for the aforementioned foreign financial assets.

(3) Actions in Response to Exchange Rate Fluctuation

FET and its subsidiary NCIC use financial intruments, such as: FX spot, forward and financial derivative products, to hedge foreign exchange rate risks according to foreign currency position and exchange rate movement.

7-1-3Inflation Analysis and Response Strategy

At present, global economy has experienced synchronized growth, with stable expansion outlooks of U.S., Europe, Japan and China. However, geopolitical risks, rising trade protectionsim, along with the divergent path of monetary policy between countries (U.S. and UK tend to interest rate normalization, while Japan and emerging markets keep the easing policies), all aforesaid uncertainties, will continue to impact the global real consumptions and enterprise investments, thus it is expected that global inflation will be moderate in 2018. Separately, according to the meeting minutes of the Board meeting of Taiwan's Central Bank in December 2017 and March 2018, the stable moderate global economic growth will have benefits for Taiwan's exports and the growth momemtum of privare investments, as well as the anticipated mild increases in international oil prices and moderate domestic demends continue in 2018, it's predicted that the economic growth rate in 2018 will be around 2.58%, and the consumer price index (CPI) in 2018 will increase to 1.27%, slightly higher than the CPI 1.02% in 2017, thus the price of consumer goods remains relatively stable. Meanwhile, the U.S. Federal Reserve is expected to raise interest rates by 0.75%~1.00% in 2018, while Japan and emerging countries will continue to loose interest rates or even low interest rates in order to ensure steady economic growth. Each country's central bank will be paying close attention to the topic of inflation, and the Company will also closely control the operating costs, as a consequence inflation is not expected to have a significant influence on the Company's profit and loss.

7-2 Policies for Risky or Highly Leveraged Investments, Lending, Endorsements, Derivative Financial Instruments, and Related Gains or Losses, in the Year Preceding Publication of Annual Report:

1. High risk or highly leveraged investments: The Company did not engage in high-risk or high-leverage investments in the period running from 2017 through until the annual report was published.
2. Capital lending: Until the annual report was published, the balance of capital lent from NCIC to Q-ware was NT$ 130 million. In view of the consolidated relationship between these parties, it is considered that there was no capital lending for the Company and its subsidiaries at the date of the annual report being published.
3. Endorsements and guarantees provided: As of year ending 2017 through until annual report being published, there was no endorsements and guarantees for the Company and its subsidiaries
4. Derivative financial instruments: The Company's subsidiary, NCIC, dealt US$ 10 million and US$ 10 million

through until March 31, 2018 and at the end of 2017 respectively in derivative transactions for non-trading purposes. These foreign exchange swaps were signed in order to prevent the risk of foreign exchange rate fluctuations in foreign currency assets. These hedging strategies of the Company and its subsidiary NCIC are carried out in order to avoid the most of cash flow risks. Due to the hedging purposes of derivative transactions, for hedged foreign assets, it is recognized the offsetting effect of the changes in fair value of hedging instruments and hedged items. Therefore, no substantial gains or losses are expected.

7-3 R&D Plans and Estimated Expenses in Recent Years and until the Annual Report being Published

(1) R&D Plans

A. Strategic Projects

2018/03/31

Project Name	Description	Mass Production Date
4G/4.5G-new network technology and small cell research and trials	This is a joint project undertaken in partnership with telecom vendors to verify network performance and design, as well to plan the LTE small cell. Local vendors have also been invited to take part in LAA small cell network design in order to obtain more knowledge and information.	It is expected that LAA Small Cell equipment will be built in December 2018.
FET 5G laboratory	This project was initiated to deploy the next generation of communications technology early to keep in step with the world. A MOU (memorandum of understanding) was signed to develop 5G technology in cooperation of Ericsson, and the first plan is to build a 5G experimental environment and to conduct the researeh related 5G technologies.	Before 5G officially lanuch, complete research and testing for all possible Plug-INS advanced technology.

B. System Projects

Project Name	Description	Mass Production Date
4G/4.5G wireless broadband internet access service and device	Since 2017, through the high bandwidth and internet efficiency of LTE, together with diversification of 4G/4.5G wireless network cards/routers, smartphones, as well as through the provision of corporate IoT (Internet of Things) solutions, users are able to use the most advanced equipment, with cloud computing and Pre-5G technology, so that anytime and anywhere fast wireless internet may be enjoyed and paved a way toward 5G.	Plan to complete in December 2018.
4G/4.5G network expansion and upgrade and LTE Core Network Expansion	Expand 4G /4.5G RAN and LTE core capacities and enhance coverage in poor signal and new-build areas to maintain 99.5% population coverage ratio in Taiwan.	Plan to complete in December 2018.
ROADM Backbone Expansion	Keep enlarging and building ROADM to enhance its bandwidth and efficiency of Transmission Backbone.	Plan to complete in December 2018.
NFV (Network Function Virtualization) Trial	Introduce NFV (Network Function Virtualization) technology to build the flexible and efficient core network.	Plan to complete in December 2018.
Value-added services (Cloud)	Provide an easy-to-use virtualized environment for application services deployment and operation.	Plan to complete in December 2018.
IP PBX Cloud	To decrease customers' investments in switchboard equipment, we provide such equipment with telecommunications grade under hosting mode to satisfy customers' demand for flexibility and improve our telecommunications service revenue.	The off-net SIP Trunk service was official launched in the second half of 2017 and the value-added service of recording was completed. The single line POTS service is expected to be completed by the end of 2018.

C. Digital Content, Mobile Applications & Payment and E-Commerence:

Project Name	Description	Mass Production Date
friDay Video	Improve product features and put customer satisfaction as top priority.	Plan to complete by the end of 2018.
friDay Wallet	Adjust user interfaces to cater to consumers' needs on smart mobile payment.	Plan to complete by the end of 2018.
friDay Music	Improve music database and upgrade streaming quality.	Plan to complete by the end of 2018.
Big Data Platform (BDP)	We would build an integration platform to connect IT database and use interfaces such as API, file, web, etc. to facilitate the internal developments of big data applications.	Plan to launch in April 2018.

(2) The projected R&D expense is estimated at around NT$782.085 million in 2018.

7-4 Company Impact and Response to Material Changes of Policies and Regulations in Taiwan and Foreign Countries in Year Preceding Publication of Annual Report:

(1) Legislation of the Digital Convergence Bills

On April 5, 2017, the National Communications Commission (NCC) passed the drafts of "Telecommunications Administration Bill" and "Digital Communications Bill" and submitted them to the Executive Yuan for review. On November 16, 2017, the Executive Yuan approved the aforementioned 2 bill drafts and submitted them to Legislative Yuan for legislation.

The draft "Digital Communications Bill" is based on the spirit of "Internet Governance." The governance model will seek to satisfy the interests of the majority while respecting the needs of the minority. The development of a governance mechanism based on self-discipline and restraint will encourage business innovation and enhance consumer welfare; the draft "Telecommunications Administration Bill" introduces a new administrative framework at the convergence layer. By promoting the development of telecommunications infrastructure and encouraging the transformation/upgrade of the industry, a new comprehensive communications and broadcasting environment can be developed to pave the way for the digital economy.

In legislating the "Digital Convergence Bill", the NCC hopes to introduce a reformed regulation that can cope with the new service models and impacts brought by technologies, as well as implement the "DIGI+2025" goals set by the Executive Yuan. The creation of the regulatory environment will hopefully bring new competition into the telecommunications & broadcasting industries and boost the business efficiency of the industry. The passing of the new bills will undoubtedly have a major effect on the industry, so FarEastone will continue to monitor the legislation progress of the Digital Convergence Bills.

(2) Releasing 2100 MHz spectrum for Mobile Broadband Businesses Licenses

The National Communications Commission officially announced the rules and procedures of 2100 MHz & 1800MHz spectrum auction on October 2, 2017. The refarming of the 2100 MHz is to achieve 3 objectives: "the seamless sustainment of 3G voice service", "to maximize spectrum efficiency via offering continuous frequency", and "to bridge the digital divide in the remote areas".

This auction consisted two-stage procedures. The Stage one (from October 31, 2017 to November 3 , 2017) lasted 4 days and 38 rounds of "quantity-based bidding" and the Stage two "location-based bidding" on November 15, 2017 we spent NT 6.5 billion and 15 million on 2100MHz E1（1920MHz～1925MHz；2110MHz～2115MHz, total 10MHz）、E2（1925MHz～1930MHz；2115MHz～2120MHz, total 10MHz）、and E3（1930MHz～1935MHz；2120MHz～2125MHz, total 10MHz）. License term of such bands are from the date of issue until December 31, 2033.

After obtained such frequency spectrum, we'll build the heterogeneous network to ensure smooth transition from 3G to 4G, continuously provide 3G voice service while the frequency spectrum is not interfered with each other, and as well as integrate with the frequency spectrum obtained in 2013 and 2015 to provide our customers more comprehensive and higher speed mobile broadband services.

(3) Reduction of "Radio Frequency Utilization Fee"

To lower operating costs for mobile broadband network operators, encourage their roll-out of mobile broadband networks and optimize network coverage in remote areas, , balance the development between urban and rural areas, uphold digital human rights, as well as differentiate frequency spectrum values as learnt from some advanced countries, the proposed amendments to the "Charge Standard of Utilization Fee of Radio Frequency" was issued by the NCC (National Communications Commission) on January 24, 2017. The Calculation standards table of Mobile Telecommunications frequency for mobile network operators was revised to include a "remote territory coverage factor" and "band factor." Revising the "band factor" allowing different fees for different frequencies enables mobile operators to reduce the usage fees by 80~90%, in addition, the designed "remote territory coverage factor" also encourages mobile broadband network operators to roll-out their network in remote areas. Under the draft proposal, discounts of up to 85 ~ 95% are available depending on the level of population coverage provided by high-speed transmission stations built by operators in remote areas.

On September 12, 2017, The National Communications Commission announced "Charge Standard of Utilization Fee of Radio Frequency" which was effective on January 1, 2018. As the admentment of "Charge Standard of Utilization Fee of Radio Frequency" will influence operating costs, FarEastone will make our best endeavors to the network deployment in remote areas to obtain the maximum discounts aforesaid so to lower the operation costs and increase the profits.

(4) 2G services sunset

Our country's 2G business terminated on Jun. 30, 2017. Considering the fact that telecommunication rights are related to the people's basic rights and interests, to avoid any possible impacts, NCC has planned and implemented "2G Business Sunset Action Plan"; combining the efforts from the government and industry to educate our nationals the 2G sunset, how

to exchange the service agreement, and to ensure the smooth tariff shifting by carriers in the hope to achieve “Zero Impact, No Dispute” peaceful transition target. FarEasTone has followed the aforesaid plan to help our 2G customers transit to the next generation mobile telecom services and in compliance with related regulation by returning of 2G telephone numbers, bandwidths, 2G licenses, and amend business plan accordingly.

3G sunset will impend on Dec. 31, 2018, NCC announced the “3G Sunset and Consumer Rights Protection Action Plan” on Jan. 3, 2018. FarEasTone will follow our 2G service termination experience and the action plan NCC sets to ensure our customers’ rights when shifting the services and to maintain our service quality so to achieve “Zero Impact, No Dispute” target again; not only to protect customers’ existing rights, extending the voice services, but also continually enhance our mobile broadband speed and promote broadband services and applications.

(5) Promote the development of IoT

In recent years, the Internet of Things has become a hot topic in the communications industry. In the future, Internet of things combined with the important application of 5G development will change the scenery of industry and social lifestyles. In order to promote the development of the domestic Internet of Things and drive various innovative application services, NCC announced the amendment of "Regulations Governing Telecommunications Numbers" on 2017 February 16, which opening Type-1 telecommunications enterprise business apply using telecommunication prefix 040 telecom numbers for IoT telecommunications industry and to promote IoT service areas of competitiveness.

FarEeastone took the lead by applying IoT numbers from the NCC on August 23, 2017 and obtained 3 million telecom numbers with prefix 040 for IoT services. Furthermore, we took the initiative to joint other telecom carriers to urge the authorities to ease up on the IoT regulations, such as amending the Administration of Mobile Broadband Business to deregulate some restrictions on numbers used for IoT services.

Soon afterwards, we actively cooperated with a total of 46 partners including suppliers of software and hardware in the upstream and downstream of the Internet of Things to jointly organize the "IoT Ecology Circle" and announced the launch of NB-IoT service on November 27, 2017, being the first IoT’s telecommunications operators in Taiwan.

FarEastone is now actively developing 5G and NB-IoT services in the hope to shorten the time needed for commercial launch. It is expected that the entire NB-IoT network coverage will be completed in Q2 2018, bringing more diversified services to Taiwan's IoT’s industry and start a new era of IoT.

(6) Electronic certificates for telecom services

With the rapid development of mobile communications, information technology has brought changes to human lifestyle. More and more consumers are accustomed to applying for services online. The "DIGI+ 2025" proposed by the Executive Yuan clearly emphasized that a digital-innovation-friendly environment should be built. Among the issues, to set up an online identification mechanism with credibility and openness to create a safe, trustworthy and friendly application environment has become an urgent issue for the development of the country.

FarEastone has always attached great importance to the quality of service, hoping to provide users with a more convenient way to apply for the service. Therefore, if the user can apply for telecommunication services online through electronic certificates, the user does not have to spend time and effort to going to the store himself. Electronic certificates will enhance service convenience and user’s satisfaction. In early 2017, we proactively joint all the major domestic telecom operators to promote the electronic certificates. After more than six months hard work, NCC agreed on September 27, 2017 that telecom operators should add the terms for accepting application with electronic certificates in Business Rules. On February 7, 2018, We pioneered the "electronic certificates" service. Consumers can subscribe the mobile services on the online "e-Store". There is no need to pay a visit to a physical store as people used to do, which greatly enhances the convenience to consumers for applying telecom services. Furthermore, we adopt the SSL key encryption for our e-Store online transactions and the electronic certificates mechanism is in compliance with the Electronic Signatures Act, which not only enhances the protection consumers’ personal information but also reduce the risk of individual data leakage. Since the users can already apply the financial services such as open a bank account, purchase funds or stocks through online electronic certification, we took the lead in providing telecom services with electronic certification not to only catch up with the development of financial technology, but also responding to the country’s “DIGI+ 2025” and cope with the changing digital era and consumer’s urgent needs.

7-5 Technology Developments and Impacts on the Company and its subsidiaries from last year up to the Annual Report being published:

FET owned the spectrum totals 2*65 MHz and TDD 25MHz (Total 155MHz BW). Compared to other operators, FET’s spectrum hold advantages which could effectively increase the revenue and market share. Because of aggressive construction, FET leads the way in the quantity of 2600MHz stations in the telecommunications market, and this helps to not only improve customer experience but also get more advantages. Furthermore, FET acquired new spectrum from auctions in 2017. Besides 3G network services, the new spectrum will adopt the LTE carrier aggregation and modulation techniques to boost internet speed.

Besides 4G coverage which provides convenient mobile Internet, WiFi deployment in hot zones is becoming more important as a consequence of the popularity of mobile commerce. Therefore, FET continues to provide WiFi service to customers in specific hot zones in order to reduce broadband traffic volume, as well as to provide better user experiences of mobile broadband services.

3G mobile communications technology focuses on high mobility and wide coverage, while 4G/LTE technology focuses on high bandwidth and mobility, thus these two technologies are not only distinct services in terms of what they deliver, but they also have a complementary effect. FET will take advantage of existing 3G operation experiences, as well as our expertise in international network services and 4G/LTE wireless broadband access technology, to gradually integrate our 3G/WiFi/4G platforms to cater to market needs. By reinforcing our advantages in mobile network communications, we will be able to deliver diversified and integrated services to meet all kinds of service and bandwidth requirements.

FET is the telecommunication service operator in Taiwan, with comprehensive multi-technology experimental networks that include WCDMA, LTE and fixed line. Not only as an independent and integrated experimental network for validation of new systems, and value added services before launch, also support local communication and chipset manufacturers, digital content providers, and academic institutions to perform relevant tests. At present, FET has conducted IoT tests successfully with many local device & chipset manufacturers and has collaborated with institutions including many universities, ITRI, III, etc. on multiple research projects. FET's laboratory has also been frequently chosen as a venue to be visited by local and foreign guests, as well as a site for international telecommunication exhibitions (For example: GTI Summit Conference), thereby consolidating FET's presence as Taiwan's leading Company in Telecommunication technology developments.

In 2016, for align with worldwide Telecom development trend, FET officially to publicly showed the first 5G laboratory in Taiwan in Q3, and signed an MOU to develop 5G technology with Ericsson. Several key advanced technologies in 5G were introduced for testing and public display in 2017. They were also used as reference to improve the current network and user experience. In the first quarter of 2017, we released Taiwan's first 5G network platform with the adoption of NFV and slicing technologies and combined practical applications such as unmanned flying vehicles, Smart Home and Telemedicine. We held a press conference and gave exclusive TV interviews. In the second quarter, we demonstrated the Smart Parking service which employs 700MHz NB-IOT technology in the T-Park basement. In the third quarter, we worked with ASUS and jointly announced Taiwan's first use of LAA technology to achieve a download speed of 1Gbps. Lastly, in the fourth quarter, we unfolded Taiwan's first and the world's eighth 5G Millimeter Wave Prototype operating in the 28GHz band and relevant technical applications. Furthermore, we collaborated and shared experience with industrial and academic experts, both domestic and overseas, and discussed the possibilities of future cooperation on numerous occasions throughout the year, which fully demonstrated our commitment, investments and achievements in 5G development.

The popularization of 4G/4.5G and smartphones pushes domestic mobile data usage to grow exponentially. In the coming year, how to enhance the basis of network coverage and capacity, integrate various services, develop application services in line with public demand and effectively deploy, expand, integrate and maintain networks that gradually diversify (i.e., quality, service and efficiency) will be the key factors for telecommunication operators to generate profits. FET understands the network service transformation and market demand and upholds the business strategies of best service, continuous growth and aggressive innovation. We will continue to expand the 4G/4.5G stations and network capacity, improve the ratio of self-constructed transmission and bandwidth, expand bandwidth on structural backbone on the east and west of Taiwan, complete the deployment of VoLTE and implement NFV step by step to offer more flexible and efficient core networks. We are the first operator in Taiwan to introduce various 5G advanced key technologies for testing and public display and use them as reference to improve current network and user experience to ensure our leading position in Taiwan's telecommunication industry. As we center on providing customers with faster data services and superior user experience, we will continue to invest in network expansion and enhancement.

7-6 Changes of Corporate Image and Impacts on the Company's Crisis Management in the Recent Years:

The Company and its subsidiaries have good corporate image and there's no issue to result in the Company's crisis.

7-7 Expected Benefits and Risks from Mergers in Recent Years until the Annual Report being Published:

None.

7-8 Expected Benefits and Risks from Plant Expansion in Recent Years until the Annual Report being Published:

Not applicable; the Company and its subsidiaries do not have any plant expansion plan.

7-9 Risks from Concentration in Supply or Sales in the Recent Year until the Annual Report being Published:

1. The major supplier of the Company and its subsidiaries was Company A, which accounted for 24.01% of the total amount of supply in 2017. Although the purchase accounted for a relatively high percentage of the total purchases, Company A is a large foreign company with a certain level of quality and availability and the Company has maintained a stable and good relationship with it. Thus, the risk associated with purchase concentration is not significant.
2. The major customer of the Company and its subsidiaries which accounted for less than 10% of the total amount of sales in 2017. Therefore, there was no issue of concentration in supply or sales.

7-10 Impacts and Risks from Changes in Directors and Shareholders with Greater than 10% Shareholding or Their Selling of a Large Number of Shares in the Recent Yeas until the Annual Report being Published: None.

7-11 Impacts and Risks from Changes of Ownership in the Recent Year until the Annual Report being Published:

None; the Company and its subsidiaries do not have such situation.

7-12 Material Impacts on Shareholders' Equity or Share Price from Litigations, non-Litigations or Administrative actions on the part of Company, Directors, President, Chairman, Shareholders with Greater than 10% Shareholding and Subsidiaries, in the Year Preceding Publication of the Annual Report: None.

7-13 Other Major Risks: For more information about market risk, credit risk and liquidity risk, please refer to VIII-Financial Information " 2017 Independent Auditors' Report, Consolidated Financial Statements and Notes" enclosure in the annual report.

8. Impact of the Financial Distress Occurred to the Company and Affiliates from last year up to the Annual Report being Published

None.

9. Others

None.

VII Special Notes

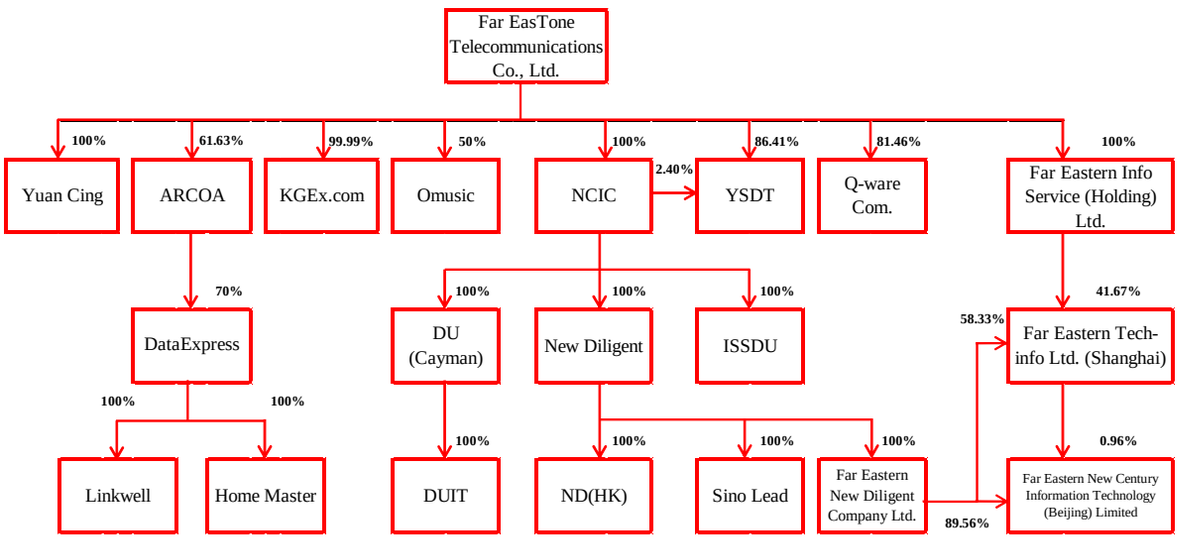
1. Affiliated Companies
2. Private Placement Securities from last year up to the Annual Report being Published
3. The Company's Shares Held or Disposed by Subsidiaries from last year up to the Annual Report being Published
4. Other Supplementary Information
5. Material Event Impact, pursuant to Article 36-3-2 of the Securities and Exchange Act, on Shareholders' Equity or Share Price from last year up to the Annual Report being Published

1. Affiliated Companies

1-1 Consolidated Business Report of FET and Affiliates

(1) Organizational chart:

December 31, 2017



(2) General information of Far EasTone Telecommunications Co., Ltd. and affiliates:

Unit: In Thousands of New Taiwan Dollars, Unless Stated Otherwise

Company	Date of Incorporation	Address	Common Stock Issued	Major Business Activities
Far EasTone Telecommunications Co., Ltd.	1997/04/11	28th Floor, No. 207 Tun-Hwa S. Rd., Sec. 2, Taipei, Taiwan, R.O.C.	$ 32,585,008	Wireless telecommunications service, leased circuit service, internet services, ISR and sale of cellular phone equipment and accessories
Far Eastern Info Service (Holding) Ltd. (British Bermuda Islands)	2002/07/17	Clarendon House 2, Church Street Hamilton HM 11, Bermuda	RMB 99,240 (US$ 12,000)	Investment
KGEx.com Co., Ltd.	2000/08/09	4th Floor, No. 468, Ruei Guang Rd., Nei Hu, Taipei, Taiwan, R.O.C.	689,074	Type II telecommunications services
Far Eastern Tech-info Ltd. (Shanghai)	2002/11/18	3rd Floor, Building No. 23, Pudong Software District, No. 498, Guoshoujing Rd., Jhangjiang High Tech District, Pudong Sin Section, Shanghai, P.R.C.	RMB 42,231,150	Computer software, data processing and network information providing services
Yuan Cing Co., Ltd.	2000/08/05	28th Floor, No. 207, Tun-Hwa S. Rd., Sec. 2, Taipei, Taiwan, R.O.C.	20,000	Call center services
ARCOA Communication Co., Ltd.	1981/05/04	36th Floor, No. 207, Tun-Hwa S. Rd., Sec. 2, Taipei, Taiwan, R.O.C.	1,342,800	Sales of communications products and office equipment
Q-ware Communications Co., Ltd.	2007/02/13	11th Floor, No. 218, Ruei Guang Rd., Nei Hu, Taipei, Taiwan, R.O.C.	417,149	Type II telecommunications services
Omusic Co., Ltd.	2010/10/05	12th floor, No. 468, Ruei Guang Rd., Nei Hu, Taipei, Taiwan, R.O.C.	50,000	Electronic information providing services
DataExpress Infotech Co., Ltd.	2004/07/22	2nd floor, No. 218, Ruei Guang Rd., Nei Hu, Taipei, Taiwan, R.O.C.	183,805	Sale of communications products
Linkwell Technology Ltd.	2005/04/08	2nd floor, No. 218, Ruei Guang Rd., Nei Hu, Taipei, Taiwan, R.O.C.	45,804	Sale of communications products
Home Master Technology Ltd.	2011/08/11	2nd floor, No. 218, Ruei Guang Rd., Nei Hu, Taipei, Taiwan, R.O.C.	12,725	Sale of communications products

Company	Date of Incorporation	Address	Common Stock Issued	Major Business Activities
New Century InfoComm Tech. Co., Ltd.	2000/06/01	1-11F., No. 218, Ruei Guang Rd., Nei Hu, Taiwan, R.O.C.	21,000,000	Type I, II telecommunications services
New Diligent Co., Ltd.	2001/05/02	1th Floor, No. 207 Tun-Hwa S. Rd., Sec. 2, Taipei, Taiwan, R.O.C.	540,000	Investment
Sino Lead Enterprise Limited	2006/04/11	Hong Kong Trade Centre, 7/F 161-167 Des Voeux Road Central, Hong Kong	125 (HK$ 30,000)	Telecommunication services
Information Security Service Digital United Inc.	2004/12/22	2th floor, No. 218, Ruei Guang Rd., Nei Hu, Taipei, Taiwan, R.O.C.	102,490	Security and monitoring service via Internet
Digital United (Cayman) Ltd.	2000/08/16	P.O.Box 2681, Zephyt House, Mary Street, George Town, Grand Cayman, British West Indies	RMB 33,039,600 (US$ 4,320,000)	Investment
Digital United Information Technologies (Shanghai) Ltd.	2000/10/08	Room 22301-918, Building No. 14, Pudong Software District, No. 498, Guoshoujing Rd., Jhangjiang High Tech District, Pudong Sin Section, Shanghai, P.R.C.	RMB 23,552,583	Design and research of computer system
Far Eastern New Diligent Company Ltd.	2010/07/27	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	RMB 91,482,640 (US$ 14,300,000)	Investment
Yuan Shi Digital Technology Co., Ltd.	2013/08/08	10th Floor, No. 220, Gangqian Rd., Nei Hu, Taipei, Taiwan, R.O.C.	1,041,675	Electronic information providing services
Far Eastern New Century Information Technology (Beijing) Limited	2010/07/23	11/F, 9 Building, Wan Da Square, No. 93 Jian Guo Street, Chaoyang District, Beijing	RMB 74,326,183	Electronic information providing services
New Diligent Hong Kong Co. Limited	2014/12/04	Hong Kong Trade Centre, 7/F 161-167 Des Voeux Road Central, Hong Kong	3,051 (US$ 100,000)	Investment

(3) Companies presumed to have a relationship of control and subordination with Far EasTone under Article 369-3 of the R.O.C. Company Law: None.

(4) Industries covered by the business operated by the affiliates and description of the mutual dealings and division of work among such affiliates:

Far EasTone and its subsidiaries and affiliates provide wireless telecommunications service, International Simple Resale (ISR) service, leased circuit service, internet service, mobile virtual network operator services, sale of cellular phone equipments and accessories, international and general investments, computer software, call center services, security and monitoring service via internet, and design and research of computer system.

The mutual dealings and division of work among such affiliates:

a. Far EasTone collects the international direct dialing revenue for KGEx.com through call-by-call selection service and routes the traffic through KGEx.com's telecommunication facilities.
b. Far EasTone purchases from/sells to ARCOA cellular phone equipments and accessories, and pays to ARCOA handset subsidies and commissions due to its promotion of Far EasTone's SIM card numbers.
c. Yuan Cing provides call center services to Far EasTone, NCIC, ARCOA, DataExpress and Yuan Shi.
d. Q-ware Com. provides marketing, activation and customer services to Far EasTone's mobile virtual network operator.
e. Far EasTone sells cellular phone equipments and accessories to DataExpress, Linkwell and Home Master, Far EasTone purchases computers and accessories products from DataExpress, and DataExpress also provides cellular phone maintenance services to Far EasTone.
f. Far EasTone rents backbone/Access, office and telecommunication equipments from NCIC. Meanwhile, Far EasTone also leases telecommunication equipments to NCIC. Network interconnection services are provided between Far EasTone and NCIC.
g. Sino Lead Enterprise Limited provides international lease circuit service to NCIC.
h. Information Security Service Digital United sells security and monitoring equipments to Far EasTone and NCIC.
i. Far EasTone sells cellular phone equipments and accessories to Yuan Shi and Yuan Shi provides electronic information services to Far EasTone.
j. Omusic provides electronic information services to Far EasTone.

(5) Directors, supervisors and general managers of Far EasTone and affiliates:

Unit: Number of Shares; %

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	% of Owner-ship
Far EasTone Telecommunications Co., Ltd.	Chairman	Yuan Ding Investment Co., Ltd. Douglas Hsu	1,066,657,614	32.73
	Managing Director	Yuan Ding Investment Co., Ltd. Peter Hsu	1,066,657,614	32.73
	Managing Director	Yuan Ding Investment Co., Ltd. Jan Nilsson	1,066,657,614	32.73
	Director	U-Ming Marine Transport Corp. Keijiro Murayama	331,000	0.01
	Independence Director	Lawrence Juen-Yee LAU	-	-
	Director	Yuan Ding Co., Ltd. Champion Lee	4,163,500	0.13
	Director	Yuan Ding Co., Ltd. Jeff Hsu	4,163,500	0.13
	Independence Director	Kurt Roland Hellström	-	-
	Independence Director	Chung Laung Liu	-	-
	Director	Asia Investment Corporation Bonnie Peng	1,426,303	0.04
	Director	Ding Yuan International Investment Co., Ltd. Toon Lim	919,653	0.03
	General Manager	Yvonne Li	-	-
Far Eastern Info Service (Holding) Ltd. (British Bermuda Islands)	Chairman	Far EasTone Telecommunications Co., Ltd. Yvonne Li	1,200	100.00
	Director	Far EasTone Telecommunications Co., Ltd. T. Y. Yin	1,200	100.00
	Director	Far EasTone Telecommunications Co., Ltd. Eton Shu	1,200	100.00
	Director	Far EasTone Telecommunications Co., Ltd. Jennifer Liu	1,200	100.00
	Director	Far EasTone Telecommunications Co., Ltd. Maggie Mei	1,200	100.00
	General Manager	Yvonne Li	-	-
KGEx.com Co., Ltd.	Chairman	Far EasTone Telecommunications Co., Ltd. Philip Tseng	68,897,234	99.99
	Director	Far EasTone Telecommunications Co., Ltd. Vacancy (Note 1)	68,897,234	99.99
	Director	Far EasTone Telecommunications Co., Ltd. Jessica Chen (Note 1)	68,897,234	99.99
	Director	Far EasTone Telecommunications Co., Ltd. James Lee	68,897,234	99.99
	Director	Far EasTone Telecommunications Co., Ltd. Hae Shung Ju	68,897,234	99.99
	Supervisor	T.Y. Yin	-	-
	General Manager	Philip Tseng	-	-

(Continued)

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	% of Owner-ship
Far Eastern Tech-info Ltd. (Shanghai)	Chairman	Far Eastern Info Service (Holding) Ltd. Yvonne Li	-	41.67
	Director	Far Eastern Info Service (Holding) Ltd. Eton Shu	-	41.67
	Director	Far Eastern Info Service (Holding) Ltd. Jennifer Liu	-	41.67
	Director	Far Eastern Info Service (Holding) Ltd. Maggie Mei	-	41.67
	Supervisor	Far Eastern New Diligent Company Ltd. T.Y. Yin	-	58.33
Yuan Cing Co., Ltd.	Chairman	Far EasTone Telecommunications Co., Ltd. Eton Shu (Note 2)	2,000,000	100.00
	Director	Far EasTone Telecommunications Co., Ltd. Maggie Mei	2,000,000	100.00
	Director	Far EasTone Telecommunications Co., Ltd. Jessica Chen (Note 3)	2,000,000	100.00
	Supervisor	T.Y. Yin (Note 4)	-	-
	General Manager	Maggie Mei	-	-
ARCOA Communication Co., Ltd.	Chairman	Far EasTone Telecommunications Co., Ltd. Yvonne Li	82,762,221	61.63
	Vice-chairman	Wan-Shih-Shin Co., Ltd. Gary Lin	470,325	0.35
	Director	Far EasTone Telecommunications Co., Ltd. Alan Tsai	82,762,221	61.63
	Director	Far EasTone Telecommunications Co., Ltd. Maxwell Cheng (Note 5)	82,762,221	61.63
	Director	Far EasTone Telecommunications Co., Ltd. Brian Chao	82,762,221	61.63
	Director	Far EasTone Telecommunications Co., Ltd. Jessie Teng	82,762,221	61.63
	Director	Far EasTone Telecommunications Co., Ltd. Jessica Chen (Note 5)	82,762,221	61.63
	Supervisor	Francies Chen	-	-
	Supervisor	David Tsai	-	-
	Supervisor	Sharon Lin	-	-
	General Manager	Jessie Teng (Note 5)	-	-

(Continued)

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	% of Owner-ship
Q-ware Communications Co., Ltd.	Chairman	Far EasTone Telecommunications Co., Ltd. Yvonne Li	33,982,812	81.46
	Director	Far EasTone Telecommunications Co., Ltd. Philip Tseng	33,982,812	81.46
	Director	Far EasTone Telecommunications Co., Ltd. Maxwell Cheng	33,982,812	81.46
	Director	Far EasTone Telecommunications Co., Ltd. Bruce Yu	33,982,812	81.46
	Director	Far EasTone Telecommunications Co., Ltd. Samuel Yuan (Note 6)	33,982,812	81.46
	Director	President Chain Store Co., Ltd. Robert Zong	4,172,422	10.00
	Director	President Chain Store Co., Ltd. Terry Jiang	4,172,422	10.00
	Supervisor	Uni-President Enterprises Co., Ltd. Jin-Xing Chen	3,337,192	8.00
	Supervisor	Sharon Lin	-	-
	General Manager	James Lee	-	-
O-music Co., Ltd.	Chairman	Universal Music Ltd. Sunny Chang	225,000	4.50
	Director	Far EasTone Telecommunications Co., Ltd. Yvonne Li	2,500,000	50.00
	Director	Far EasTone Telecommunications Co., Ltd. Magdalina Lin	2,500,000	50.00
	Director	Far EasTone Telecommunications Co., Ltd. Elliza Tu (Note 7)	2,500,000	50.00
	Director	Far EasTone Telecommunications Co., Ltd. Eton Shu	2,500,000	50.00
	Director	Forward Music Co., Ltd. Barry Lee	225,000	4.50
	Director	Sony Music Entertainment Taiwan Ltd.	225,000	4.50
	Supervisor	T.Y. Yin	-	-
	Supervisor	Otiga Technologies Limited Ipang Lin	475,000	9.50
	Supervisor	HIM International Music Inc. Lydia Ho	225,000	4.50
	General Manager	Belung Chang	225,000	4.50
DataExpress Infotech Co., Ltd.	Chairman	ARCOA Communication Co., Ltd. Maxwell Cheng (Note 8)	12,866,353	70.00
	Director	Jing Ho Tech Grace Chu	3,490,724	18.99
	Director	ARCOA Communication Co., Ltd. Eric Li	12,866,353	70.00
	Director	ARCOA Communication Co., Ltd. Brian Chao	12,866,353	70.00
	Supervisor	Ann Chang	-	-

(Continued)

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	% of Owner-ship
Linkwell Technology Ltd.	Director	DataExpress Infotech Co., Ltd. Maxwell Cheng (Note 9)	-	100.00
Home Master Technology Ltd.	Director	DataExpress Infotech Co., Ltd. Maxwell Cheng (Note 10)	-	100.00
New Century InfoComm Tech Co., Ltd.	Chairman	Far EasTone Telecommunications Co., Ltd. Douglas Hsu	2,100,000,000	100.00
	Director	Far EasTone Telecommunications Co., Ltd. Yvonne Li	2,100,000,000	100.00
	Director	Far EasTone Telecommunications Co., Ltd. Philip Tseng	2,100,000,000	100.00
	Supervisor	Far EasTone Telecommunications Co., Ltd. T. Y. Yin (Note 11)	2,100,000,000	100.00
	General Manager	Yvonne Li	-	-
New Diligent Co., Ltd.	Chairman	New Century InfoComm Tech Co., Ltd. Eric Li	54,000,000	100.00
	Director	New Century InfoComm Tech Co., Ltd. Philip Tseng	54,000,000	100.00
	Director	New Century InfoComm Tech Co., Ltd. James Lee	54,000,000	100.00
	Supervisor	New Century InfoComm Tech Co., Ltd. T. Y. Yin (Note 12)	54,000,000	100.00
Sino Lead Enterprise Limited	Director	New Diligent Co., Ltd. Philip Tseng	-	100.00
Information Security Service Digital United	Chairman	New Century InfoComm Tech Co., Ltd. Philip Tseng	10,249,047	100.00
	Vice-Chairman	New Century InfoComm Tech Co., Ltd. Alan Chang	10,249,047	100.00
	Director	New Century InfoComm Tech Co., Ltd. Mark Lee	10,249,047	100.00
	Director	New Century InfoComm Tech Co., Ltd. Eric Li	10,249,047	100.00
	Supervisor	New Century InfoComm Tech Co., Ltd. T. Y. Yin (Note 13)	10,249,047	100.00
Digital United (Cayman) Ltd.	Chairman	New Century InfoComm Tech Co., Ltd. Philip Tseng	4,320,000	100.00
	Director	New Century InfoComm Tech Co., Ltd. T. Y. Yin	4,320,000	100.00
Digital Unite Information Technologies (Shanghai) Ltd.	Chairman	Digital United (Cayman) Ltd. Mike Lee	-	100.00
	Director	Digital United (Cayman) Ltd. Larry Liu	-	100.00
	Director	Digital United (Cayman) Ltd. Eric Li	-	100.00
	Supervisor	Digital United (Cayman) Ltd. T. Y. Yin	-	100.00
	General Manager	Larry Liu	-	-

(Continued)

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	% of Owner-ship
Far Eastern New Diligent Company Ltd.	Director	New Diligent Co., Ltd. Jennifer Liu	-	100.00
	Director	New Diligent Co., Ltd. T. Y. Yin	-	100.00
	Director	New Diligent Co., Ltd. Mike Lee	-	100.00
Yuanshi Digital Technology Co., Ltd.	Chairman	Far EasTone Telecommunications Co., Ltd. Magdalina Lin	90,014,424	86.41
	Director	Far EasTone Telecommunications Co., Ltd. Sherman Lee	90,014,424	86.41
	Director	Far EasTone Telecommunications Co., Ltd. Joann Chang (Note 14)	90,014,424	86.41
	Director	Far EasTone Telecommunications Co., Ltd. Philby Lee	90,014,424	86.41
	Director	Far EasTone Telecommunications Co., Ltd. John Yeh	90,014,424	86.41
	Supervisor	T. Y. Yin	-	-
	General Manager	Terrance Yang	-	-
Far Eastern New Century Information Technology (Beijing) Limited (Note 15)	Chairman	Far Eastern Tech-info Ltd. (Shanghai) Jennifer Liu	-	0.96
	Director	Yuan Dong New Century Company Ltd. Jack Deng	-	0.78
	Director	Far Eastern Tech-info Ltd. (Shanghai) Andrea Shen	-	0.96
	Director	Far Eastern Tech-info Ltd. (Shanghai) T.Y. Yin	-	0.96
	Director	Far Eastern Tech-info Ltd. (Shanghai) Eton Shu	-	0.96
	Supervisor	Far Eastern Tech-info Ltd. (Shanghai) Sharon Lin	-	0.96
	General manager	Alex Chang	-	-
New Diligent Hong Kong Co. Limited	Director	New Diligent Co., Ltd. Sherman Lee	-	100.00
	Director	New Diligent Co., Ltd. T. Y. Yin	-	100.00

Note 1：Vivian Lee and Bruce Yu succeeded as directors of KGEx.com since March 5, 2018.
Note 2：Maxwell Cheng succeeded as chairman of Yuan Cing since March 26, 2017.
Note 3：Vivian Lee succeeded as director of Yuan Cing since March 25, 2018.
Note 4：Sherman Lee succeeded as supervisor of Yuan Cing since March 25, 2018.
Note 5：T.Y. Yin and Vivian Lee succeeded as director of Arcoa since March 9, 2018.; Andy Tu succeeded as president of Arcoa since January 1, 2018.
Note 6：James Lee succeeded as director of Q-ware since January 1, 2018.
Note 7：C. J. Lee succeeded as director of O-music since January 1, 2018.
Note 8：T.Y. Yin succeeded as chairman of DataExpress since March 12, 2018.
Note 9：T.Y. Yin succeeded as director of Linkwell since March 12, 2018.
Note 10：T.Y. Yin succeeded as director of Home Master since March 12, 2018.
Note 11：Sherman Lee succeeded as supervisor of New Century InfoComm since March 9, 2018.
Note 12：Sherman Lee succeeded as supervisor of New Diligent since March 5, 2018.
Note 13：Sherman Lee succeeded as supervisor of New Diligent since March 5, 2018.
Note 14：Oliver Chew succeeded as director of Yuanshi Digital Technology since March 19, 2018.
Note 15：Dissolved on February 9, 2018 with the approval of the local government.

(6) Operation overview of Far EasTone and affiliates:

Unit: In Thousands of New Taiwan Dollars, Unless Stated Otherwise

Company	Common Stock Issued	Total Assets	Total Liabilities	Total Stockholders' Equity	Total Operating Revenue	Operating Income (Loss)	Net Income (Loss)	Basic Earnings Per Share (NT$)
Far EasTone Telecommunications Co., Ltd.	$ 32,585,008	$ 130,284,770	$ 60,526,358	$ 69,758,412	$ 72,945,992	$ 12,191,454	$ 10,856,682	$ 3.33
Far Eastern Info Service (Holding) Ltd. (British Bermuda Islands)	RMB 99,240 (US$ 12,000)	RMB 9,565,995	-	RMB 9,565,995	-	-	RMB 503,662	RMB 420
KGEx.com Co., Ltd.	689,074	846,439	65,564	780,875	535,106	64,748	78,781	1.01
Far Eastern Tech-info Ltd. (Shanghai)	RMB 42,231,150	RMB 22,863,164	-	RMB 22,863,164	-	RMB (34,911)	RMB 1,215,402	Note
Yuan Cing Co., Ltd.	20,000	45,387	11,116	34,271	67,632	15,749	13,184	6.59
ARCOA Communication Co., Ltd.	1,342,800	4,414,283	2,682,614	1,731,669	17,187,239	110,056	109,636	0.82
Q-ware Communications Co., Ltd.	417,149	189,593	359,443	(169,850)	206,603	(19,634)	(75,556)	(1.81)
Omusic Co., Ltd.	50,000	92,237	73,306	18,931	202,956	2,407	2,639	0.53
DataExpress Infotech Co., Ltd.	183,805	1,419,993	1,178,928	241,065	3,827,477	26,541	32,872	1.79
Linkwell Technology Ltd.	45,804	166,933	125,258	41,675	752,096	2,280	2,075	Note
Home Master Technology Ltd.	12,725	146,146	147,520	(1,374)	758,768	7,683	7,042	Note
New Century InfoComm Tech. Co., Ltd.	21,000,000	26,912,974	2,893,565	24,019,409	11,425,183	2,047,679	1,757,282	0.84
New Diligent Co., Ltd	540,000	140,049	140	139,909	-	(160)	27,098	0.38
Sino Lead Enterprise Limited	125 (HK$ 30,000)	29,484	29,258	226	116,246	92	77	Note
New Diligent Hong Kong Co. Limited	3,051 (US$ 100,000)	7,334	4,468	2,866	2,311	108	(185)	Note
Information Security Service Digital United Inc.	102,490	212,939	96,867	116,072	293,861	13,032	13,227	1.29
Digital United (Cayman) Ltd.	RMB 33,039,600 (US$ 4,320,000)	RMB 3,077,501	RMB 15,575	RMB 3,061,926	-	RMB (61,850)	RMB (3,897,357)	RMB (0.90)
Digital United Information Technologies (Shanghai) Ltd.	RMB 23,552,583	RMB 481,964	-	RMB 481,964	RMB 1,957,493	RMB (2,035,784)	RMB (1,964,737)	Note
Far Eastern New Diligent Company Ltd.	RMB 91,482,640 (US$ 14,300,000)	RMB 17,456,586	RMB 15,334	RMB 17,441,252	-	RMB (36,993)	RMB 5,737,906	Note
Yuan Shi Digital Technology Co., Ltd.	1,041,675	393,490	526,739	(133,249)	1,956,310	(360,351)	(371,842)	(4.57)
Far Eastern New Century Information Technology (Beijing) Limited	RMB 74,326,183	RMB 1,171,820	RMB 130,428	RMB 1,041,392	-	RMB (1,441,566)	RMB 5,901,199	Note

Note: Not calculated as is a limited company that has not issued stock.

1-2 Declaration for the Consolidated Financial Statements of Affiliated Enterprises of the Company

February 23, 2018

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2017 are the same as the companies required to be included in the consolidated financial statements of parent and subsidiaries companies as of and for the years ended December 31, 2017 and 2016, as provided in International Financial Reporting Standard 10 "Consolidated Financial Statements." Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiaries companies as of and for the years ended December 31, 2017 and 2016. Hence, we did not prepare a separate set of consolidated financial statements of affiliates for the year ended December 31, 2017

Very truly yours,

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

By

DOUGLAS HSU
Chairman

1-3 Affiliation Report

(1) Independent Auditor's Report

To: Far EasTone Telecommunications Co., Ltd.

According to the declaration of Far EasTone Telecommunications Co., Ltd. (the Company), the Affiliation Report of 2017 dated February 23, 2018 had been prepared in conformity with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliates Enterprises ("the Criteria") and the information in the above report has no significant inconsistency from the notes to the financial statements as of and for the year ended December 31, 2017 ("the Notes"). The declaration is shown on the next page.

We have examined the Affiliation Report of the Company against the Criteria and the Notes. As stated in the above declaration, there was no significant inconsistency found between your 2017 Affiliation Report and the Criteria and the Notes for the year ended December 31, 2017.

March 28, 2018

By

Deloitte & Touche

Deloitte and Touche Co.

(2) Declaration for the Affiliation Report of the Company

DECLARATION FOR THE AFFILIATION REPORT OF
FAR EASTONE TELECOMMUNICATIONS CO., LTD.

February 23, 2018

We hereby declare that the Affiliation Report of 2017 had been prepared in conformity with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliates Enterprises" and the information in the above report has no significant inconsistency from the Notes to the Financial Statements as of and for the year ended December 31, 2017.

Very truly yours,

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

By

DOUGLAS HSU

Chairman

(3) The relationship between the subordinate company and the parent company: Schedule A.

(4) Purchase (sale) of goods between the subordinate company and the parent company: Schedule B.

(5) Property transactions between the subordinate company and the parent company: None.

(6) Financing between the subordinate company and the parent company: None.

(7) Asset leasing between the subordinate company and the parent company: Schedule C.

(8) Endorsements and guarantees between the subordinate company and the parent company: None.

SCHEDULE A

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

THE RELATIONSHIP BETWEEN THE SUBORDINATE COMPANY AND THE PARENT COMPANY
DECEMBER 31, 2017

(Unit: Number of Shares, %)

Parent Company	For the Control Reason	Parent Company's Shareholding Information			Parent Company Appointed Directors, Supervisors or Managerial Officer	
		Shareholding	%	Share Pledged	Title	Name
Yuan Ding Investment Co., Ltd.	Indirect control over the management of the personnel, financial or business operation of Far EasTone	1,066,657,614	32.73	30,455,168	Chairman Managing director Managing director	Douglas Hsu Peter Hsu Jan Nilsson
Yuan Ding Co., Ltd.	Indirect control over the management of the personnel, financial or business operation of Far EasTone	4,163,500	0.13	-	Director Director	Champion Lee Jeff Hsu
Fu Kwok Knitting & Garment Corporation	Indirect control over the management of the personnel, financial or business operation of Far EasTone	520,000	0.01	-	-	-
Ding Yuan International Investment Co., Ltd.	Indirect control over the management of the personnel, financial or business operation of Far EasTone	919,653	0.03	-	Director	Toon Lim
Far Eastern New Century Corporation	Indirect control over the management of the personnel, financial or business operation of Far EasTone	-	-	-	-	-
Yuan Tong Investment Co., Ltd.	Indirect control over the management of the personnel, financial or business operation of Far EasTone	100,237,031	3.08	30,015,000	-	-
An Ho Garment Co., Ltd.	Indirect control over the management of the personnel, financial or business operation of Far EasTone	40,817,592	1.25	10,950,000	-	-
Kai Yuan International Investment Co., Ltd.	Indirect control over the management of the personnel, financial or business operation of Far EasTone	34,149,031	1.05	16,100,000	-	-

SCHEDULE B

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

PURCHASE (SALE) OF GOODS BETWEEN THE SUBORDINATE COMPANY AND THE PARENT COMPANY FOR THE YEAR ENDED DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars)

Parent Company	Transaction Details				Transactions Between the Parent Company		Normal Transactions		Difference Reason	Accounts Receivable or (Payable)		Overdue			Notes
	Purchase (Sale)	Amount	% to Total	Gross Profit	Unit Price	Payment Terms	Unit Price	Payment Terms		Ending Balance	% to Total	Amount	Action Taken	Allowance for Doubtful Accounts	
Far Eastern New Century Corporation	Sale	$24	0.0002	-	The terms and conditions conformed to normal transactions		-	-	-	-	-	-	-	-	
Yuan Ding Co., Ltd.	Sale	56	0.0004	-	The terms and conditions conformed to normal transactions		-	-	-	-	-	-	-	-	

SCHEDULE C

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

ASSET LEASING BETWEEN THE SUBORDINATE COMPANY AND THE PARENT COMPANY FOR THE YEAR ENDED DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars)

Transaction	Target Asset		Period	Type	Rental Terms	Payment Method	Comparison with Ordinary Leasing Price Level	Rental for This Period	Other Special Stipulations
	Name	Location Lease							
Far Eastern New Century Corporation									
Leasing	BTS00006744	No. 180, Tu-Ti-Kung-Pu, Wen-Shan Li, Hsin-Pu Town, Hsin-Chu County	1997.07.15-2022.07.14	Operating	Same as normal leasing	Bank remittance annually	Same	$ 274	None
Leasing	BTS00007807	No. 3, King-Chen 6th Rd., Kuan-Ying, Industrial Area, Kuan-Yin District, Tao-Yuan City	2008.11.15-2019.11.14	Operating	Same as normal leasing	Bank remittance annually	Same	232	None
Leasing	Nei-Li MSC	No. 759, Yuan-Tung Section, Nei-Li District, Tao-Yuan City	2007.05.01-2022.04.30	Operating	Same as normal leasing	Bank remittance monthly	Same	2,935	None
Leasing	BTS00007979	No. 2, Alley 266, Desing Rd., Hu-Kuo Township, Hsin-Chu County	2000.11.15-2020.11.14	Operating	Same as normal leasing	Bank remittance monthly	Same	782	None
Leasing	BTS00051486	2F., No.7, Gongye 4th Rd., Kuan-Ying, Industrial Area, Kuan-Yin District,Tao-Yuan City	2012.02.01-2022.01.31	Operating	Same as normal leasing	Bank remittance monthly	Same	246	None
Total								$ 4,469	
Yuan Ding Co., Ltd.									
Leasing	The Mall retail sales	1F., No.209, Sec. 2, Dunhua S. Rd., Taipei City	1995.08.15-2020.09.30	Operating	Same as normal leasing	Bank remittance monthly	Same	$6,291	None
Leasing	The Mall stud	1F., No.209, Sec. 2, Dunhua S. Rd., Taipei City	2011.06.08-2020.09.30	Operating	Same as normal leasing	Bank remittance monthly	Same	360	None
Leasing	The Mall Office	28F., No.209, Sec. 2, Dunhua S. Rd., Taipei City	2015.01.01-2018.12.31	Operating	Same as normal leasing	Bank remittance monthly	Same	211	None
Leasing	BT00015950	7F., No.89, Sec. W., Daxue Rd., East Dist., Tainan City	2013.09.15-2018.09.14	Operating	Same as normal leasing	Bank remittance monthly	Same	162	None

Transaction	Target Asset		Period	Type	Rental Terms	Payment Method	Comparison with Ordinary Leasing Price Level	Rental for This Period	Other Special Stipulations
	Name	Location Lease							
Leasing	BT00044916	23F., No.89, Sec. W., Daxue Rd., East Dist., Tainan City	2013.03.15-2018.03.14	Operating	Same as normal leasing	Bank remittance monthly	Same	162	None
Leasing	BT00047899	B1., No.203, Sec. 2, Dunhua S. Rd., Taipei City	2013.09.01-2018.08.31	Operating	Same as normal leasing	Bank remittance annually	Same	680	None
Leasing	BT00024251	No.201, Sec. 2, Dunhua S. Rd., Taipei City	2013.09.01-2022.08.31	Operating	Same as normal leasing	Bank remittance annually	Same	757	None
Leasing	BT00052216	No.16,18, Xinzhan Rd., Banqiao Dist., New Taipei City	2014.10.01-2019.09.30	Operating	Same as normal leasing	Bank remittance annually	Same	1,659	None
Leasing	BT00059828	No.207, Sec. 2, Dunhua S. Rd., Taipei City	2016.11.01-2019.10.31	Operating	Same as normal leasing	Bank remittance annually	Same	1,613	None
Total								**$ 11,895**	

2. Private Placement Securities from last year up to the Annual Report being Published

None.

3. The Company's Shares Held or Disposed by Subsidiaries from last year up to the Annual Report being Published

None.

4. Other Supplementary Information

None.

5. Material Event Impact, pursuant to Article 36-3-2 of the Securities and Exchange Act, on Shareholders' Equity or Share Price from last year up to the Annual Report being Published

None.

VII Financial Information

1. Condensed Financial Statement for Recent 5 Years
2. Financial Analysis for Recent 5 Years
3. 2017 Audit Committee's Review Report
4. 2017 Independent Auditors' Report, Consolidated Financial Statements and Notes
5. 2017 Independent Auditors' Report, Standalone Financial Statements and Notes

1. Condensed Financial Statement for Recent 5 Years

1-1 Condensed Balance Sheet and Comprehensive Income Statement - International Financial Reporting Standards

1-1-1 Condensed Balance Sheet - by Standalone

2018/03/31; Unit: NT$' 000

Item \ Year		2018/01/01 ~ 2018/03/31	Financial Information for Recent 5 years				
			2017	2016	2015	2014	2013
Current Assets		Not Applicable	14,284,303	12,431,062	26,860,174	12,249,998	12,013,097
Properties, Plants and Equipment			28,927,960	32,184,965	33,288,032	31,895,203	29,010,816
Intangible assets			54,904,817	51,207,871	44,399,748	46,286,658	47,375,765
Other Assets			32,167,690	32,217,848	34,063,071	32,749,617	30,937,732
Total Assets			130,284,770	128,041,746	138,611,025	123,181,476	119,337,410
Current Liabilities	Before Distribution		29,247,064	27,599,086	24,926,487	23,745,078	23,299,694
	After Distribution		(Note 1)	39,818,464	37,145,865	35,964,456	35,519,072
Non-current Liabilities			31,279,294	29,436,642	41,778,173	26,688,748	22,565,752
Total Liabilities	Before Distribution		60,526,358	57,035,728	66,704,660	50,433,826	45,865,446
	After Distribution		(Note 1)	69,255,106	78,924,038	62,653,204	58,084,824
Capital Stocks			32,585,008	32,585,008	32,585,008	32,585,008	32,585,008
Capital Surplus	Before Distribution		8,143,345	10,166,874	12,058,158	14,009,061	15,919,097
	After Distribution		(Note 1)	8,143,345	10,181,262	12,109,355	14,009,616
Retained Earnings	Before Distribution		29,011,927	28,387,615	27,388,411	26,292,678	25,074,891
	After Distribution		(Note 1)	18,191,766	17,045,929	15,973,006	14,764,994
Other Shareholders' Equity Item			18,132	(133,479)	(125,212)	(139,097)	(107,032)
Total Shareholders' Equity	Before Distribution		69,758,412	71,006,018	71,906,365	72,747,650	73,471,964
	After Distribution		(Note 1)	58,786,640	59,686,987	60,528,272	61,252,586

Note 1: The appropriation of 2017 earning has not been approved by the Shareholders' Meeting.

1-1-2 Condensed Comprehensive Income Statement – by Standalone

2018/03/31; Unit: Except EPS is NT dollar; others are NT$'000

Item \ Year	2018/01/01 ~ 2018/03/31	Financial Information for Recent 5 Years				
		2017	2016	2015	2014	2013
Operating Revenues	Not Applicable	72,945,992	78,838,895	80,765,722	78,403,544	73,954,595
Gross Profit		31,270,345	32,611,252	32,716,019	32,804,061	32,204,042
Operating Income		12,191,454	11,841,655	12,098,334	12,127,124	13,411,215
Non-Operating Income and Expenses		563,596	956,619	1,742,522	1,715,125	1,006,820
Income before Tax		12,755,050	12,798,274	13,840,856	13,842,249	14,418,035
Net Income from Operating Business		10,856,682	11,391,303	11,485,695	11,482,985	11,829,195
Net Income (Loss)		10,856,682	11,391,303	11,485,695	11,482,985	11,829,195
Other Comprehensive Income Loss (Net of income tax)		170,637	(43,443)	(45,363)	12,634	(189,595)
Total Comprehensive Income		11,027,319	11,347,860	11,440,332	11,495,619	11,639,600
Earnings Per Share		3.33	3.50	3.52	3.52	3.63

1-1-3 Condensed Balance Sheet-by Consolidated

2018/03/31; Unit: NT$' 000

Item / Year		2018/01/01 ~ 2018/03/31 (Note 1)	Financial Information In Recent 5 years				
			2017	2016	2015	2014	2013
Current Assets		25,375,806	26,284,153	26,557,388	34,299,373	20,806,012	19,345,807
Properties, Plants and Equipment		44,777,184	46,233,707	49,849,572	52,045,655	50,938,477	48,034,681
Intangible assets		55,323,817	56,109,371	52,458,457	45,677,996	47,703,750	48,869,963
Other Assets		7,579,907	4,079,124	3,941,905	4,858,147	4,259,948	3,973,325
Total Assets		133,056,714	132,706,355	132,807,322	136,881,171	123,708,187	120,223,776
Current Liabilities	Before Distribution	29,174,211	30,391,974	30,980,704	21,683,305	22,675,815	22,632,007
	After Distribution	(Note 2)	(Note 2)	43,262,310	33,986,190	34,980,300	34,949,072
Non-current Liabilities		24,629,918	31,868,168	30,104,017	42,538,970	27,479,371	23,335,030
Total Liabilities	Before Distribution	53,804,129	62,260,142	61,084,721	64,222,275	50,155,186	45,967,037
	After Distribution	(Note 2)	(Note 2)	73,366,327	76,525,160	62,459,671	58,284,102
Equity Attributable to Owners of Far EasTone	Before Distribution	78,560,667	69,758,412	71,006,018	71,906,365	72,747,650	73,471,964
	After Distribution	(Note 2)	(Note 2)	58,786,640	59,686,987	60,528,272	61,252,586
Capital Stocks		32,585,008	32,585,008	32,585,008	32,585,008	32,585,008	32,585,008
Capital Surplus	Before Distribution	8,143,351	8,143,345	10,166,874	12,058,158	14,009,061	15,919,097
	After Distribution	(Note 2)	(Note 2)	8,143,345	10,181,262	12,109,355	14,009,616
Retained Earnings	Before Distribution	37,829,392	29,011,927	28,387,615	27,388,411	26,292,678	25,074,891
	After Distribution	(Note 2)	(Note 2)	18,191,766	17,045,929	15,973,006	14,764,994
Other Shareholders' Equity Item		2,916	18,132	(133,479)	(125,212)	(139,097)	(107,032)
Non-controlling Interest	Before Distribution	691,918	687,801	716,583	752,531	805,351	784,775
	After Distribution	(Note 2)	(Note 2)	654,355	669,024	720,244	687,088
Total Shareholders' Equity	Before Distribution	79,252,585	70,446,213	71,722,601	72,658,896	73,553,001	74,256,739
	After Distribution	(Note 2)	(Note 2)	59,440,995	60,356,011	61,248,516	61,939,674

Note:1 The financial statements for the first quarter of 2018 have been reviewed by CPA.
Note:2 The distribution of the 2017 earnings has not been approved by the Shareholders' Meeting.

1-1-4 Condensed Comprehensive Income Statement – by Consolidated

2018/03/31; Unit: Except EPS is NT dollar; others are NT$'000

Item \ Year	2018/01/01 ~ 2018/03/31 (Note 1)	Financial Information in Recent 5 Years				
		2017	2016	2015	2014	2013
Operating Revenues	21,666,560	92,069,681	94,344,266	97,293,218	94,175,600	89,670,579
Gross Profit	7,075,491	35,762,919	38,151,119	38,509,786	38,022,308	36,765,967
Operating Income	3,251,312	14,216,298	15,024,350	15,393,037	15,052,589	15,478,698
Non-Operating Income and Expenses	(159,906)	(1,053,726)	(1,235,015)	(1,455,171)	(1,068,930)	(924,308)
Income before Tax	3,091,406	13,162,572	13,789,335	13,937,866	13,983,659	14,554,390
Net Income from Operating Business	2,457,668	10,853,643	11,410,675	11,534,251	11,565,631	11,906,383
Net Income (Loss)	2,457,668	10,853,643	11,410,675	11,534,251	11,565,631	11,906,383
Other Comprehensive Income Loss (Net of income tax)	(3,476)	171,098	(42,178)	(45,367)	12,734	(189,171)
Total Comprehensive Income	2,454,192	11,024,741	11,368,497	11,488,884	11,578,365	11,717,212
Net Income Attributable to Owners of Far EasTone	2,453,198	10,856,682	11,391,303	11,485,695	11,482,985	11,829,195
Net Income Attributable to Non-Controlling Interest	4,470	(3,039)	19,372	48,556	82,646	77,188
Comprehensive Income Attributable to Owners of Far EasTone	2,449,715	11,027,319	11,347,860	11,440,332	11,495,619	11,639,600
Comprehensive Income Attributable to Non-Controlling Interest	4,477	(2,578)	20,637	48,552	82,746	77,612
Earning Per Share	0.75	3.33	3.50	3.52	3.52	3.63

Note 1: The financial statements for the first quarter of 2018 have been reviewed by CPA.

1-2 Independent Auditor's Names and Auditor's Opinions for Past 5 Years

Year	Audit Firm	Auditors' Name	Opinion
2013	Deloitte and Touche Co.	Tony Chang, Denny Kuo	Unqualified opinion
2014	Deloitte and Touche Co.	Tony Chang, Denny Kuo	Modified Unqualified opinion
2015	Deloitte and Touche Co	Annie Lin, Denny Kuo	Unqualified opinion
2016	Deloitte and Touche Co	Annie Lin, Denny Kuo	Unqualified opinion
2017	Deloitte and Touche Co	Annie Lin, Denny Kuo	Unqualified opinion

Reason of Auditor change: Due to the internal job adjustment and arrangement in Deloitte and Touche Co., the auditor Tony Chang was replaced by Annie Lin in 2015.

2. Financial Analysis for Recent 5 Years

Financial Ratio Analysis -International Financial Reporting Standards

2-1. Financial Ratio Analysis- by Standalone

2018/03/31

Item	Year	2018/01/01~ 2018/03/31	Financial Ratio Analysis for Recent 5 years				
			2017	2016	2015	2014	2013
Financial Structure (%)	Debt to Asset Ratio	Not Applicable	46.46	44.54	48.12	40.94	38.43
	Long-term Funds to Properties, Plants and Equipment Ratio		349.27	312.08	341.52	311.76	331.04
Liquidity Analysis (%)	Current Ratio (%)		48.84	45.04	107.76	51.59	51.56
	Quick Ratio (%)		34.37	36.67	91.80	40.81	39.33
	Times Interest Earned (times)		27.97	28.22	30.34	38.47	163.67
Operating Performance	Accounts Receivable Turnover (times)		10.21	11.09	11.47	11.22	10.61
	Average Collection Days		35.74	32.91	31.82	32.53	34.40
	Inventory Turnover (times)		7.19	10.20	11.00	12.77	12.67
	Accounts Payable Turnover (times)		11.96	16.40	13.70	11.44	9.58
	Inventory Turnover Days		50.76	35.78	33.18	28.58	28.80
	Properties, Plant and Equipment Turnover (times)		2.39	2.41	2.48	2.57	2.51
	Total Assets Turnover (times)		0.56	0.59	0.62	0.65	0.69
Profitability Analysis	Return on Assets (%)		8.71	8.84	9.07	9.72	11.18
	Return on Equity (%)		15.43	15.94	15.88	15.71	16.13
	Income before Tax to Capital ratio		39.14	39.28	42.48	42.48	44.25
	Net Income Ratio (%)		14.88	14.45	14.22	14.65	16.00
	Earnings per share (NT$)		3.33	3.50	3.52	3.52	3.63
Cash flow	Cash Flow Ratio (%)		80.93	90.41	72.27	93.95	86.97
	Cash Flow Equivalent Ratio (%)		69.36	71.98	75.24	72.89	75.62
	Cash Reinvestment Ratio (%)		7.57	6.68	2.82	4.88	4.25
Leverage Ratio	Operating Leverage (times)		2.57	2.60	2.46	2.34	2.12
	Financial Leverage (times)		1.04	1.04	1.04	1.03	1.01

Analysis of variation plus - minus (+/-)20% in recent 2 years:

1. Inventory Turnover (times): The variation was mainly caused by a substantial increase in the Company's mobile phone purchase volume due to market demand comparing to last year.
2. Accounts Payable Turnover (times): The variation was mainly due to an increase in year-end payables as the Company's mobile phone purchases at the end of year were paid in the following year.
3. Inventory Turnover Days: The main reason for this variation is the decrease in Inventory Turnover compared to last year.

2-1-2. Financial Ratio Analysis- by Consolidated

2018/03/31

Item	Year	2018/01/01~ 2018/03/31 (Note)	Financial Ratio Analysis for Recent 5 years				
			2017	2016	2015	2014	2013
Financial Structure (%)	Debt to Asset Ratio	40.44	46.92	45.99	46.92	40.54	38.23
	Long-term Funds to Properties, Plants and Equipment Ratio	232.00	221.30	204.27	221.34	198.34	203.17
Liquidity Analysis (%)	Current Ratio (%)	86.98	86.48	85.72	158.18	91.75	85.48
	Quick Ratio (%)	68.69	67.94	73.85	131.59	73.40	62.87
	Times Interest Earned (times)	29.90	29.50	32.21	32.49	41.49	124.32
Operating Performance	Accounts Receivable Turnover (times)	9.97	10.43	11.26	11.67	11.23	10.85
	Average Collection Days	36.60	34.99	32.41	31.27	32.50	33.64
	Inventory Turnover (times)	6.45	7.27	7.56	7.97	7.59	7.18
	Accounts Payable Turnover (times)	9.68	10.52	12.94	12.06	10.85	9.09
	Inventory Turnover Days	56.58	50.20	48.28	45.79	48.08	50.83
	Properties, Plant and Equipment Turnover (times)	1.90	1.92	1.85	1.89	1.90	1.85
	Total Assets Turnover (times)	0.65	0.69	0.70	0.75	0.77	0.82
Profitability Analysis	Return on Assets (%)	7.66	8.46	8.73	9.13	9.72	10.94
	Return on Equity (%)	13.13	15.27	15.81	15.78	15.65	16.06
	Income before Tax to Capital ratio (%)	37.95	40.39	42.32	42.77	42.91	44.67
	Net Income Ratio (%)	11.34	11.79	12.09	11.86	12.28	13.28
	Earnings per share (NT$)	0.75	3.33	3.50	3.52	3.52	3.63
Cash flow	Cash Flow Ratio (%)	20.59	81.76	87.39	97.09	112.83	96.77
	Cash Flow Equivalent Ratio (%)	91.82	71.86	75.75	79.19	85.04	88.84
	Cash Reinvestment Ratio (%)	3.32	7.02	6.79	3.78	5.74	4.50
Leverage Ratio	Operating Leverage	2.58	2.41	2.25	2.13	2.11	2.04
	Financial Leverage	1.03	1.03	1.03	1.03	1.02	1.01

Note: The financial statements for the first quarter of 2018 have been reviewed by CPA.

Analysis of variation plus - minus (+/-)20% in recent 2 years: Not Applicable

The formulas for the above table:

1. Financial Structure
   (1) Debts to Assets Ratio = Total Liabilities / Total Assets
   (2) Long-term Funds to Properties, Plants and Equipment Ratio = (Total Shareholders' Equity plus Noncurrent Liabilities) / Net of Properties, Plants and Equipment
2. Liquidity Analysis
   (1) Current Ratio = Current Assets / Current Liabilities
   (2) Quick Ratio = (Current Assets - Inventory - Prepaid Expense) / Current Liabilities
   (3) Times Interest Earned Ratio = (Net Income before Income Tax and Interest Expenses) / Interest Expense
3. Operating Performance
   (1) Account Receivable* Turnover = Net Sales / Average Accounts Receivable*
   (* including Accounts Receivable and Notes Receivable originated from operating)

(2) Average Collection Days = 365/ Accounts Receivable Turnover

(3) Inventory Turnover = Costs of Good Sold / Average Inventory

(4) Accounts Payable** Turnover = Costs of Good Sold / Average Accounts Payable**
(** including Accounts payable and Notes Payable originated from operating)

(5) Inventory Turnover Days = 365 / Inventory Turnover

(6) Properties, Plants and Equipment Assets Turnover Ratio = Net Sales / Average of Net Properties, Plants and Equipment.

(7) Total Assets Turnover Ratio = Net Sales / Average of Total Assets

4. Profitability Analysis

(1) Return on Assets =[Net Income +Interest Expense×(1-Tax Rate)] / Average Total Assets

(2) Return on Shareholders' Equity =Net Income / Average Shareholders' Equity

(3) Net Income Ratio = Net Income / Net Sales

(4) Earnings per Share = (Net Income Attributable to Owners of Far Eastone - Preferred Stock Dividend) / Weighted average Number of Outstanding Shares

5. Cash Flow

(1) Cash Flow Ratio = Cash Flows from Operating Activities / Current Liabilities

(2) Cash Flow Equivalent Ratio = Net Cash Flow from Operating Activities for the past 5 years / (Capital Expenditure + Increase in Inventory + Cash Dividends) for the past 5 years

(3) Cash Reinvestment Ratio = (Net Cash Flow from Operating Activities - Cash Dividends) / (Gross Properties, Plants and Equipment + Long-term Investment + Other Noncurrent Assets + Working Capital)

6. Leverage Ratio

(1) Operating Leverage = (Net Sales - Variable Operating Costs and Expenses) / Operating Income

(2) Financial Leverage = Operating Income / (Operating Income-Interest Expenses)

3. 2017 Audit Committee's Review Report

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2017 Business Report, the Financial Statements and the Proposal for Profit Distribution. The CPAs of Deloitte & Touche, Annie Lin and Denny Kuo have audited the Financial Statements (including the Stand-alone & the Consolidated Financial Reports) and issued the audit opinions. The Business Report, Financial Statements, and the Proposal for Profit Distribution have been reviewed and determined to be correct and accurate by the Audit Committee members of Far EasTone Telecommunications Co., Ltd. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Far EasTone Telecommunications Co., Ltd.

Chairman of the Audit Committee:

Lawrence Juen-Yee LAU

March 2, 2018

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit 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 Consolidated Financial Statements section of our report. We are independent of the Group 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 consolidated financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The description of the key audit matters of the consolidated 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 consolidated balances of property, plant and equipment and intangible assets account for 77% of the Group's total assets and are material for the consolidated financial statements as a whole. Economic trends, market competition, and technology development influence the operation of the Group 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 as 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 consolidated financial statements. For other related disclosures, refer to Note 14 and Note 16.

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

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

2. Evaluate the reasonableness of the Group'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 Group's revenue, and it accounts for 69% of the Group's total revenue for the year ended December 31, 2017. The calculation of mobile telecommunications service revenue relies heavily on automated systems and includes complicated and huge amounts of data transmission. In order to meet market demands and remain competitive, the Group often launches different combinations of products and services which make the calculations of revenue more complex and directly affect the accuracy and timing of revenue recognition. Therefore, the recognition of mobile telecommunications service revenue is considered as a key audit matter.

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

By conducting tests of controls, we obtained an understanding of the Group's recognition of mobile telecommunications service revenue and of 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.

Other Matter

We have also audited the parent company only financial statements of Far EasTone Telecommunications Co., Ltd. as of and for the years ended December 31, 2017 and 2016 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group 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 Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group 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 consolidated 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

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 23, 2018

Notice to Readers

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED 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 34)	$ 8,347,304	6	$ 10,258,743	8
Financial asset at fair value through profit or loss - current (Notes 4 and 34)	595,200	-	-	-
Available-for-sale financial assets - current (Notes 4 and 34)	-	-	598,132	-
Derivative financial assets for hedging - current (Notes 4, 7 and 34)	1,700	-	2,073	-
Debt investments with no active market - current (Notes 4, 9 and 34)	658,765	1	910,396	1
Notes receivable, net (Notes 4 and 10)	70,321	-	64,361	-
Accounts receivable, net (Notes 4 and 10)	7,706,352	6	7,445,520	6
Accounts receivable - related parties (Notes 4, 10 and 34)	251,910	-	205,425	-
Inventories (Notes 4 and 11)	4,776,547	4	2,488,365	2
Prepaid expenses	859,512	1	1,190,030	1
Other financial assets - current (Notes 4, 34 and 35)	2,856,693	2	3,079,280	2
Other current assets (Note 34)	159,849	-	315,063	-
Total current assets	26,284,153	20	26,557,388	20
NONCURRENT ASSETS				
Financial assets carried at cost (Notes 4 and 8)	263,308	-	218,308	-
Investments accounted for using the equity method (Notes 4, 13 and 34)	1,205,015	1	1,025,081	1
Property, plant and equipment, net (Notes 4, 14 and 34)	46,233,707	35	49,849,572	37
Investment properties (Notes 4 and 15)	1,082,453	1	1,041,406	1
Concessions, net (Notes 1, 4 and 16)	41,820,510	31	38,383,531	29
Goodwill (Notes 4 and 16)	10,808,901	8	10,808,901	8
Other intangible assets (Notes 4 and 16)	3,479,960	3	3,266,025	2
Deferred income tax assets (Notes 4 and 26)	759,909	-	943,784	1
Other noncurrent assets (Notes 4, 10, 17, 22, 34 and 35)	768,439	1	713,326	1
Total noncurrent assets	106,422,202	80	106,249,934	80
TOTAL	$ 132,706,355	100	$ 132,807,322	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4 and 18)	$ 864,000	1	$ 2,800,000	2
Short-term bills payable (Notes 4 and 18)	299,681	-	3,149,171	2
Derivative financial liabilities for hedging - current (Notes 4, 7 and 34)	-	-	47,767	-
Notes payable	45,637	-	15,425	-
Accounts payable (Note 34)	6,515,052	5	4,126,464	3
Other payables (Note 20)	7,531,030	6	8,795,001	7
Current tax liabilities (Note 4)	2,033,857	1	2,157,366	2
Provisions - current (Notes 4 and 21)	227,536	-	219,922	-
Unearned revenue (Note 4)	2,806,802	2	2,447,193	2
Current portion of long-term borrowings (Notes 4, 18 and 19)	8,998,533	7	6,197,478	5
Guarantee deposits received - current	246,344	-	257,597	-
Other current liabilities (Note 34)	823,502	1	767,320	-
Total current liabilities	30,391,974	23	30,980,704	23
NONCURRENT LIABILITIES				
Bonds payable (Notes 4 and 19)	20,373,820	15	12,190,103	9
Long-term borrowings (Notes 4 and 18)	7,600,000	6	14,048,345	11
Provisions - noncurrent (Notes 4 and 21)	887,441	1	859,586	1
Deferred income tax liabilities (Notes 4 and 26)	1,730,452	1	1,595,238	1
Deferred revenue - noncurrent (Note 20)	185,766	-	193,188	-
Net defined benefit liabilities - noncurrent (Notes 4 and 22)	728,162	1	764,232	1
Guarantee deposits received - noncurrent	296,738	-	310,364	-
Other noncurrent liabilities (Notes 4 and 13)	65,789	-	142,961	-
Total noncurrent liabilities	31,868,168	24	30,104,017	23
Total liabilities	62,260,142	47	61,084,721	46
EQUITY ATTRIBUTABLE TO OWNERS OF FAR EASTONE				
Capital stock				
Common stock	32,585,008	25	32,585,008	24
Capital surplus	8,143,345	6	10,166,874	8
Retained earnings				
Legal reserve	17,405,561	13	16,270,878	12
Special reserve	783,467	1	769,907	1
Unappropriated earnings	10,822,899	8	11,346,830	8
Total retained earnings	29,011,927	22	28,387,615	21
Other equity	18,132	-	(133,479)	-
Total equity attributable to owners of Far EasTone	69,758,412	53	71,006,018	53
NONCONTROLLING INTERESTS	687,801	-	716,583	1
Total equity	70,446,213	53	71,722,601	54
TOTAL	$ 132,706,355	100	$ 132,807,322	100

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED 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, 24 and 34)	$ 92,069,681	100	$ 94,344,266	100
OPERATING COSTS (Notes 4, 11, 25 and 34)	56,306,762	61	56,193,147	60
GROSS PROFIT	35,762,919	39	38,151,119	40
OPERATING EXPENSES (Notes 4, 25 and 34)				
Marketing	15,663,463	17	17,274,374	18
General and administrative	5,883,158	7	5,852,395	6
Total operating expenses	21,546,621	24	23,126,769	24
OPERATING INCOME	14,216,298	15	15,024,350	16
NONOPERATING INCOME AND EXPENSES				
Other income (Notes 4, 25 and 34)	98,094	-	93,536	-
Other gains and losses (Notes 4, 7, 15, 16 and 34)	145,680	-	275,644	-
Financial costs (Notes 4, 25 and 34)	(461,784)	-	(441,781)	-
Share of the loss of associates (Note 4)	(79,524)	-	(164,917)	-
Loss on disposal of property, plant, equipment and intangible assets (Note 4)	(756,192)	(1)	(683,934)	(1)
Impairment loss recognized on property, plant and equipment (Notes 4 and 14)	-	-	(313,563)	-
Total nonoperating income and expenses	(1,053,726)	(1)	(1,235,015)	(1)
INCOME BEFORE INCOME TAX	13,162,572	14	13,789,335	15
INCOME TAX (Notes 4 and 26)	2,308,929	2	2,378,660	3
NET INCOME	10,853,643	12	11,410,675	12
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 4)	19,430	-	(35,245)	-
	19,430	-	(35,245)	-

(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED 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 23)	$ (491)	-	$ 5,590	-
Unrealized gains (losses) on available-for-sale financial assets (Notes 4 and 23)	45,872	-	(60,497)	-
Cash flow hedges (Notes 4, 7 and 23)	24,698	-	(17,269)	-
Share of other comprehensive income of associates accounted for using the equity method (Note 4)	81,589	-	65,243	-
	151,668	-	(6,933)	-
Total other comprehensive income, net of income tax	171,098	-	(42,178)	-
TOTAL COMPREHENSIVE INCOME	$ 11,024,741	12	$ 11,368,497	12
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of Far EasTone	$ 10,856,682	12	$ 11,391,303	12
Noncontrolling interests	(3,039)	-	19,372	-
	$ 10,853,643	12	$ 11,410,675	12
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of Far EasTone	$ 11,027,319	12	$ 11,347,860	12
Noncontrolling interests	(2,578)	-	20,637	-
	$ 11,024,741	12	$ 11,368,497	12
EARNINGS PER SHARE, NEW TAIWAN DOLLARS (Note 27)				
Basic	$ 3.33		$ 3.50	
Diluted	$ 3.33		$ 3.49	

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of Far EasTone										
			Retained Earnings			Other Equity					
	Capital Stock (Note 23)	Capital Surplus (Notes 4, 23 and 29)	Legal Reserve (Note 23)	Special Reserve (Note 23)	Unappropriated Earnings (Notes 4, 23 and 28)	Exchange Differences on Translating Foreign Operations (Notes 4 and 23)	Unrealized Gains (Losses) on Available-for-sale Financial Assets (Notes 4 and 23)	Cash Flow Hedges (Notes 4 and 23)	Total	Noncontrolling Interests (Notes 4 and 23)	Total Equity
BALANCE AT JANUARY 1, 2016	$ 32,585,008	$ 12,058,158	$ 15,127,206	$ 824,480	$ 11,436,725	$ 829	$ 14,625	$ (140,666)	$ 71,906,365	$ 752,531	$ 72,658,896
Appropriation of the 2015 earnings											
Legal reserve	-	-	1,143,672	-	(1,143,672)	-	-	-	-	-	-
Special reserve	-	-	-	(54,573)	54,573	-	-	-	-	-	-
Cash dividends - NT$3.174 per share	-	-	-	-	(10,342,482)	-	-	-	(10,342,482)	-	(10,342,482)
Cash dividends from capital surplus - NT$0.576 per share	-	(1,876,896)	-	-	-	-	-	-	(1,876,896)	-	(1,876,896)
Adjustments to share of changes in equities of associates	-	-	-	-	(1,892)	-	-	-	(1,892)	-	(1,892)
Changes in ownership interests of subsidiaries	-	(14,388)	-	-	(12,549)	-	-	-	(26,937)	26,937	-
Cash capital reduction by subsidiaries	-	-	-	-	-	-	-	-	-	(15)	(15)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(83,507)	(83,507)
Net income for the year ended December 31, 2016	-	-	-	-	11,391,303	-	-	-	11,391,303	19,372	11,410,675
Other comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	(35,176)	3,809	(60,497)	48,421	(43,443)	1,265	(42,178)
BALANCE AT DECEMBER 31, 2016	32,585,008	10,166,874	16,270,878	769,907	11,346,830	4,638	(45,872)	(92,245)	71,006,018	716,583	71,722,601
Appropriation of the 2016 earnings											
Legal reserve	-	-	1,134,683	-	(1,134,683)	-	-	-	-	-	-
Special reserve	-	-	-	13,560	(13,560)	-	-	-	-	-	-
Cash dividends - NT$3.129 per share	-	-	-	-	(10,195,849)	-	-	-	(10,195,849)	-	(10,195,849)
Cash dividends from capital surplus - NT$0.621 per share	-	(2,023,529)	-	-	-	-	-	-	(2,023,529)	-	(2,023,529)
Adjustments to share of changes in equities of associates	-	-	-	-	(5,182)	-	-	-	(5,182)	-	(5,182)
Cash capital reduction by subsidiaries	-	-	-	-	-	-	-	-	-	(15)	(15)
Difference between the price for acquisition or disposal of subsidiaries and carrying amount	-	-	-	-	(144)	-	-	-	(144)	4,726	4,582
Changes in percentage of ownership interests of subsidiaries	-	-	-	-	(50,221)	-	-	-	(50,221)	31,313	(18,908)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(62,228)	(62,228)
Net income for the year ended December 31, 2017	-	-	-	-	10,856,682	-	-	-	10,856,682	(3,039)	10,853,643
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	19,026	(516)	45,872	106,255	170,637	461	171,098
BALANCE AT DECEMBER 31, 2017	$ 32,585,008	$ 8,143,345	$ 17,405,561	$ 783,467	$ 10,822,899	$ 4,122	$ -	$ 14,010	$ 69,758,412	$ 687,801	$ 70,446,213

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED 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	$ 13,162,572	$ 13,789,335
Adjustments for:		
Depreciation	10,032,639	9,444,179
Amortization	841,357	791,724
Amortization of concessions	3,078,021	2,581,338
Allowance for doubtful accounts	486,145	421,688
Net loss on financial assets at fair value through profit or loss	3,400	-
Financial costs	461,784	441,781
Interest income	(61,789)	(43,085)
Dividend income	(2,056)	(2,011)
Share of the loss of associates	79,524	164,917
Loss on disposal of property, plant, equipment and intangible assets	756,192	683,934
Transfer of property, plant and equipment to expenses	132	-
Gain on disposal of financial assets	(52,270)	(265)
Reversal of write-down of inventories	(22,329)	(31,779)
Impairment loss on nonfinancial assets	-	313,563
Loss on change in fair value of investment properties	24,677	18,653
Deferred gain on derivative assets for hedging	37,362	11,438
Net changes in operating assets and liabilities		
Financial assets held for trading	(598,600)	-
Derivative financial assets for hedging	(1,700)	-
Notes receivable	(5,960)	(3,741)
Accounts receivable	(768,188)	(1,071,514)
Accounts receivable - related parties	(46,485)	18,759
Inventories	(2,260,164)	2,048,609
Prepaid expenses	334,684	70,798
Other current assets	187,571	(14,082)
Notes payable	30,212	1,931
Accounts payable	2,111,440	(400,494)
Other payables	(860,579)	(158,732)
Provisions	(42,177)	(9,808)
Unearned revenue	339,596	2,220
Other current liabilities	19,678	357,268
Net defined benefit liabilities	(12,055)	(10,272)
Cash generated from operations	27,252,634	29,416,352
Interest received	57,860	50,094
Dividends received	2,056	2,011
Interest paid	(337,893)	(421,965)
Income taxes paid	(2,125,391)	(1,971,801)
Net cash generated from operating activities	24,849,266	27,074,691

(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED 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	$ 651,425	$ 190,134
Disposal of debt investments with no active market	251,631	611,656
Acquisition of financial assets carried at cost	(45,000)	-
Proceeds of the disposal of financial assets carried at cost	945	-
Acquisition of investments accounted for using the equity method	(274,497)	(30,000)
Acquisition of property, plant and equipment	(7,732,052)	(8,906,250)
Proceeds of the disposal of property, plant and equipment	76,351	38,081
Increase in refundable deposits	(304,648)	(316,693)
Decrease in refundable deposits	281,198	312,106
Acquisition of intangible assets	(7,538,693)	(9,147,729)
Cash received through mergers	236,615	-
Decrease (increase) in other financial assets	238,587	(297,880)
Net cash used in investing activities	(14,158,138)	(17,546,575)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term borrowings	(1,936,000)	2,293,029
(Decrease) increase in short-term bills payable	(2,849,490)	2,819,463
Proceeds from issuance of bond payables	14,675,877	-
Repayments of bonds payable	(6,200,000)	(1,600,000)
Proceeds of 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	98,865	114,190
Decrease in guarantee deposits received	(135,010)	(131,836)
Decrease in deferred revenue	(7,422)	(21,179)
Cash dividends paid	(12,281,606)	(12,302,885)
Net changes in noncontrolling interests	(18,924)	(15)
Net cash used in financing activities	(12,602,055)	(15,270,889)
EFFECT OF EXCHANGE RATE CHANGES	(512)	6,749
DECREASE IN CASH AND CASH EQUIVALENTS	(1,911,439)	(5,736,024)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	10,258,743	15,994,767
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$ 8,347,304	$ 10,258,743

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Far EasTone Telecommunications Co., Ltd. (Far EasTone) was incorporated in the Republic of China (ROC) on April 11, 1997 and began commercial operations on January 20, 1998. Far EasTone's stock began to be traded on the ROC over-the-counter (OTC) securities exchange (known as the Taipei Exchange, TPEx) on December 10, 2001. Later, Far EasTone's stock ceased to be traded on the TPEx and became listed on the ROC Taiwan Stock Exchange (the TWSE) on August 24, 2005. Far EasTone provides wireless communications, leased 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 Far EasTone's stock. Since Far Eastern New Century and its subsidiaries have the power to cast majority of votes at the meeting of Far EasTone's board of directors, Far Eastern New Century has control over Far EasTone's finances, operations and personnel affairs. Thus, Far Eastern New Century is the ultimate parent company of Far EasTone.

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

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

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

On October 30, 2013, Far EasTone bid for two 4G (fourth-generation wireless communications services) wireless communications licenses, GSM700 and GSM1800, with validity through December 31, 2030. Far EasTone bid for a 4G wireless communications license, GSM2600, on December 7, 2015, with validity through December 31, 2033. Far EasTone also bid for a 4G wireless communications license, GSM 2100, with a final bid price of $6,515,000 thousand, which was paid in December 2017.

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

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated 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 Financial Supervisory Commission (FSC)

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

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

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

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

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
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

(Continued)

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

(Concluded)

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

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the 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 Group's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest 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 collection 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 the above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The Group analyzed the facts and circumstances of its financial assets that exist at 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 Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

The Group 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 Group 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 Group 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 Group 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			
Derivative financial assets for hedging - current	$ 1,700	$ (1,700)	$ -
Financial assets for hedging - current	-	1,700	1,700
Financial assets measured at amortized cost - current	-	658,765	658,765
Debt investments with no active market - current	658,765	(658,765)	-
Noncurrent assets			
Financial assets measured at cost - noncurrent	263,308	(263,308)	-
Financial assets at fair value through other comprehensive income - noncurrent	-	251,575	251,575
Total effect on assets	132,706,355	(11,733)	132,694,622
Equity			
Other equity	-	(11,733)	(11,733)
Total effect on equity	70,446,213	(11,733)	70,434,480

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

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

a) Identify the contract with the customer;

b) Identify the performance obligations in the contract;

c) Determine the transaction price;

d) Allocate the transaction price to the performance obligations in the contracts; and

e) 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 Group regularly sells it separately) and the promise to transfer it is distinct within the context of the contract (i.e. the nature of the promise in the contract is to transfer each good or service individually rather than to transfer combined output).

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

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

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

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

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

b) The right to a service to be performed by another party, which gives the Group 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 Group's assessment of whether it controls a specified good or service include, but are not limited to, the following:

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

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

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

Currently, the Group determines whether it is a principal or an agent based on its exposure to the significant risks and rewards of 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 Group elects to recognize the cumulative effect of 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 Group 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 Group 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
Costs to obtain contracts - noncurrent	-	1,566,190	1,566,190
Total effect on assets	132,706,355	7,570,734	140,277,089

(Continued)

	Carrying Amount	Adjustments Arising from Initial Application	Adjusted Carrying Amount
Current liabilities			
Contract liabilities - current	$ -	$ 2,655,346	$ 2,655,346
Current tax liabilities	2,033,857	1,597,549	3,631,406
Unearned revenue	2,806,802	(2,806,802)	-
Total effect on liabilities	62,260,142	1,446,093	63,706,235
Equity			
Retained earnings	29,011,927	6,124,641	35,136,568
Total effect on equity	70,446,213	6,124,641	76,570,854

(Concluded)

The anticipated impact of the initial application of IFRS 9 and 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			
Derivative financial assets for hedging - current	$ 1,700	$ (1,700)	$ -
Financial assets for hedging - current	-	1,700	1,700
Financial assets measured at amortized cost - current	-	658,765	658,765
Debt investments with no active market - current	658,765	(658,765)	-
Contract assets - current	-	4,006,717	4,006,717
Noncurrent assets			
Financial assets measured at cost - noncurrent	263,308	(263,308)	-
Financial assets at fair value through other comprehensive income - noncurrent	-	251,575	251,575
Contract assets - noncurrent	-	1,997,827	1,997,827
Costs to obtain contracts - noncurrent	-	1,566,190	1,566,190
Total effect on assets	132,706,355	7,559,001	140,265,356

(Continued)

	Carrying Amount	Adjustments Arising from Initial Application	Adjusted Carrying Amount
Current liabilities			
Contract liabilities - current	$ -	$ 2,655,346	$ 2,655,346
Current tax liabilities	2,033,857	1,597,549	3,631,406
Unearned revenue	2,806,802	(2,806,802)	-
Total effect on liabilities	62,260,142	1,446,093	63,706,235
Equity			
Retained earnings	29,011,927	6,124,641	35,136,568
Other equity	-	(11,733)	(11,733)
Total effect on equity	70,446,213	6,112,908	76,559,121

(Concluded)

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

Basis of Presentation

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

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

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.

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 Group 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.

Basis of Consolidation

Principles for preparing consolidated financial statements

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

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

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

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Total comprehensive income of subsidiaries is attributed to the owners of Far EasTone and to the noncontrolling interests even if this results in the noncontrolling interests having a deficit balance.

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

See Note 12, Schedule H and Schedule I for the detailed information of subsidiaries, including the percentage of ownership and main business.

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any noncontrolling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity'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 year 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 consolidated financial statements, the assets and liabilities of the Group's foreign operations (including those of the subsidiaries, companies in other countries as well as currencies different from the ones used by Far EasTone) 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 year. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of Far EasTone and noncontrolling interests as appropriate).

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 Group are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is reattributed to non-controlling interests of the subsidiary but 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.

Investment in Associates

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

The Group uses the equity method to account for its investment in associates.

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

Any excess of the cost of acquisition over the Group'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 Group'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 Group 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 Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Group'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 Group'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 Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group 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 Group 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 Group 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 associate 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 Group continues to apply the equity method and does not remeasure the retained interest.

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

Property, Plant and Equipment

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

Properties, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. 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 item is shorter than the useful lives, assets are depreciated over the lease item. 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 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. Gains or losses on changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

For a transfer from investment property to property, plant and equipment, the property's deemed cost for subsequent accounting is its fair value at the commencement of owner-occupation.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset 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 losses.

For the purposes of impairment testing, goodwill is allocated to each of the Group'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 and subsequently measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, 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. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

When the Group has a right to charge for usage of concession infrastructure (as a consideration for providing construction service in a service concession arrangement), it recognizes this as an intangible asset at fair value upon initial recognition. The intangible asset is subsequently measured at cost less accumulated amortization and any accumulated impairment loss.

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 are included in profit or loss.

Impairment of Tangible and Intangible Assets Other Than Goodwill

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

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

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 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 Group 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

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

a) Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on the financial asset. Fair value is determined in the manner described in Note 33.

b) Available-for-sale financial assets

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

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

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

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

c) 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 affected.

For financial assets carried at amortized cost, such as accounts receivable, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, as well as observable changes in national or local economic conditions that correlate with 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 reorganisation, 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 asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

On derecognition of a financial asset 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 recognized in equity is recognized in profit or loss.

b. Equity instruments

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

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

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

c. Financial liabilities

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

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

Hedge Accounting

The Group designates certain hedging instruments (including derivatives) as fair value hedges or cash flow hedges.

a. Fair value hedges

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

Hedge accounting is discontinued prospectively when the Group revokes the designated hedging relationship; when the hedging instrument expires or is sold, terminated, or exercised; or when the hedging instrument no longer meets the criteria for hedge accounting.

b. Cash flow hedges

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

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

Hedge accounting is discontinued prospectively when the Group 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 sale of the relevant products, at the best estimate of the expenditure required to settle the Group's obligation by the management of the Group.

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

Other 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 Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

2) The Group 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 Group; and

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

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

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

c. Dividend and interest income

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

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

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 Group as a lessor

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

b. The Group as a lessee

Assets held under finance leases are initially recognized as assets of the Group 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 consolidated 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 Group 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 Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group 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 Group 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 Group'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 Group can no longer withdraw the offer of the termination benefit and when the Group 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 the retention of earnings.

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

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities 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, unused loss carry forward and unused tax credits for purchases of machinery, equipment and technology 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 Group 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 such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they 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 asset 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 Group 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.

Where current tax or deferred tax arises from the initial accounting for the acquisition of a subsidiary, the tax effect is included in the accounting for the investments in subsidiaries.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group'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 Group 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 judgment, utilized asset mode, and telecommunications industry characteristics. Any changes in national and local economic conditions or the Group'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 value in use calculation requires the Group'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 (liabilities) 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 Group 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 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	$ 18,029	$ 45,668
Checking and demand deposits	6,701,223	1,317,818
Cash equivalents		
Commercial paper purchased under resell agreements	1,544,093	8,864,085
Certificates of deposits	83,959	31,172
	$ 8,347,304	$ 10,258,743

7. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	December 31	
	2017	2016
Financial assets - current		
Fair value hedges - foreign exchange swap contracts	$ 1,700	$ -
Cash flow hedges - forward exchange contracts	-	2,073
	$ 1,700	$ 2,073
Financial liabilities - current		
Cash flow hedges - forward exchange contracts	$ -	$ 40,229
Cash flow hedges - foreign exchange swap contracts	-	7,538
	$ -	$ 47,767

a. Fair value hedges

The Group used foreign exchange swap contracts to manage its exposure to the exchange gains or losses of identified foreign currency-denominated assets. The foreign exchange swap contracts were negotiated in accordance with the hedged item, and management believes that the former contracts are highly effective hedging instruments. The outstanding contracts of the Group at the end of the reporting period were as follows:

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

The foreign exchange swap contracts were 100% effective in hedging the exposure to foreign currency exchange rate fluctuations. The gains related to foreign exchange swap contracts were $1,700 thousand for the year ended December 31, 2017. The losses related to the hedged items due to the fluctuations of foreign currency exchange rates were $1,700 thousand for the year ended December 31, 2017.

b. Cash flow hedges

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

	Currency	Maturity Date/Period	Contract Amount (In Thousands)
December 31, 2016			
Forward exchange contracts	NT$ to EUR	2017.01.25-2017.10.25	EUR 29,500
Foreign exchange swap contracts	US$ to NT$	2017.01.11-2017.02.15	US$ 20,000

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

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

	For the Years Ended December 31	
	2017	2016
Other gains and losses	$ 19,325	$ (41,589)

8. FINANCIAL ASSETS CARRIED AT COST

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

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

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31	
	2017	2016
Current		
Certificates of deposits with original maturities of more than 3 months	$ 658,765	$ 910,396

10. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	December 31	
	2017	2016
Notes receivable		
Notes receivable	$ 70,321	$ 64,361
Less: Allowance for doubtful accounts	-	-
	$ 70,321	$ 64,361
Accounts receivable (including other noncurrent assets and related parties)		
Accounts receivable	$ 8,965,990	$ 8,550,522
Less: Allowance for doubtful accounts	(952,244)	(899,577)
Less: Unrealized interest income	(3,373)	-
	$ 8,010,373	$ 7,650,945

Accounts Receivable

The Group's average credit period for the sale of inventories is 30 to 45 days, and the average credit period for telecommunications services is 30 to 60 days. When deciding the recoverability of accounts receivable, the Group considers any change in the credit quality from the date credit was initially granted up to the end of the reporting period. The Group has recognized an allowance for doubtful accounts of 100% against all receivables past due 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 counter-party and the analysis of its current financial position.

The aging of receivables was as follows:

	December 31	
	2017	2016
Not overdue	$ 7,353,888	$ 7,091,325
Overdue		
0-60 days	414,342	381,567
61 days or more	242,143	178,053
	$ 8,010,373	$ 7,650,945

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

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

Movements of the allowance for doubtful accounts were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	$ 1,554	$ 898,023	$ 899,577
Add: Acquisition	-	151	151
Add: Accounts recovered during the period	-	233,931	233,931
Add: Impairment losses/bad debts (reverse)	(957)	487,102	486,145
Less: Amounts written off during the period as uncollectible	(597)	(666,963)	(667,560)
Balance at December 31, 2017	$ -	$ 952,244	$ 952,244
Balance at January 1, 2016	$ 5,845	$ 1,050,538	$ 1,056,383
Add: Accounts recovered during the period	-	211,333	211,333
Add: Impairment losses/bad debts	1,615	420,073	421,688
Less: Amounts written off during the period as uncollectible	(5,906)	(783,921)	(789,827)
Balance at December 31, 2016	$ 1,554	$ 898,023	$ 899,577

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

	December 31	
	2017	2016
Gross amounts of accounts receivable	$ 64,068	$ -
Unrealized interest income	(3,373)	-
	$ 60,695	$ -

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

Sale of Overdue Accounts Receivable

Under agreements on sales of accounts receivable signed during the years ended December 31, 2017 and 2016, the Group sold to asset management companies the overdue accounts receivable that had been written off. Thus, as of December 31, 2017 and 2016, the Group 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
For the year ended December 31, 2017		
E-Hao Management Consultant Co., Ltd.	$ 1,499,625	$ 97,143
For the year ended December 31, 2016		
E-Hao Management Consultant Co., Ltd.	$ 1,226,233	$ 67,735

11. INVENTORIES

	December 31	
	2017	2016
Cellular phone equipment and accessories	$ 4,180,175	$ 2,020,733
Others	596,372	467,632
	$ 4,776,547	$ 2,488,365

Costs of inventories sold were $27,442,907 thousand and $27,713,680 thousand for the years ended December 31, 2017 and 2016, respectively.

The reversal of inventory write-downs amounting to $22,329 thousand and $31,779 thousand were included in the cost of sales for the years ended December 31, 2017 and 2016, respectively.

12. SUBSIDIARIES

Entities Included in the Consolidated Financial Statements

Intercompany relationships and percentages of ownership are shown as follows:

Investor Company	Investee Company	Main Businesses and Products	Percentage of Ownership (%) December 31 2017	2016	Note
Far EasTone	NCIC	Type I, II telecommunications services	100.00	100.00	
	ARCOA	Sales of communications products and office equipment	61.63	61.63	
	KGEx.com	Type II telecommunications services	99.99	99.99	
	YSDT (former name was Hiiir Inc.)	Electronic information providing services	86.41	89.54	
	Yuan Cing	Call center services	100.00	100.00	
	FEIS	Investment	100.00	100.00	
	Omusic	Electronic information providing services	50.00	50.00	
	Q-ware com.	Type II telecommunications services	81.46	81.46	
FEIS	FETI	Computer software, data processing and network information providing services	41.67	41.67	
NCIC	ISSDU	Security and monitoring service via Internet	100.00	100.00	
	DU (Cayman)	Investment	100.00	100.00	
	New Diligent	Investment	100.00	100.00	

(Continued)

Investor Company	Investee Company	Main Businesses and Products	Percentage of Ownership (%) December 31 2017	2016	Note
	Simple InfoComm	Electronic information providing services	-	-	Dissolved on December 19, 2015 and liquidated on April 6, 2016
	YSDT (former name was Hiiir Inc.)	Electronic information providing services	2.40	-	
New Diligent	FEND	Investment	100.00	100.00	
	Sino Lead	Telecommunications services	100.00	100.00	
	New Diligent Hong Kong	Investment	100.00	-	
FEND	FETI	Computer software, data processing and network information providing services	58.33	58.33	
	FENCIT	Electronic information providing services	89.56	89.56	Dissolved on February 9, 2018 with the approval of the local government
FETI	FENCIT	Electronic information providing services	0.96	0.96	Dissolved on February 9, 2018 with the approval of the local government
DU (Cayman)	DUIT	Design, research, installment and maintenance of computer software and system	100.00	100.00	
ARCOA	DataExpress	Sale of communications products	70.00	70.00	
DataExpress	Linkwell	Sale of communications products	100.00	100.00	
	Home Master	Sale of communications products	100.00	100.00	

(Concluded)

All of the subsidiaries' financial statements as of and for the years ended December 31, 2017 and 2016 had been audited, except for those of immaterial subsidiaries, including FETI and FENCIT for the year ended December 31, 2017 and FENCIT for the year ended December 31, 2016. The Group believes that had the financial statements of those subsidiaries been audited, any adjustments would have had no material effect on the Group's consolidated financial statements.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	December 31	
	2017	2016
Material associate		
Far Eastern Electronic Toll Collection Co., Ltd.	$ 816,685	$ 685,125
Associates that are not individually material	388,330	249,706
	1,205,015	934,831
Credit balance on carrying values of investments accounted for using equity method reclassified to other liabilities	-	90,250
	$ 1,205,015	$ 1,025,081

a. Material associates

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

Summarized financial information in respect of the Group's material associate 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 Group 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 Group'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 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.

b. Aggregate information of associates that are not individually material

	For the Years Ended December 31	
	2017	2016
The Group's share of:		
Net loss for the year	$ (129,525)	$ (152,504)
Other comprehensive income	32	(447)
Total comprehensive income for the year	$ (129,493)	$ (152,951)

The Group 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 Group 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.

15. 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, 2017	$ 5,320,000	$ 7,881,263	$ 127,746,451	$ 15,005,139	$ 1,230,856	$ 4,636,458	$ 1,556,502	$ 2,112,641	$ 165,489,310
Additions	-	2,204	64,620	13,180	2,460	16,786	18,481	7,162,166	7,279,897
Disposals	(3,500)	(20,831)	(47,991,698)	(1,409,551)	(19,320)	(120,291)	(309,486)	(24,470)	(49,899,147)
Acquisitions through business combinations	-	-	64,133	9,357	691	22,218	-	-	96,399
Effect of foreign currency exchange difference	-	-	(1)	(45)	(6)	(7)	-	-	(59)
Adjustments and reclassification	(65,724)	48,335	5,328,148	1,010,530	15,568	90,415	139,704	(6,627,080)	(60,104)
Balance at December 31, 2017	$ 5,250,776	$ 7,910,971	$ 85,211,653	$ 14,628,610	$ 1,230,249	$ 4,645,579	$ 1,405,201	$ 2,623,257	$ 122,906,296
Accumulated depreciation and impairment									
Balance at January 1, 2017	$ (96,557)	$ (3,677,699)	$ (93,153,282)	$ (12,648,310)	$ (1,208,474)	$ (3,562,134)	$ (1,293,282)	-	$ (115,639,738)
Depreciation expense	-	(246,270)	(7,990,753)	(1,254,423)	(34,021)	(380,498)	(126,674)	-	(10,032,639)
Acquisitions through business combinations	-	-	(35,316)	(3,826)	(248)	(4,507)	-	-	(43,897)
Disposals	663	18,792	47,236,584	1,407,383	18,668	83,294	283,918	-	49,049,302
Effect of foreign currency exchange difference	-	-	2	59	11	7	-	-	79
Adjustments and reclassification	-	-	(5,697)	(57)	-	-	58	-	(5,696)
Balance at December 31, 2017	$ (95,894)	$ (3,905,177)	$ (53,948,462)	$ (12,499,174)	$ (1,224,064)	$ (3,863,838)	$ (1,135,980)	$ -	$ (76,672,589)
Carrying amount at December 31, 2017	$ 5,154,882	$ 4,005,794	$ 31,263,191	$ 2,129,436	$ 6,185	$ 781,741	$ 269,221	$ 2,623,257	$ 46,233,707
Cost									
Balance at January 1, 2016	$ 5,320,095	$ 7,699,419	$ 130,628,779	$ 14,729,957	$ 1,227,400	$ 4,734,727	$ 1,511,620	$ 2,383,501	$ 168,235,498
Additions	-	4,518	83,612	11,075	5,198	28,224	11,128	8,102,581	8,246,336
Disposals	-	(76,781)	(10,072,475)	(420,172)	(15,506)	(312,871)	(88,699)	(31,365)	(11,017,869)
Effect of foreign currency exchange difference	-	-	(4)	(466)	(68)	(53)	-	-	(591)
Adjustments and reclassification	(95)	254,107	7,106,539	684,745	13,832	186,431	122,453	(8,342,076)	25,936
Balance at December 31, 2016	$ 5,320,000	$ 7,881,263	$ 127,746,451	$ 15,005,139	$ 1,230,856	$ 4,636,458	$ 1,556,502	$ 2,112,641	$ 165,489,310
Accumulated depreciation and impairment									
Balance at January 1, 2016	$ (96,557)	$ (3,517,115)	$ (94,773,850)	$ (11,897,767)	$ (1,185,615)	$ (3,460,931)	$ (1,258,008)	$ -	$ (116,189,843)
Depreciation expense	-	(237,357)	(7,478,222)	(1,167,892)	(37,856)	(400,682)	(122,170)	-	(9,444,179)
Impairment loss	-	-	(313,563)	-	-	-	-	-	(313,563)
Disposals	-	76,773	9,412,351	417,581	14,955	299,432	86,269	-	10,307,361
Effect of foreign currency exchange difference	-	-	2	385	57	47	-	-	491
Adjustments and reclassification	-	-	-	(617)	(15)	-	627	-	(5)
Balance at December 31, 2016	$ (96,557)	$ (3,677,699)	$ (93,153,282)	$ (12,648,310)	$ (1,208,474)	$ (3,562,134)	$ (1,293,282)	$ -	$ (115,639,738)
Carrying amount at December 31, 2016	$ 5,223,443	$ 4,203,564	$ 34,593,169	$ 2,356,829	$ 22,382	$ 1,074,324	$ 263,220	$ 2,112,641	$ 49,849,572

The 2G license expired in June 2017, and related service will be 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 Group 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	3-18 years
Operating equipment	2-25 years
Computer equipment	3-10 years
Office equipment	3-10 years
Leasehold improvements	2-11 years
Miscellaneous equipment	2-10 years

15. INVESTMENT PROPERTIES

	Completed Investment Properties
Balance at January 1, 2016	$ 1,107,586
Reclassified to property, plant and equipment	(47,527)
Loss on change in fair value of investment properties	(18,653)
Balance at December 31, 2016	$ 1,041,406
Balance at January 1, 2017	$ 1,041,406
Reclassified from property, plant and equipment	65,724
Loss on change in fair value of investment properties	(24,677)
Balance at December 31, 2017	$ 1,082,453

The lease terms of investments properties were 1-6 years. The rights of lease term extension contain clauses for market rental reviews. The lessee does not have a bargain purchase option to acquire the investment property at the expiry of the lease period.

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

	December 31	
	2017	2016
No later than 1 year	$ 24,745	$ 20,480
Later than 1 year and not later than 5 years	64,141	41,189
Later than 5 years	1,486	-
	$ 90,372	$ 61,669

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

	December 31	
	2017	2016
Independent valuation	$ 1,082,453	$ 1,041,406

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

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

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 $25,518 thousand and $25,255 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 is extrapolated on the basis of the current level of expenditure, taking into account the future adjustment to the government-announced land value and the tax rate promulgated under the House Tax Act.

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

16. INTANGIBLE ASSETS

	Concessions	Goodwill	Computer Software	Other Intangible Assets	Total
Cost					
Balance at January 1, 2017	$ 50,614,000	$ 10,883,789	$ 16,304,182	$ 1,180,722	$ 78,982,693
Additions	6,515,000	-	1,023,693	-	7,538,693
Disposals	-	-	(193,864)	(303,601)	(497,465)
Acquisitions through business combinations	-	-	39,616	-	39,616
Adjustments and reclassification	-	-	-	(5,753)	(5,753)
Balance at December 31, 2017	$ 57,129,000	$ 10,883,789	$ 17,173,627	$ 871,368	$ 86,057,784
Accumulated amortization and impairment					
Balance at January 1, 2017	$(12,230,469)	$ (74,888)	$(13,438,409)	$ (780,470)	$(26,524,236)
Amortization	(3,078,021)	-	(788,317)	(53,040)	(3,919,378)
Disposals	-	-	193,801	303,601	497,402
Acquisitions through business combinations	-	-	(7,898)	-	(7,898)
Adjustments and reclassification	-	-	-	5,697	5,697
Balance at December 31, 2017	$(15,308,490)	$ (74,888)	$(14,040,823)	$ (524,212)	$(29,948,413)
Carrying amount at December 31, 2017	$ 41,820,510	$ 10,808,901	$ 3,132,804	$ 347,156	$ 56,109,371
Cost					
Balance at January 1, 2016	$ 41,484,000	$ 10,883,789	$ 16,980,015	$ 1,263,810	$ 70,611,614
Additions	9,130,000	-	1,017,729	-	10,147,729
Disposals	-	-	(1,714,859)	(76,351)	(1,791,210)
Effect of foreign currency exchange difference	-	-	(398)	(2,111)	(2,509)
Adjustments and reclassification	-	-	21,695	(4,626)	17,069
Balance at December 31, 2016	$ 50,614,000	$ 10,883,789	$ 16,304,182	$ 1,180,722	$ 78,982,693
Accumulated amortization and impairment					
Balance at January 1, 2016	$ (9,649,131)	$ (74,888)	$(14,432,589)	$ (777,010)	$(24,933,618)
Amortization	(2,581,338)	-	(717,097)	(74,627)	(3,373,062)
Disposals	-	-	1,711,066	70,059	1,781,125
Effect of foreign currency exchange difference	-	-	211	1,178	1,389
Adjustments and reclassification	-	-	-	(70)	(70)
Balance at December 31, 2016	$(12,230,469)	$ (74,888)	$(13,438,409)	$ (780,470)	$(26,524,236)
Carrying amount at December 31, 2016	$ 38,383,531	$ 10,808,901	$ 2,865,773	$ 400,252	$ 52,458,457

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

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

The Group was divided into four identifiable cash-generating units that enhance the Group's operating effectiveness and integrate its telecommunications resources: The mobile telecommunications service business, telecommunications equipment business, Wifly business and integrated network business.

As of December 31, 2017 and 2016, the carrying values of the tangible and intangible assets used by the Group were $102,343,078 thousand and $102,308,029 thousand, respectively. The Group's management estimated the recoverable amounts of core assets at their expected useful lives and thus based the cash flow forecast with the following discount rates as of December 31, 2017 and 2016: Mobile telecommunications service business - 7.17% and 5.83%, respectively; telecommunications equipment business - 7.20% and 6.75%, respectively; integrated network business - 7.13% and 5.99%, Wifly business - 6.96% and 5.83%, respectively. The operating revenue forecast was based on the expected future growth rate of the telecom industry along with the projected advancement of the Group's own business. The principal assumptions and the relevant measurement of the recoverable amounts of the Group 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.

3) Business of selling cellular phone units: The anticipated selling cellular phone is based on the historical sales revenue and quantities of previous years, while the trend of the market is taken into account.

4) Wifly business: The anticipated Wifly is based on present operating experience and the demand of Wifly, while the trend of the industry is taken into account.

5) Integrated network business (INB): The anticipated INB is measured based on the actual effective customer base and service revenue of previous years, while the trend of the market is taken into account.

b. Expected ratio of service EBITDA (earnings before interest, taxes, depreciation and amortization) to operating revenue: 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.

The Group's management believes that any reasonable changes in the principle assumptions would not result in the carrying values exceeding the recoverable amounts. Comparing the recoverable amounts in accordance with principle assumptions and the Group's tangible and intangible assets. The impairment loss for the year ended December 31, 2016, refer to Note 14 to the consolidated financial statements. For the year ended December 31, 2017, there was no indication of impairment loss.

17. OTHER NONCURRENT ASSETS

	December 31	
	2017	2016
Refundable deposits	$ 699,385	$ 674,144
Others	69,054	39,182
	$ 768,439	$ 713,326

18. BORROWINGS

a. Short-term borrowings

	December 31	
	2017	2016
Unsecured bank loans		
Credit loans	$ 864,000	$ 2,800,000
Credit loans interest rate	0.76%-1.80%	0.70%-1.80%

b. Short-term bills payable

	December 31	
	2017	2016
Commercial paper payables	$ 300,000	$ 3,150,000
Less: Unamortized discount	319	829
	$ 299,681	$ 3,149,171
Interest rate	1.15%-1.17%	0.858%-1.50%

c. Long-term borrowings

	December 31	
	2017	2016
Unsecured bank loans		
Credit loans	$ 10,100,000	$ 12,150,000
Long-term commercial paper payables	-	1,900,000
Less: Unamortized discount on commercial paper	-	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. The last repayment date is in December 2018. The long-term commercial paper payables had been repaid in advance in 2017.

19. BONDS PAYABLE

	December 31	
	2017	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, Far EasTone issued the first five-year unsecured domestic bonds of 2016, with an aggregate principal amount of $5,200,000 thousand and a par value of $10,000 thousand and a coupon interest rate of 1.17%, with simple interest due annually. Repayment will be made in full at maturity.

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

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

On December 20, 2017, Far EasTone 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.

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

20. OTHER LIABILITIES

	December 31	
	2017	2016
Current		
Other payables		
Commission	$ 2,008,639	$ 2,440,718
Salary and bonus	1,313,784	1,336,932
Acquisition of properties	991,207	1,534,809
Employees' compensation and remuneration of directors	368,299	376,011
Other	2,849,101	3,106,531
	$ 7,531,030	$ 8,795,001
Noncurrent		
Deferred revenue		
Cable and lease line service fees	$ 185,766	$ 193,188

21. PROVISIONS

	December 31	
	2017	2016
Current		
Dismantling obligation	$ 134,571	$ 115,985
Product warranty	92,965	103,937
	$ 227,536	$ 219,922
Noncurrent		
Dismantling obligation	$ 887,441	$ 859,586

	Dismantling Obligation	Product Warranty
Balance at January 1, 2016	$ 926,125	$ 88,526
Additional provisions recognized	74,665	60,847
Reductions arising from payments	(25,219)	(45,436)
Balance at December 31, 2016	$ 975,571	$ 103,937
Balance at January 1, 2017	$ 975,571	$ 103,937
Additional provisions recognized	77,646	40,805
Reductions arising from payments	(31,205)	(51,777)
Balance at December 31, 2017	$ 1,022,012	$ 92,965

22. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Group adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Group makes monthly contributions to employees' individual pension accounts at 6% of monthly wages and salaries. The subsidiaries which registered in mainland China made contributions at certain percentage of wages and salaries under local government's regulations.

The pension costs recognized in total comprehensive income under the defined contribution plan amounted to $322,089 thousand and $285,242 thousand for the years ended December 31, 2017 and 2016, respectively.

b. Defined benefit plans

The defined benefit plan adopted by the Group 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 Group contributes 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 Group 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 Group 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 Group has no right to influence the investment policy and strategy.

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

	December 31	
	2017	2016
Present value of defined benefit obligation	$ 1,730,869	$ 1,756,885
Fair value of plan assets	(1,019,650)	(1,010,626)
	$ 711,219	$ 746,259
Net defined benefit liabilities	$ 728,162	$ 764,232
Net defined benefit assets	(16,943)	(17,973)
	$ 711,219	$ 746,259

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	$ 1,709,046	$ (994,867)	$ 714,179
Service cost			
Current service cost	12,362	-	12,362
Net interest expense (income)	33,962	(19,998)	13,964
Recognized in profit or loss	46,324	(19,998)	26,326
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	12,951	12,951
Actuarial (gain) loss - changes in demographic assumptions	1,223	-	1,223
Actuarial (gain) loss - changes in financial assumptions	2,000	-	2,000
Actuarial (gain) loss - experience adjustments	26,180	-	26,180
Recognized in other comprehensive income	29,403	12,951	42,354
Contributions from the employer	-	(36,600)	(36,600)
Benefits paid	(27,888)	27,888	-
Balance at December 31, 2016	$ 1,756,885	$ (1,010,626)	$ 746,259
Balance at January 1, 2017	$ 1,756,885	$ (1,010,626)	$ 746,259
Service cost			
Current service cost	10,995	-	10,995
Prior service cost	2,459	-	2,459
Net interest expense (income)	26,216	(15,294)	10,922
Recognized in profit or loss	39,670	(15,294)	24,376
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	5,455	5,455
Actuarial (gain) loss - changes in demographic assumptions	1,592	-	1,592
Actuarial (gain) loss - changes in financial assumptions	(160)	-	(160)
Actuarial (gain) loss - experience adjustments	(30,401)	-	(30,401)
Recognized in other comprehensive income	(28,969)	5,455	(23,514)
Contributions from the employer	-	(35,902)	(35,902)
Benefits paid	(36,717)	36,717	-
Balance at December 31, 2017	$ 1,730,869	$ (1,019,650)	$ 711,219

Through the defined benefit plans under the Labor Standards Law, the Group 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 rates	1.50%-1.625%	1.25%-1.50%
Expected rates of salary increase	1.75%-2.75%	1.75%-2.75%

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 rates		
0.25% increase	$ (56,180)	$ (59,876)
0.25% decrease	$ 58,586	$ 62,552
Expected rates of salary increase		
0.25% increase	$ 58,272	$ 62,219
0.25% decrease	$ (56,158)	$ (59,857)

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	$ 36,330	$ 36,156
The average duration of the defined benefit obligation	13.4-15.6 years	14.1-16.7 years

23. 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

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

b) On July 20, 2004, the SFB approved Far EasTone's request to issue new common stock in the form of GDRs amounting to US$114,500 thousand to be used for the conversion of overseas convertible bonds. As of 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, Far EasTone 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, Far EasTone 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, Far EasTone 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 Far EasTone has no deficit, such capital surplus may be distributed as cash dividends or may be transferred to share capital once a year within a certain percentage of Far EasTone's capital surplus.

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 Far EasTone'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 Far EasTone made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses in previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by Far EasTone's board of directors as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders. For the policies on distribution of employees' compensation and remuneration of directors and supervisors before and after amendment, refer to Note 25,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 Far EasTone has no deficit and the legal reserve exceeds 25% of Far EasTone's paid-in capital, the excess may be transferred to capital or distributed in cash.

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

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

The appropriations of earnings 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, Far EasTone'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. Therefore, Far EasTone's stockholders received NT$3.75 per share in 2017 and 2016, respectively.

The appropriation of earnings for 2017 was proposed by Far EasTone'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	
Reverse special reserve	(157,139)	
Cash dividends	9,896,067	$3.037

In addition to distributing cash dividends at NT$3,037 per share from the unappropriated earnings, Far EasTone'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, Far EasTone's stockholders will receive NT$3.75 per share in 2018.

The appropriation of earnings for 2017 are subject to the resolution of the stockholders' 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
Appropriation (reverse) in respect of		
Application of the fair value method 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 equity items for the years ended December 31, 2017 and 2016 are summarized as follows:

	Exchange Differences on Translating Foreign Operations	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Unrealized Gains (Losses) on Cash Flow Hedges	Total
For the year ended December 31, 2017				
Beginning balance	$ 4,638	$ (45,872)	$ (92,245)	$ (133,479)
Recorded as adjustments to stockholders' equity	(548)	44,233	40,738	84,423
Recorded as profit or loss		1,639	(16,040)	(14,401)
Share of other comprehensive income of associates	32	-	81,557	81,589
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	4,256	(53,263)	(51,788)	(100,795)
Recorded as profit or loss	-	(7,234)	34,519	27,285
Share of other comprehensive income of associates	(447)	-	65,690	65,243
Ending balance	$ 4,638	$ (45,872)	$ (92,245)	$ (133,479)

f. Non-controlling interests

	For the Years Ended December 31	
	2017	2016
Beginning balance	$ 716,583	$ 752,531
Attributable to non-controlling interests		
Share of profit	(3,039)	19,372
Exchange differences on translating foreign operations	57	1,334
Actuarial (losses) gains	404	(69)
Subsidiaries' cash dividends	(62,228)	(83,507)
Remittance of cash due to capital reduction of subsidiary	(15)	(15)
Equity transaction	36,039	26,937
Ending balance	$ 687,801	$ 716,583

24. REVENUE

	For the Years Ended December 31	
	2017	2016
Sales of inventories	$ 23,002,603	$ 22,063,340
Telecommunications service revenue	63,590,599	67,315,200
Others	5,476,479	4,965,726
	$ 92,069,681	$ 94,344,266

25. CONSOLIDATED NET INCOME

Consolidated net income included some items as follows:

a. Other income

	For the Years Ended December 31	
	2017	2016
Interest income	$ 61,789	$ 43,085
Rental income	33,403	42,336
Government grants	846	6,104
Dividend revenue	2,056	2,011
	$ 98,094	$ 93,536

b. Depreciation and amortization

	For the Years Ended December 31	
	2017	2016
Property, plant and equipment	$ 10,032,639	$ 9,444,179
Intangible assets	841,357	791,724
	$ 10,873,996	$ 10,235,903
Depreciation expense categorized by function		
Operating costs	$ 8,792,782	$ 8,292,382
Operating expenses	1,239,857	1,151,797
	$ 10,032,639	$ 9,444,179
Amortization expense categorized by function		
Operating costs	$ 290,191	$ 320,580
Marketing expense	120,967	97,285
General and administrative expenses	430,199	373,859
	$ 841,357	$ 791,724

c. Finance costs

	For the Years Ended December 31	
	2017	2016
Interest on financial liabilities measured of amortized cost	$ 370,033	$ 286,450
Interest expense on bank loans and commercial paper	55,890	125,810
Other finance costs	35,861	29,521
	$ 461,784	$ 441,781

d. Employee benefits expense

	For the Years Ended December 31	
	2017	2016
Retirement benefits		
Defined contribution plans	$ 322,089	$ 285,242
Defined benefit plans (Note 22)	24,376	26,326
	346,465	311,568
Other employee benefits		
Salary	6,174,811	5,883,673
Insurance	551,315	523,896
Other	357,721	353,907
	7,083,847	6,761,476
	$ 7,430,312	$ 7,073,044
Categorized by function		
Operating costs	$ 1,239,220	$ 1,278,553
Operating expenses	6,191,092	5,794,491
	$ 7,430,312	$ 7,073,044

e. Employees' compensation and remuneration of directors

Far EasTone decides the distribution of employees' compensation and remuneration of directors at the rates of 1% to 2% and no higher than 1%, respectively, of net profit before income tax, employees' compensation and remuneration of directors. For the 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 consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

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

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

26. INCOME TAX

a. Income tax recognized in profit or loss

The major components of tax expense (income) were as follows:

	For the Years Ended December 31	
	2017	2016
Current tax	$ 2,609,480	$ 2,403,330
Deferred tax	(300,551)	(24,670)
Income tax expense recognized in profit or loss	$ 2,308,929	$ 2,378,660

The reconciliation of accounting profit and income tax expense is as follows:

	For the Years Ended December 31	
	2017	2016
Profit before tax	$ 13,162,572	$ 13,789,335
Income tax expense computed at statutory tax rate	$ 2,578,036	$ 2,761,225
Add (deduct) tax effects		
Equity-method investments	(254,578)	(592,898)
Others	(35,916)	206,609
Prior year's adjustments	21,387	3,708
10% tax on unappropriated earnings	-	16
Income tax expense	$ 2,308,929	$ 2,378,660

The applicable tax rate used above is the corporate tax rate of 17%, payable by the group entities in the ROC, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

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	$ (9,396)	$ 10,955
Fair value changes of hedging instruments for cash flow hedges	(5,058)	4,973
Remeasurement on defined benefit plan	(4,084)	7,109
Income tax recognized in other comprehensive income	$ (18,538)	$ 23,037

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

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Allowance for doubtful accounts	$ 332,036	$ (2,421)	$ -	$ 329,615
Property, plant and equipment	108,779	(57,743)	-	51,036
Defined benefit obligation	128,532	(2,293)	(4,084)	122,155
Others	374,437	(102,880)	(14,454)	257,103
	$ 943,784	$ (165,337)	$ (18,538)	$ 759,909

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Amortization of goodwill	$ 1,479,175	$ 134,470	$ -	$ 1,613,645
Investment properties	113,787	209	-	113,996
Others	2,276	535	-	2,811
	$ 1,595,238	$ 135,214	$ -	$ 1,730,452

For the year ended December 31, 2016

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Allowance for doubtful accounts	$ 296,681	$ 35,355	$ -	$ 332,036
Property, plant and equipment	56,888	51,891	-	108,779
Defined benefit obligation	123,077	(1,654)	7,109	128,532
Others	291,698	66,811	15,928	374,437
	$ 768,344	$ 152,403	$ 23,037	$ 943,784

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Amortization of goodwill	$ 1,344,702	$ 134,473	$ -	$ 1,479,175
Investment properties	120,157	(6,370)	-	113,787
Others	2,646	(370)	-	2,276
	$ 1,467,505	$ 127,733	$ -	$ 1,595,238

d. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2017	2016
Loss carryforwards		
Expire in 2016	$ -	$ 198,008
Expire in 2017	377,075	442,412
Expire in 2018	420,979	425,001
Expire in 2019	419,619	426,054
Expire in 2020	265,710	265,710
Expire in 2021	287,873	287,873
Expire in 2022	166,680	170,191
Expire in 2023	97,005	97,006
Expire in 2024	155,474	155,474
Expire in 2025	329,310	329,310
Expire in 2026	266,266	279,159
Expire in 2027	383,671	-
	3,169,662	3,076,198
Unrealized gains or losses on property, plant and equipment	504,859	462,507
Investment gains or losses	1,004,824	978,582
Others	59,984	43,416
	$ 4,739,329	$ 4,560,703

e. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2017 comprised:

Unused Amount	Expiry Year
$ 377,075	2017
420,979	2018
419,619	2019
265,710	2020
287,873	2021
166,680	2022
97,005	2023
155,474	2024
338,403	2025
275,496	2026
383,671	2027
$ 3,187,985	

f. Integrated income tax

	December 31	
	2017	2016
Unappropriated earnings		
Generated in and after 1998	$ 10,822,899	$ 11,346,830
Balance of imputation credit accounts (ICA)		
Far EasTone	$ 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.

g. Income tax assessments

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

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

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

27. EARNINGS PER SHARE

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

Net Income for the Year

	For the Years Ended December 31	
	2017	2016
Net income attributable to Far EasTone	$ 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

Weighted Average Number of Common Stock Used

(In Thousand Share)

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

28. BUSINESS COMBINATIONS

a. Subsidiaries acquired

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

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

b. Considerations transferred

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

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

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

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

d. Noncontrolling interests

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

e. Impact of acquisitions on the results of the Group

The revenue and net loss of FEEC since the acquisition date included in the consolidated statements of comprehensive income were $679,049 thousand and $92,547 thousand, respectively.

Had the business combination been in effect at the beginning of the annual reporting period, the Group's pro forma consolidated statements of comprehensive income were as follow:.

	For the Years Ended December 31	
	2017	2016
Operating revenue	$ 93,360,652	$ 96,360,458
Operating costs	57,513,049	58,078,203
Operating expenses	21,769,221	23,488,520
Operating income	14,078,382	14,793,735
Nonoperating income and expenses	(1,024,681)	(1,184,068)
Income tax	2,308,929	2,378,660
Net income	10,744,772	11,231,007
Other comprehensive income	171,098	(42,178)
Total comprehensive income	$ 10,915,870	$ 11,188,829

(Continued)

	For the Years Ended December 31	
	2017	2016
Earnings per share		
Basic	$3.30	$3.44
Diluted	$3.30	$3.44
		(Concluded)

This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2016, nor is it intended to be a projection of future results.

29. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

The Group subscribed for new common stock issued by FENCIT in October 2016 and increased its interest from 79.04% to 90.52%.

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

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

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

	FENCIT	Hiiir
Cash consideration paid	$ 197,550	$ 368,909
The proportionate share of the carrying amount of the net assets of subsidiaries transferred from noncontrolling interests	(170,613)	(318,688)
Difference arising from equity transactions	$ 26,937	$ 50,221
Line items adjusted for equity transactions		
Capital surplus - difference between the price for acquisition or disposal of subsidiaries and carrying amount	$ (14,388)	$ -
Unappropriated earnings	(12,549)	(50,221)
	$ (26,937)	$ (50,221)

30. NONCASH TRANSACTIONS

Noncash Transactions Arising from Investing and Financing Activities

YSDT issued common stock with an aggregate fair value of $5,778 thousand to acquire FEEC on August 1, 2017 (refer to Note 28).

31. OPERATING LEASE ARRANGEMENTS

a. The Group as lessee

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

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

	December 31	
	2017	2016
Not later than 1 year	$ 3,179,189	$ 3,223,541
Later than 1 year and not later than 5 years	5,246,511	5,163,828
Later than 5 years	36,457	108,070
	$ 8,462,157	$ 8,495,439

The lease payments recognized as expenses were as follows:

	For the Years Ended December 31	
	2017	2016
Minimum lease payments	$ 3,856,350	$ 3,828,729

b. The Group as lessor

Operating leases relate to the investment properties owned by the Group with lease terms. Refer to Note 15 of these consolidated financial statements.

32. CAPITAL MANAGEMENT

The Group is required to maintain sufficient capital to meet the minimum paid-in capital requirements for the telecommunication company, and to finance the upgrade of its telecommunications network. Thus, the Group'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.

33. FINANCIAL INSTRUMENTS

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

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

	December 31			
	2017		2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Refundable deposits	$ 712,567	$ 711,260	$ 674,144	$ 671,743
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	$ -	$ -	$ 711,260	$ 711,260
Financial liabilities				
Bonds payable	$ 27,105,492	$ -	$ -	$ 27,105,492

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Financial assets				
Refundable deposits	$ -	$ -	$ 671,743	$ 671,743
Financial liabilities				
Bonds payable	$ 18,585,857	$ -	$ -	$ 18,585,857

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

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

1) Fair value hierarchy

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

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Overseas funds	$ -	$ 598,132	$ -	$ 598,132
Derivative financial assets for hedging				
Cash flow hedges - forward exchange contracts	$ -	$ -	$ 2,073	$ 2,073
Derivative financial liabilities for hedging				
Cash flow hedges - forward exchange contracts	$ -	$ -	$ 40,229	$ 40,229
Cash flow hedges - foreign exchange swap contracts	-	-	7,538	7,538
	$ -	$ -	$ 47,767	$ 47,767

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 assets

	For the Years Ended December 31	
	2017	2016
Hedging derivative financial instruments		
Beginning balance	$ (45,694)	$ (5,001)
Recognized in profit or loss (other gains and losses)	(17,625)	41,589
Recognized in other comprehensive income	65,019	(82,282)
Ending balance	$ 1,700	$ (45,694)

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

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

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

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

c. Financial instruments

	December 31	
	2017	2016
Financial assets		
Derivative financial assets for hedging	$ 1,700	$ 2,073
Loans and receivables (Note 1)	20,684,670	22,840,573
Financial assets at fair value through profit or loss	595,200	-
Available-for-sale financial assets (Note 2)	263,308	816,440
Financial liabilities		
Derivative financial liabilities for hedging	-	47,767
Measured at amortized cost (Note 3)	53,014,548	52,132,400

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

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

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

d. Financial risk management objectives and policies

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

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

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

1) Market risk

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

a) Foreign currency risk

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

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% increase and decrease in the New Taiwan dollar (NTD) against the U.S. dollar and EUR. The 5% sensitivity rate is used when reporting foreign currency risk internally to key management personnel, and it represents management's basis for assessing the reasonable possible changes in foreign exchange rates for reasonableness. The sensitivity analysis includes only outstanding foreign currency-denominated monetary items, for which their translation at period end is adjusted for a 5% change in foreign currency rates. The positive number shown in the currency impact table below indicates an increase in profit or equity where the NTD strengthened 5% against the U.S. dollar and 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	$ (21,348)	$ (19,253)
EUR	$ (138)	$ 11,485

b) Interest rate risk

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

The carrying amounts of the Group'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 risk		
Financial assets	$ 5,252,519	$ 12,856,252
Financial liabilities	36,794,604	35,660,914
Cash flow risk		
Financial assets	7,269,264	2,025,100
Financial liabilities	2,000,000	3,398,283

Sensitivity analysis

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

Had interest rates been 25 basis points higher/lower and all other variables been held constant, the income before income tax for the years ended December 31, 2017 and 2016 would have increased (decreased) by $13,173 thousand and $(3,433) thousand, respectively, mainly affected by bank deposits and borrowings with floating interest rates.

c) Other price risks

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

Sensitivity analysis

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

Had equity prices been 5% higher/lower, the fair value of financial assets at fair value through profit or loss and available-for-sale financial assets as of December 31, 2017 and 2016 would have increased/decreased by $29,760 thousand and $29,907 thousand, respectively.

2) Credit risk

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

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

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

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. The Group's unutilized overdraft and bank loan facilities amounted to $27,156,792 thousand and $36,269,977 thousand, respectively.

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

	Book Value	Contractual Cash Flows	Within 1 Year	1-5 Years	More than 5 Years
December 31, 2017					
Short-term borrowings	$ 864,000	$ 866,963	$ 866,963	$ -	$ -
Short-term bills payable	299,681	300,000	300,000	-	-
Long-term borrowings	10,100,000	10,246,970	2,587,455	7,659,515	-
Bonds payable	26,872,353	28,121,395	6,847,750	16,187,020	5,086,625
	$ 38,136,034	$ 39,535,328	$ 10,602,168	$ 23,846,535	$ 5,086,625
December 31, 2016					
Short-term borrowings	$ 2,800,000	$ 2,804,058	$ 2,804,058	$ -	$ -
Short-term bills payable	3,149,171	3,150,000	3,150,000	-	-
Long-term borrowings	14,048,345	14,266,585	108,370	14,158,215	-
Bonds payable	18,387,581	18,958,220	6,460,900	12,497,320	-
	$ 38,385,097	$ 39,178,863	$ 12,523,328	$ 26,655,535	$ -

34. TRANSACTIONS WITH RELATED PARTIES

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

a. The Group's related parties and their relationships

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

(Continued)

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

(Continued)

Related Party	Relationship with the Group
Far Eastern Memorial Foundation	Other related parties (same chairman as Far EasTone's)
OPAS Fund Segregated Portfolio Company	Other related parties (substantive related party)
Far Eastern Polyclinic of Far Eastern Medical Foundation	Other related parties (same chairman as Far EasTone's)

(Concluded)

b. Operating revenue

	For the Years Ended December 31	
	2017	2016
Far Eastern New Century	$ 69,491	$ 57,849
Subsidiaries of Far Eastern New Century	322,914	336,421
Other related parties	241,793	231,101
	$ 634,198	$ 625,371

Operating revenue from related parties include revenue from sales of inventories, telecommunications services, leased circuits, storage services and customer service, 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	$ 42,834	$ 3,974
Other related parties	12,924	728
	$ 55,758	$ 4,702
Rental (included in operating costs)		
Far Eastern New Century	$ 1,534	$ 1,720
Subsidiaries of Far Eastern New Century	9,079	8,794
Other related parties	21,482	22,369
	$ 32,095	$ 32,883
Rental (included in operating expenses)		
Far Eastern New Century	$ 2,935	$ 2,867
Subsidiaries of Far Eastern New Century	64,752	60,022
Other related parties	101,499	102,927
	$ 169,186	$ 165,816

	For the Years Ended December 31	
	2017	2016
Marketing expenses		
Subsidiaries of Far Eastern New Century	$ 47,178	$ 61,248
Other related parties	16,723	15,177
	$ 63,901	$ 76,425
Service fees		
Far Eastern New Century	$ 583	$ 595
Subsidiaries of Far Eastern New Century		
FCHRC	145,389	133,952
Other related parties	166	175
	$ 146,138	$ 134,722
Other expenses		
Far Eastern New Century	$ 116,144	$ 130,307
Subsidiaries of Far Eastern New Century	20,218	20,671
Other related parties	24,490	12,087
	$ 160,852	$ 163,065

The above companies provided telecommunication related services to the Group. The terms and conditions conformed to normal business practice.

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

d. Property transactions

	For the Years Ended December 31	
	2017	2016
Acquisition of securities		
Subsidiaries of Far Eastern New Century		
FEEC	$ 124,497	$ -
YHDP	150,000	-
Others	3,804	-
	278,301	-
Other related parties	20,667	-
Associates	-	30,000
	$ 298,968	$ 30,000
Acquisition of property, plant and equipment		
Subsidiaries of Far Eastern New Century		
FERD	$ 1,037,394	$ -
Others	5,753	2,900
	$ 1,043,147	$ 2,900

	For the Years Ended December 31	
	2017	2016
Acquisition of financial assets at fair value through profit or loss		
Other related parties - Opas Fund	$ 598,600	$ -
Disposal of available-for-sale financial assets		
Other related parties - Opas Fund	$ 704,725	$ -

The fund transaction between the Group and Opas Fund Segregated Portfolio Company ("Opas Company") was carrying out investment to acquisition and disposal the overseas fund including Opas Fund Segregated Portfolio Tranche "A", "B", "C", through the trading platform of Opas Company. The decisions on overseas mutual funds with different tranches were made by the investment committee which is formed with the Group and other investors. During the year ended December 31, 2017, the Group acquired funds with carrying amounts of $598,600 thousand, and the Group disposed of funds with carrying amounts of $653,400 thousand. The disposal proceeds were $704,725 thousand, and the gains on fund disposal was $51,325 thousand.

The Group subscribed for Far Eastern Electronic Commerce Co., Ltd. (FEEC)'s new common stock issued for cash amounting to $124,497 thousand and $30,000 thousand in April 2017 and December 2016, respectively. After the subscription, the Group's ownership of the company increased to 20.69% and maintained 14.4%, respectively.

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

With the need in expansion of space for network equipment, the board of directors of NCIC (Far EasTone's 100% owned subsidiary) resolved on May 4, 2017, that NCIC will purchase partial land from FERD, which is located in Taipei Far Eastern Telecom park, to build a new integrated building utilized as an office and internet data center. The aforesaid acquisition price amounting to $1,749,577 thousand was determined through the price negotiation based on the appraisal reports issued by independent qualified professional appraisers. The down payment amounting to $1,037,394 thousand was paid in 2017.

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

	December 31	
	2017	2016
Other related parties		
FEIB	$ 8,628,732	$ 4,109,041

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

f. Hedging derivative financial assets (liabilities) - current

	December 31	
	2017	2016
Other related parties		
FEIB	$ 1,700	$ (7,538)

NCIC entered into foreign exchange swap contracts with FEIB to hedge against cash flow fluctuation on its foreign currency-denominated assets. The notional amounts were US$10,000 thousand and US$20,000 thousand as of December 31, 2017 and 2016, respectively. Related expenses were treated as finance costs.

g. Receivables and payables - related parties

	December 31	
	2017	2016
Accounts receivable - related parties		
Far Eastern New Century	$ 4,600	$ 1,157
Subsidiaries of Far Eastern New Century	37,290	54,197
Other related parties	210,020	150,071
	$ 251,910	$ 205,425
Other receivables - related parties (included in other current assets)		
Subsidiaries of Far Eastern New Century	$ 5,376	$ 2,651
Other related parties	18,525	4,244
	$ 23,901	$ 6,895
Accounts payable - related parties (included in accounts payable)		
Subsidiaries of Far Eastern New Century	$ 1,156	$ 687
Other related parties	5,160	943
	$ 6,316	$ 1,630
Other payables - related parties (included in other current liabilities)		
Far Eastern New Century	$ 33,712	$ 32,456
Subsidiaries of Far Eastern New Century	84,887	96,780
Other related parties	9,626	7,077
	$ 128,225	$ 136,313

h. Refundable deposits

	December 31	
	2017	2016
Refundable deposits		
Subsidiaries of Far Eastern New Century	$ 74,360	$ 75,916
Other related parties	1,466	1,491
	$ 75,826	$ 77,407

i. Others

	For the Years Ended December 31	
	2017	2016
Interest income		
Subsidiaries of Far Eastern New Century	$ 35	$ 22
Other related parties		
FEIB	29,978	25,245
Others	9	6
	29,987	25,251
	$ 30,022	$ 25,273
Rental income		
Subsidiaries of Far Eastern New Century	$ 284	$ 1,164
Other related parties	-	326
	$ 284	$ 1,490
Finance costs		
Subsidiaries of Far Eastern New Century	$ 9	$ -
Other related parties	8,403	4,915
	$ 8,412	$ 4,915

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

j. Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the years ended December 31, 2017 and 2016 were as follows:

	For the Years Ended December 31	
	2017	2016
Short-term benefits	$ 342,434	$ 333,018
Post-employment benefits	4,345	3,521
	$ 346,779	$ 336,539

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

35. ASSETS PLEDGED OR MORTGAGED

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

	December 31	
	2017	2016
Other financial assets - current	$ 1,764,065	$ 1,759,889
Other noncurrent assets	2,300	21,209
	$ 1,766,365	$ 1,781,098

36. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

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

a.

	December 31	
	2017	2016
Acquisition of property, plant and equipment under contracts	$ 7,841,219	$ 5,762,054
Less: Payments for acquisition of property, plant and equipment	2,809,176	1,666,888
	$ 5,032,043	$ 4,095,166
Acquisition of inventories under contracts	$ 14,004,339	$ 14,299,303
Less: Payments for acquisition of inventories	5,233,512	7,803,864
	$ 8,770,827	$ 6,495,439

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

37. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

In order to fulfill the needs for long-term working capital or repay its borrowings, Far EasTone'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.

38. 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	$ 24,531	29.76	$ 730,041
EUR	119	35.57	4,250
Nonmonetary items			
USD	20,000	29.76	595,200
Financial liabilities			
Monetary items			
USD	10,184	29.76	303,089
EUR	42	35.57	1,499

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

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

	For the Years Ended December 31			
	2017		2016	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
NTD	1 (NTD:NTD)	$ (9,870)	1 (NTD:NTD)	$ 26,892
RMB	4.507 (RMB:NTD)	(1,758)	4.849 (RMB:NTD)	2,883
		$ (11,628)		$ 29,775

39. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and 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 individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: Schedule D

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

7) Total 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) Significant transactions between Far EasTone and its subsidiaries and among subsidiaries: Schedule G

11) Information on investees: Schedule H

b. Investment in Mainland China

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

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

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

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

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

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

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

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

40. SEGMENT INFORMATION

a. Products and services from which reportable segments derive revenues:

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

1) Mobile service business: Providing mobile telecommunications services;

2) Fixed-line service business: Providing international direct dial, local network, long-distance network and broadband access services; and

3) Sales business: Selling cellular phones, computers and accessories;

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

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

	For the Year Ended December 31, 2017				
	Mobile Service Business	Fixed-line Service Business	Sales Business	Adjustment and Elimination	Consolidation
Revenues generated from external customers	$ 60,011,969	$ 8,160,163	$ 23,897,549	$ -	$ 92,069,681
Revenues generated from within the Group (Note)	600,636	2,918,194	36,748	(3,555,578)	-
Total revenues	$ 60,612,605	$ 11,078,357	$ 23,934,297	$ (3,555,578)	$ 92,069,681
Segment operating income	$ 11,103,055	$ 2,115,093	$ 1,801,635	$ (1,857,211)	$ 13,162,572

	For the Year Ended December 31, 2016				
	Mobile Service Business	Fixed-line Service Business	Sales Business	Adjustment and Elimination	Consolidation
Revenues generated from external customers	$ 62,638,316	$ 8,960,074	$ 22,745,876	$ -	$ 94,344,266
Revenues generated from within the Group (Note)	762,269	3,878,489	24,985	(4,665,743)	-
Total revenues	$ 63,400,585	$ 12,838,563	$ 22,770,861	$ (4,665,743)	$ 94,344,266
Segment operating income	$ 10,552,546	$ 3,145,736	$ 2,190,300	$ (2,099,247)	$ 13,789,335

Note: Represents sales between segments.

b. Geographical information

The Group has no revenue-generating unit that operates outside the ROC.

c. Information on major customers

There was no customer accounting for at least 10% of the Group's total operating revenue in 2017 and 2016.

SCHEDULE A

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

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

Note B: Where New Century 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.

SCHEDULE B

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

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	Highest Shares/Units Held During the Year
				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	15,000,000
	CDIB Capital Innovation Accelerator Limited	-	Financial assets carried at cost - noncurrent	4,500,000	45,000	12.00	-	B	4,500,000
ARCOA Communication Co., Ltd.	Stock								
	THI consultants	-	Financial assets carried at cost - noncurrent	1,213,594	12,190	18.32	-	B	1,213,594
	Web Point Co., Ltd.	-	Financial assets carried at cost - noncurrent	160,627	1,618	0.63	-	B	160,627
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	8,858,191
	Bank Pro E-service Technology Co., Ltd.	-	Financial assets carried at cost - noncurrent	450,000	4,500	3.33	-	B	450,000
	Overseas funds								
	Opas Fund Segregated Portfolio Tranche A	Other related party	Financial asset at fair value through profit or loss - current	13,491.781	446,400	-	446,400	A	14,561.612
	Opas Fund Segregated Portfolio Tranche B	Other related party	Financial asset at fair value through profit or loss - current	5,000.000	148,800	-	148,800	A	5,000.000

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.

SCHEDULE C

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

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 (Note 2)				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 3)
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 - current	-	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 stock acquired through stock exchange due to the merger between YSDT (formerly Hiiir Inc.) and FEEC.

SCHEDULE D

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE 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 SUBSIDIARIES

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 Far EasTone and NCIC were settled at net amounts and were included in accounts payable - related parties.

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

SCHEDULE F

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
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 Far EasTone.

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

SCHEDULE G

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount (Note D)	Payment Terms	% to Consolidated Assets/Revenue (Note C)
0	Far EasTone Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd.	1	Accounts receivable - related parties	$ 981	Note E	-
				Other receivables - related parties	103,644	Note E	-
				Refundable deposits	3,517	Note E	-
				Accounts payable - related parties	30,840	Note E	-
				Other payables - related parties	3,535,988	Note E	3
				Unearned revenue	3,411	Note E	-
				Sales of inventories	1,821	Note E	-
				Telecommunications service revenue	482,471	Note E	1
				Costs of telecommunications services	2,743,437	Note E	3
				Operating expenses	70,778	Note E	-
				Nonoperating income and gains	80,976	Note E	-
				Nonoperating expenses	40,568	Note E	-
		ARCOA Communication Co., Ltd.	1	Accounts receivable - related parties	112,883	Note E	-
				Other receivables - related parties	4,634	Note E	-
				Accounts payable - related parties	1,519,158	Note E	1
				Other payables - related parties	57,278	Note E	-
				Guarantee deposits received	148	Note E	-
				Unearned revenue	48,157	Note E	-
				Sales of inventories	152,471	Note E	-
				Telecommunications service revenue	3,586	Note E	-
				Cost of sales	9,816,880	Note E	11
				Costs of telecommunications services	67,360	Note E	-
				Operating expenses	519,327	Note E	1
				Nonoperating income and gains	1,545	Note E	-
		KGEx.com Co., Ltd.	1	Accounts receivable - related parties	15,284	Note E	-
				Other receivables - related parties	4	Note E	-
				Refundable deposits	898	Note E	-
				Other payables - related parties	7,835	Note E	-
				Unearned revenue	42	Note E	-
				Telecommunications service revenue	102,083	Note E	-
				Costs of telecommunications services	22,444	Note E	-
				Operating expenses	48,432	Note E	-
				Nonoperating income and gains	1,387	Note E	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount (Note D)	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		Yuan Cing Co., Ltd.	1	Other receivables - related parties	$ 3,237	Note E	-
				Other payables - related parties	6,664	Note E	-
				Operating expenses	15,529	Note E	-
				Nonoperating income and gains	151	Note E	-
		Q-ware Communications Co., Ltd.	1	Accounts receivable - related parties	19,227	Note E	-
				Other receivables - related parties	133,193	Note E	-
				Accounts payable - related parties	3,433	Note E	-
				Telecommunications service revenue	5,730	Note E	-
				Costs of telecommunications services	41,143	Note E	-
				Operating expenses	226	Note E	-
				Nonoperating income and gains	3,077	Note E	-
		DataExpress Infotech Co., Ltd.	1	Accounts receivable - related parties	35,984	Note E	-
				Other receivables - related parties	1,952	Note E	-
				Accounts payable - related parties	2,647	Note E	-
				Other payables - related parties	2,563	Note E	-
				Sales of inventories	226,877	Note E	-
				Telecommunications service revenue	616	Note E	-
				Cost of sales	1,201	Note E	-
				Costs of telecommunications services	9,158	Note E	-
				Operating expenses	10,397	Note E	-
				Nonoperating income and gains	372	Note E	-
		Omusic Co., Ltd.	1	Accounts receivable - related parties	124	Note E	-
				Accounts payable - related parties	33,033	Note E	-
				Telecommunications service revenue	503	Note E	-
				Sales of inventories	75	Note E	-
				Costs of telecommunications services	199,764	Note E	-
				Cost of sales	73	Note E	-
				Nonoperating income and gains	42	Note E	-
		Linkwell Tech. Ltd.	1	Other payables - related parties	1,071	Note E	-
				Sales of inventories	12,149	Note E	-
				Telecommunications service revenue	171	Note E	-
				Operating expenses	3,162	Note E	-
		Home Master Technology Ltd.	1	Other payables - related parties	10,852	Note E	-
				Sales of inventories	1,382	Note E	-
				Telecommunications service revenue	59	Note E	-
				Operating expenses	22,241	Note E	-
		New Diligent Hong Kong Company Ltd.	1	Accounts payable - related parties	4,083	Note E	-
		Information Security Services Digital United Inc.	1	Accounts receivable - related parties	89	Note E	-
				Other receivables - related parties	1,646	Note E	-
				Accounts payable - related parties	732	Note E	-
				Other payables - related parties	5,199	Note E	-
				Telecommunications service revenue	949	Note E	-
				Costs of telecommunications services	4,046	Note E	-
				Cost of sales	10,698	Note E	-
				Operating expenses	12,743	Note E	-
				Nonoperating income and gains	108	Note E	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount (Note D)	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		Yuanshi Digital Technology Co., Ltd. (formerly Hiiir Inc.)	1	Accounts receivable - related parties	$ 24,466	Note E	-
				Other receivables - related parties	3,365	Note E	-
				Accounts payable - related parties	12,903	Note E	-
				Other payables - related parties	4,955	Note E	-
				Sales of inventories	187,413	Note E	-
				Telecommunications service revenue	6,178	Note E	-
				Operating expenses	10,153	Note E	-
				Nonoperating income and gains	428	Note E	-
		Digital United Information Technologies (Shanghai) Co., Ltd.	1	Accounts receivable - related parties	1,132	Note E	-
				Other payables - related parties	1,132	Note E	-
				Sales of inventories	1,078	Note E	-
				Operating expenses	1,080	Note E	-
		Sino Lead Enterprise Limited	1	Other payables - related parties	6,923	Note E	-
1	New Century InfoComm Tech Co., Ltd.	ARCOA Communication Co., Ltd.	3	Accounts receivable - related parties	96	Note E	-
				Accounts payable - related parties	70	Note E	-
				Other payables - related parties	53	Note E	-
				Telecommunications service revenue	1,128	Note E	-
				Cost of sales	135	Note E	-
				Costs of telecommunications services	285	Note E	-
				Operating expenses	219	Note E	-
		KGEx.com Co., Ltd.	3	Accounts receivable - related parties	1,665	Note E	-
				Accounts payable - related parties	13,964	Note E	-
				Other payables - related parties	14,839	Note E	-
				Telecommunications service revenue	27,051	Note E	-
				Costs of telecommunications services	111,379	Note E	-
				Operating expenses	13,476	Note E	-
		Q-ware Communications Co., Ltd.	3	Accounts receivable - related parties	1,542	Note E	-
				Other receivables - related parties	356	Note E	-
				Accounts payable - related parties	1,008	Note E	-
				Guarantee deposits received	720	Note E	-
				Telecommunications service revenue	21,278	Note E	-
				Sales of inventories	2,356	Note E	-
				Cost of sales	16,324	Note E	-
				Costs of telecommunications services	9,464	Note E	-
				Operating expenses	56	Note E	-
				Nonoperating income and gains	4,217	Note E	-
		Omusic Co., Ltd.	3	Accounts receivable - related parties	3	Note E	-
				Unearned revenue	16	Note E	-
				Telecommunications service revenue	46	Note E	-
				Nonoperating income and gains	23	Note E	-
		Sino Lead Enterprise Limited	3	Refundable deposits	1,196	Note E	-
				Accounts payable - related parties	19,971	Note E	-
				Costs of telecommunications services	116,246	Note E	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount (Note D)	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		Yuan Cing Co., Ltd.	3	Accounts payable - related parties	$ 2,721	Note E	-
				Costs of telecommunications services	5,623	Note E	-
		Information Security Services Digital United Inc.	3	Accounts receivable - related parties	350	Note E	-
				Other receivables - related parties	1,940	Note E	-
				Accounts payable - related parties	18,379	Note E	-
				Other payables - related parties	728	Note E	-
				Unearned revenue	34	Note E	-
				Guarantee deposits received	990	Note E	-
				Telecommunications service revenue	4,682	Note E	-
				Sales of inventories	1	Note E	-
				Cost of sales	9,437	Note E	-
				Other operating costs	28,500	Note E	-
				Operating expenses	1,935	Note E	-
				Nonoperating income and gains	5,198	Note E	-
		Digital United Information Technologies (Shanghai) Co., Ltd.	3	Telecommunications service revenue	308	Note E	-
				Operating expenses	763	Note E	-
		Yuanshi Digital Technology Co., Ltd. (formerly Hiiir Inc.)	3	Accounts receivable - related parties	2,557	Note E	-
				Other receivables - related parties	490	Note E	-
				Other payables - related parties	381	Note E	-
				Unearned revenue	130	Note E	-
				Telecommunications service revenue	12,530	Note E	-
				Sales of inventories	163	Note E	-
				Costs of telecommunications services	3,670	Note E	-
				Operating expenses	1,516	Note E	-
				Nonoperating income and gains	8,666	Note E	-
		DataExpress Infotech Co., Ltd.	3	Accounts receivable - related parties	65	Note E	-
				Other receivables - related parties	504	Note E	-
				Guarantee deposits received	588	Note E	-
				Sales of inventories	308	Note E	-
				Telecommunications service revenue	1,610	Note E	-
				Cost of sales	124	Note E	-
				Operating expenses	44	Note E	-
				Nonoperating income and gains	3,433	Note E	-
		Linkwell Tech. Ltd.	3	Telecommunications service revenue	147	Note E	-
		Home Master Technology Ltd.	3	Accounts receivable - related parties	9	Note E	-
				Telecommunications service revenue	120	Note E	-
2	ARCOA Communication Co., Ltd.	KGEx.com Co., Ltd.	3	Other payables - related parties	181	Note E	-
				Operating expenses	1,054	Note E	-
		Yuan Cing Co., Ltd.	3	Other payables - related parties	433	Note E	-
				Operating expenses	1,636	Note E	-
		Yuanshi Digital Technology Co., Ltd. (formerly Hiiir Inc.)	3	Accounts receivable - related parties	4,808	Note E	-
				Other payables - related parties	32	Note E	-
				Sales of inventories	59,004	Note E	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount (Note D)	Payment Terms	% to Consolidated Assets/Revenue (Note C)
				Telecommunications service revenue	$ 6	Note E	-
				Cost of sales	194	Note E	-
				Operating expenses	96	Note E	-
		DataExpress Infotech Co., Ltd.	3	Accounts receivable - related parties	1,845	Note E	-
				Other receivables - related parties	1,187	Note E	-
				Accounts payable - related parties	136	Note E	-
				Other operating costs	429	Note E	-
				Other operating revenue	4,638	Note E	-
				Nonoperating income and gains	710	Note E	-
		Linkwell Tech. Ltd.	3	Accounts receivable - related parties	253	Note E	-
				Sales of inventories	5,202	Note E	-
				Other operating revenue	797	Note E	-
		Home Master Technology Ltd.	3	Accounts receivable - related parties	16,297	Note E	-
				Sales of inventories	126,631	Note E	-
				Other operating revenue	579	Note E	-
				Cost of sales	805	Note E	-
		Omusic Co., Ltd.	3	Accounts receivable - related parties	2	Note E	-
				Sale of inventories	4	Note E	-
3	KGEx.com Co., Ltd.	Q-ware Communications Co., Ltd.	3	Accounts receivable - related parties	13	Note E	-
				Telecommunications service revenue	144	Note E	-
4	Yuan Cing Co., Ltd.	Yuanshi Digital Technology Co., Ltd. (formerly Hiiir Inc.)	3	Accounts receivable - related parties	7,009	Note E	-
				Other operating revenue	17,071	Note E	-
		DataExpress Infotech Co., Ltd.	3	Accounts receivable - related parties	91	Note E	-
				Other operating revenue	625	Note E	-
5	DataExpress Infotech Co., Ltd.	Linkwell Tech. Ltd.	3	Accounts receivable - related parties	4,814	Note E	-
				Other receivables - related parties	12,797	Note E	-
				Accounts payable - related parties	36,571	Note E	-
				Other payables - related parties	41	Note E	-
				Sales of inventories	70,284	Note E	-
				Cost of sales	180,850	Note E	-
				Nonoperating income and gains	8,520	Note E	-
		Home Master Technology Ltd.	3	Accounts receivable - related parties	37,063	Note E	-
				Other receivables - related parties	34,285	Note E	-
				Accounts payable - related parties	15,381	Note E	-
				Other payables - related parties	352	Note E	-
				Sales of inventories	358,184	Note E	-
				Cost of sales	46,580	Note E	-
				Nonoperating income and gains	2,640	Note E	-
		Yuanshi Digital Technology Co., Ltd. (formerly Hiiir Inc.)	3	Accounts receivable - related parties	111	Note E	-
				Other payables - related parties	32	Note E	-
				Sales of inventories	372	Note E	-
				Cost of sales	353	Note E	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount (Note D)	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		Omusic Co., Ltd.	3	Sales of inventories	$ 75	Note E	-
				Other operating revenue	4	Note E	-
				Cost of sales	70	Note E	-
6	Linkwell Tech. Ltd.	Home Master Technology Ltd.	3	Accounts receivable - related parties	1,868	Note E	-
				Other receivables - related parties	33	Note E	-
				Accounts payable - related parties	38	Note E	-
				Sales of inventories	24,980	Note E	-
				Cost of sales	2,579	Note E	-
		Omusic Co., Ltd.	3	Other operating revenue	1	Note E	-
7	Home Master Technology Ltd.	Omusic Co., Ltd.	3	Other operating revenue	2	Note E	-
8	Yuanshi Digital Technology Co., Ltd. (formerly Hiiir Inc.)	Omusic Co., Ltd.	3	Telecommunications service revenue	35	Note E	-
				Sales of inventories	16	Note E	-

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

1. "0" for Far EasTone Telecommunications Co., Ltd. ("Far EasTone").
2. "1" onward for subsidiaries.

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

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

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

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

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

(Concluded)

SCHEDULE H

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

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	Highest Shares Units Held During the Year
				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	2,100,000,000
	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	82,762,221
	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	78,895,760
	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	90,014,424
	Yuan Cing Co., Ltd.	Taiwan	Call center services	-	-	2,000,000	100.00	34,270	13,184	13,184	A, B and G	2,000,000
	Far Eastem Info Service (Holding) Ltd.	Bermuda	Investment	92,616	92,616	1,200	100.00	(47,302)	2,270	2,270	A and B	1,200
	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	2,500.000
	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	33,982,812
	Far Eastem 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	118,250,967
	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	10,408,200
	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	6,000,000
	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	37,432,782
	Far Eastern Electronic Commerce Co., Ltd.	Taiwan	Electronic information providing services	-	80,893	-	-	-	(136,755)	(20,541)	H	15,862,077
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	12,866,353
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	106,000,000
	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	10,249,047
	Digital United (Cayman) Ltd.	Cayman Islands	Investments	132,406	132,406	4,320,000	100.00	13,978	(17,265)	-	B and E	4,320,000
	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	2,499,617
	Far Eastern Electronic Commerce Co., Ltd.	Taiwan	Electronic information providing services	-	28,922	-	-	-	(136,755)	-	H	5,670,615
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	46,500	46,500	3,469,400	5.00	16,898	435	-	C and D	3,469,000
New Diligent Co., Ltd.	Sino Lead Enterprise Limited	Hong Kong	Telecommunication services	125	125	30,000	100.00	226	77	-	B and E	30,000
	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 Far EasTone.

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 I.

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

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

SCHEDULE I

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

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.	Research and design of computer 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. Far EasTone made the investment directly.
2. Far EasTone 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, which 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.

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

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

(Continued)

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)

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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)	(6,194,674)	(785,275)	(29,141)	(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)	$ (76,595,290)	$ (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	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	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	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		Dividends Per Share (NT$)	
	For the Years Ended December 31		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.

SCHEDULE A

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.

SCHEDULE B

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.

SCHEDULE C

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.

SCHEDULE D

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.

SCHEDULE F

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.

SCHEDULE G

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 Eastem 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 Eastem 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.

SCHEDULE H

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.

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Telecommunications Co., Ltd

Chairman

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