

精實 Fit

轉型 Transform 再成長 Grow

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 - Luxemburg Stock Exchange / www.bourse.lu
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Letter to Shareholders

Letter to Shareholders

Dear Stakeholders,

Reflecting on 2018, despite rapid changes in the market and fierce competitions in the Telecom industry, FET team has delivered a solid business performance: consolidated revenue reached NT\$86.6 billion; consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) and after-tax earnings amounted to NT\$26.7 billion and NT\$9.4 billion, respectively, and the earnings per share (EPS) was NT\$2.88, as we continue to push forward to maximize the shareholder values.

In anticipation of the global trend in declining Mobile Revenue, FET has kicked off the initiative to transform and seek new economy opportunities to grow our enterprise and digital services. FET is taking significant efforts to strengthen and expand our internal technical base to adopt big data, artificial intelligence, and cloud computing to develop advanced IoT/ICT solutions and digital services, beyond our traditional mobile business, while adopting Agile methodologies, encouraging innovation and rethinking what's possible. FET also proactively seeks global, cross-domain, cross-industry partners in order to offer our customers with better user experience and more variety in our services, and to assist government agencies and enterprise customers to improve operations efficiency and increase revenue.

Leading Peers in Internet of Things (IoT); continuing to grow digital services

FET has aggressively pushed for the advancement of IoT industry in Taiwan. We formed the first "IoT Ecosystem", bringing together technology companies contributing in various areas of IoT and was the first telecom to offer NB-IoT services in Taiwan. Since FET completed nation-wide roll-out of NB-IoT network in May 2018, more than 200 enterprise clients have officially applied for our IoT services.

As the digital transformation efforts continued, FET launched the "FET Smart Speaker", which utilizes a voice assistant with a local, Taiwanese Mandarin accent. This Speaker extends FET's typical user base from individual consumers to "families" and through the speaker offers multiple voice activated services for more convenience. FET's FriDay digital services continue to grow steadily, including video, music, shopping and wallet payment, to position FET as our customers' best partner in digital life.

Seeking cross-border, cross-domain and cross-industry new economy opportunities

FET has been pursuing opportunities to collaborate with partners in various industries, market segments, and locations, and even globally. Since participated in the creation of Carrier Blockchain Study Group (CBSG) in 2017, FET joined forces with SoftBank and LG Uplus (Korea), in September 2018 to apply blockchain technology to international wallet roaming for a commercial trial in 1H 2019.

As the pioneer in Taiwan's information and communications technology (ICT) industry and digital services, FET also offer subscription based services beyond mobile phones, from tablets, wearable devices, Gogoro and smart home appliances, to fitness centers. In April 2018, FET teamed up with LINE to launch the LINE MOBILE, offering advanced pricing plans for one-stop telecommunication service, targeting at different consumer segments. FET also participates in preparation of internet-only bank, LINE Financial Taiwan's consortium, with 5% shareholding.

FET also established Hsu-Tien Energy Co. Ltd. to invest in the renewable energy field, making the official debut in the solar energy market, while we already participated in co-developing multiple renewable energy related end to end solutions with partners. FET acquired approximate 70% of Nextlink Technology's shares through the subsidiary, New Century Infocomm Tech, to expedite the expansion of FET's cloud service market and improve the overall profitability.

Developing big data, artificial intelligence (AI), IoT, and cloud solutions; preparing roadmap for 5G rollout and services

FET is devoted to developing and applying new technology solutions to support enterprise customers with digital transformation, focusing on big data, artificial intelligence, IoT, and cloud, the critical technologies and capabilities required for enterprise transformation and upgrading.

FET uses big data analytics in improvement of customers' network experience as well as applications such as public transportation planning. FET applies artificial intelligence to network operations and cell site management for network performance prediction and self-healing. FET also enhances capability of technologies and applications to boost its position in IoT value chain. FET will integrate resources inside Far Eastern Group to serve various industries with big data, AI, and IoT to support local enterprises to go global. With that, FET will become the best partner for corporate sustainability and growth.

FET's professional ICT team has vast experience in cloud services and is the only telecom operator in Taiwan who has obtained the Managed Service Provider Certification from Amazon Web Services, FET also partners with Microsoft to offer hybrid cloud services. Having foreseen the potential and importance of AI, FET and Microsoft extended their partnership to Microsoft AI Research Hub, and FET is the only telecom operator in Taiwan to participate in this program. FET, with end-to-end AWS and Microsoft cloud services, mobile and fixed network services as well as data centers located across Taiwan, and continuously progressing AI capability, will be able to provide integrated intelligent IoT and cloud services to enterprise and public sector customers.

5G era is around the corner. With the capability developed in the 5G Lab over the past two years, FET has started preparation for 5G network deployment and services. In 2018, FET became the 1st Taiwanese telecom operator to join 5G Automotive Association (5GAA), and formed FET 5G Pioneer Team to drive development of 5G connected vehicle technologies and ecosystem in Taiwan.

Putting Customers' interests & concerns First, Innovative quality services recognized in Taiwan and

FET is committed to being an ICT service provider taking care of customers from all aspects in work and life. In 2018, FET's mobile customer service APP was upgraded to be equipped with intelligent "Ai-chan" feature. With the feature and innovative services in stores, FET improved service efficiency and shortened customers' waiting

FET has received various awards from Taiwan and abroad for efforts in developing 360-degree store service. In 2018, FET won the award for "Innovation in Customer Service Management, Planning & Practice" of the "Asia-Pacific Stevie Awards" and CRE Awards from APCSC. FET is the only Taiwanese company to win the gold prize for "Channel for Telecommunication Chain Store" category of "The Best Service in Taiwan" evaluation by Commercial Times for seven consecutive years. FET also won four CSEA awards, the most by a winner in the year, from TCCDA. Furthermore, FET mobile customer service APP won the "Best Digital Experience Award" from Customer Experience Asia, and customer service center received the first ISO 18295 certificate in Asia. Finally, FET garnered the first place prize of the "Five-Star Service Award" from the Global Views Monthly magazine, so-called the Academy Award for Services Industries in Taiwan. FET listens and responds to the needs of our customers and will continue to offer amazing and quality services.

Following UN's sustainable development goals, Maximize long term Shareholders values

FET values long-term growth and sets sustainability as the goal of corporate development. FET follows UN's Sustainable Development Goals (SDGs), utilizes ICT to proactively implement sustainability strategies. FET cares about environmental, social, and economic issues, and takes actions to resolve the issues. FET formulates "5G sustainability" strategy (Go Prosperous, Go Caring, Go Inclusive, Go Innovative, Go Eco) for 2018 to 2025 and sets mid- and long-term sustainability goals, and pursues the goals with the brand motto of "Closing the Distance".

FET's efforts in corporate sustainability have been highly recognized. We were listed in the Dow Jones Sustainability Indices (DJSI) Emerging Markets for three consecutive years, ranked in the top 5% in the corporate governance evaluation released by the Taiwan Stock Exchange for four consecutive years, won the "Exemplary Awards" presented by Global Views Monthly for two consecutive years, and received five awards including Best Managed Companies in Taiwan from FinanceAsia. FET also won the 2018 Corporate Citizen Award from the CommonWealth Magazine and garnered ten awards in three categories of the 2018 Taiwan Corporate Sustainability Awards, which set the record of the highest number of awards won by a single enterprise. The outstanding result speaks volume about our efforts for sustainable development and what we have accomplished so far.

Looking forward, we will accelerate innovation, breakthrough and transformation, prepare for a bright future of 5G. and realize our vision: "FET Connects and Enriches Lives"

Finally, we would like to express our utmost gratitude to all shareholders. We look forward to the continuous supervision and encouragement from you all and the public, and wish you good health and all the best.

> **Douglas Hsu** Chairman

Chee Ching President

2018 Major Honors and Awards

Best Digital Experience Award in Customer **Experience Asia Excellence Awards**

First prize of the

2018 Taipei Energy

Conservation

Leadership

Awards

Member of **Dow Jones Sustainability** Indices, Emerging Markets for the 3rd Consecutive Year

Top 5% of Corporate Governance **Evaluations for the** 4th Consecutive Year (TWSE)

Best Performance of Growth through Innovation Award In Taiwan Corporate Sustainability Awards

Innovations

Governance

2018 Best Managed Companies in Asia Awards and 6 other Honors (Finance Asia)

> Five Star Service Awards - the champion in the telecommunications industry (Global

Views Monthly)



The Winner of CSR Award in Annual CSR Survey-Service Section (Global Views Monthly)

Corporate

Sustainability

Top 50 Corporate **Sustainability Awards** and 10 other Honors (Taiwan Institute for Sustainable Energy)

Customer Service

Customer Relationship **Excellence Awards** (Asia Pacific Customer Service Consortium)

Best Service Award for the 7th Consecutive Year (Commercial Times)

FET Garnered around 40 Recognitions in 2018

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

1. Milestones:

2019/04	Ranked top 5% of the "Corporate Governance Evaluation" result hosted by Taiwan Stock Exchange Corporation for the
	fifth consecutive year.

- 2019/03 FET acquired shares of Nextlink Technology Co., Ltd., making its debut in the cloud service market.
- 2019/02 FET launched the new digital service, "friDay Photobook".
- 2019/02 The first in Taiwan, FET's 5G communication service has tested successfully.
- 2019/02 FET was awarded the "Industry Mover" in the 2019 Sustainability Yearbook published by the international sustainability investment company RobecoSAM, the only award-winning in telecommunication Services industry in the world, and won the "Bronze Class Sustainability Award".
- 2019/01 Chee Ching was appointed as the new President of FarEasTone.
- 2019/01 FET collaborated with CPC Corporation to build Taiwan's first "Clean Energy Battery Charging Station".
- 2018/12 FET formed "FET 5G Pioneer Team "to drive development of 5G connected vehicle technologies and ecosystem in Taiwan.
- 2018/09 FET was included in Dow Jones Sustainability Indices (DJSI) Emerging Markets Index for the third consecutive year.
- 2018/08 FET established Prime EcoPower as a key stepping stone to the solar energy industry.
- 2018/07 FET issued Taiwan's first Total Impact Measurement and Management (TIMM) report, adopting digital management for sustainability performance.
- 2018/06 FET launches the first "FET Smart Speakers," with a distinctive Taiwanese Mandarin accent hitting the markets.
- FET established mid- and long-term sustainability goals and formulated sustainability strategy blueprint for 2018 to 2018/05
- 2018/04 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.
- 2018/01 FET was acclaimed as providing the fastest mobile network in Taiwan in 2017 Q3&Q4 from the accredited internet performance testing website SpeedTest.
- 2018/01 FET and Taishin International Bank released "FET FriDay CoBranded Card," targeting younger credit card users.
- 2017/11 FET collaborates with 46 partners and established the "IoT Ecosystem," becoming the first Taiwanese telecom operator to officially launch the NB-IoT service to business enterprises.
- 2017/09 FET integrated telecom base stations with GPS locating devices to calculate the first dual-frequency tracking device "BoBee"
- 2017/07 FET was acclaimed as to provide the fastest mobile network in Taiwan in 1H, 2017 from the accredited internet performance testing website SpeedTest by Ookla.
- 2017/07 FET released the world's first traditional Chinese SROI (Social Return on Investment) Forecast Report.
- 2017/07 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.
- 2017/05 FET introduced the personalized "Digital Expert," a computer, communication, and consumer electronics technical support service, emerging into the innovative customer service market.
- 2017/05 FET launched "Talk.FETnet", the first telco brand's interactive community forum in Taiwan.
- 2017/02 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).
- 2017/01 FET launched the 20th anniversary brand campaign "Connect with Heart. Spread the Love".

Financial Information

- 2016/12 FET launched friDay Wallet, the electronic payment service with 11 affiliated companies of Far Eastern Group and 9 international consortiums. 2016/09 FET set up the first 5G laboratory in Taiwan.
- 2016/08 FET launched the first robot telecom clerk in Taiwan.
- 2016/03 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.
- 2015/06 FET was the first company in Taiwan to issue integrated reports, and has sought to carry out sustainable 4G growth.
- 2015/04 FET garnered the SGS BS 8477 Code of Practice for Customer Service Certification and become the first and only authenticate carrier in Asia.
- 2014/12 FET launched second brand campaign "Because of Love, Keep your Words Sweet".
- 2014/06 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 becomes the first 4G carrier with 700MHz and 1800 MHz dual band in the world.
- FET garnered number one in NCC network speed testing. Among the 22 cities and countries of Taiwan, FET's 2013/10 download and upload speeds rank first among 12 and 14 countries respectively. In addition, FET won three 4G frequency bands and is the only carrier in telecom industry offering the 20 MHz contiguous spectrum in the telecom industry.
- 2013/01 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.
- The online edition of FET's first CSR report, based on the concept of "Eco-Fashion and Creative Responsibility", was 2012/01 published, signaling that FET is heading towards combining corporate sustainable development with social responsibility
- 2006/10 Launched Taiwan's first 3.6 Mbps HSPA technology-based services, ushering in the age of 3.5G mobile communications.
- 2005/08 Officially listed on the Taiwan Stock Exchange as an electronics stock company.
- 2005/07 Launched 3G multimedia services, becoming the first 3G/WCMDA provider in Taiwan
- 2004/01 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.
- 2003/04 Made Taiwan's first live 3G video call on the commercial 3G network.
- 1999/03 Reached one million revenue-producing customers. Noted by Global Mobile Magazine for being the GSM system operator to do so in the shortest time
- 1997/01 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).

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:
- 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.

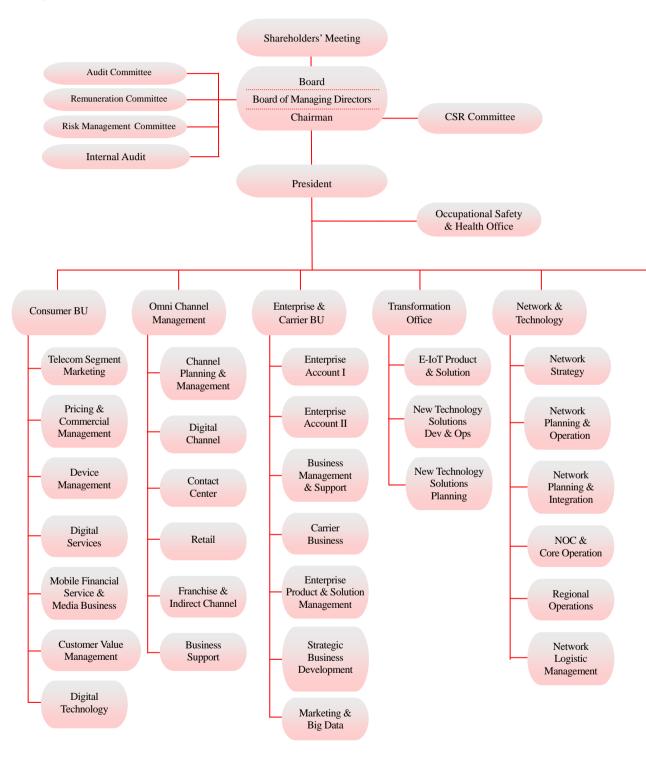


(III) Corporate Governance

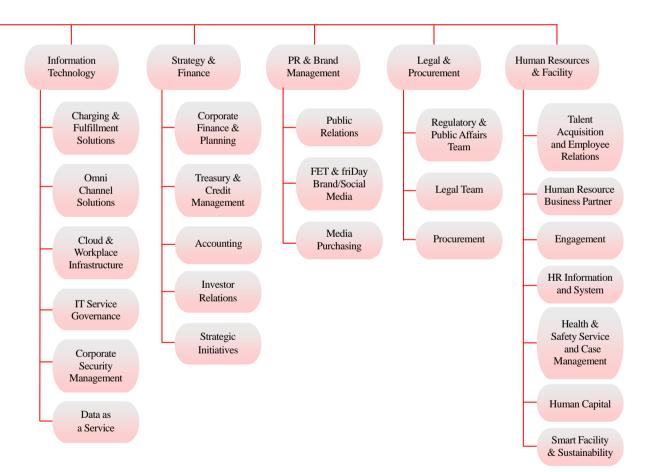
- 1. Organization Structure
- 2. Directors, President, Executive Vice Presidents, Senior Vice Presidents, Vice Presidents, Senior Directors and Department Heads
- 3. Operation of Corporate Governance
- 4. Certified Public Accountant (CPA)
 Professional Fee Information
- 5. Change of Certified Public 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







1-2. Roles and Responsibilities

2019/04/30

Department	Job Description								
President Office	Responsible for implementing the Board's decisions, developing material strategies and directions 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.								
Transformation Office	Responsible for IoT end to end development in product and technical support, new technology application and development and laying out FET's long term technology roadmap.								
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.								
Strategy & Finance	Responsible for finance, accounting, tax, risk management, investor relations and collection, new business development and corporate strategy formulation and execution.								
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, training, human capital, engagement, recruitment employee relations, compensation and benefits, health and safety, human resources information system and sustainable management and Intelligent facilities administration.								
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)		Shareholding Elected		Current Share	eholding
						Date	Shares :	%	Shares	%
Chairman		Douglas Hsu, Representative of Yuan Ding Investment Co., Ltd.	Male	2018/06/14	3	1997/04/11 *1997/04/11	1,066,657,614 *0:		1,066,657,614 *0	
Vice Chairman	1	Peter Hsu, Representative of Yuan Ding Investment Co., Ltd.	Male	2018/06/14	3	1997/04/11 *1997/04/11	1,066,657,614 *0	32.73 *0	1,066,657,614 *0	
Managing Director		Jan Nilsson, Representative of Yuan Ding Investment Co., Ltd.	Male	2018/06/14	3	1997/04/11 *2003/05/26		32.73	1,066,657,614 *0	
							0	0		
Director	(China)	Lawrence Juen-Yee LAU	Male	2018/06/14	3	2005/05/20	0	U	0	0

2019/04/20

Spouse & Shareholding Minor in the Name Shareholding of Others			me Major Education & Experience	Current Position with Other Company		Directors is a inity within 2 Each Other	2 Degrees to	
Shares	%	Shares:	0/0		Title	Name	Relation	
0 *0	*0		o M.S., University of Notre Dame, U.S.A.; *0 M.S., Economics, Columbia University, U.S.A.; Honor Ph. D., Management, National Chiao Tung University; President of Far Eastern New Century Corporation	Corporation;	Vice Chairman Director	Peter Hsu Jeff Hsu	Brother Father and Son	
0 *0	0 *0		0 M.S., Operations Research, Stanford *0 University, U.S.A.; Vice President of Ding & Ding Management Consultants 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 Vice Chairman of Far Eastone *0 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.	O 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		None	None	

Title	Nationality	Name	Gender	Election Date	Tenure (year)	First Election Date	Shareholding Elected		Current Share	eholding	
						Duic	Shares	%	Shares	%	
Independent Director	R.O.C.	Chung Laung Liu	Male	2018/06/14	3	2015/06/18		0	0	0	
Independent Director	R.O.C.	Tim Pan	Male	2018/06/14	3	2018/06/14	0	0	0	0	
Director	1	Champion Lee, Representative of Yuan Ding Co., Ltd.	Male	2018/06/14	3	2003/05/23 *1997/04/11	4,163,500 *0				
Director	:	Jeff Hsu, Representative of Yuan Ding Co., Ltd.		2018/06/14	3	2003/05/23 *2015/06/18	4,163,500 *0				
Director	1	Keijiro Murayama, Representative of U-Ming Marine Transport Corp.	Male	2018/06/14	3	2012/06/13 *2017/07/01	331,000 *0				
Director	:	Bonnie Peng, Representative of Asia Investment Corp.	Female	2018/06/14	3	2000/12/28 *2015/06/18	986,303 *0				
Director *Number of		Toon Lim, Representative of Ding Yuan International Investment Co., Ltd. percentage of shares current		2018/06/14 and first elect		2012/06/13 *2008/01/10 by the individ					

*Number of shares and percentage of shares currently held and first election date by the indivi-Note: For all directors and shareholders are corporate entities, the company registry is R.O.C.

Special Notes Financial Information

2019/04/20

Spouse & Minor Shareholding			Shareho in the N of Oth	ame Major Education & Experience	Current Position with Other Company	Officer or Directors is a Spous Consanguinity within 2 Degre Each Other			
	Shares	%	Shares	%		Title	Name	Relation	
	0	0	o	O.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; 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 Independent Director of Accton Technology Corp.	None	None	None	
	0-	0	0	O.Ph.D. in Electrical Engineering, Washington University in St. Louis, U.S.A; Chairman and CEO of Gemfor Technology; Co-founder and CEO of GoldKey Technology; Board member of St. John's University	Research Asia	None	None	None	
	*0			O'MBA, Texas A&I University, U.S.A.; *O'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:			O'Master's degree in Design and *O'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 MBA, May 2001 Goizueta Business *0 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 Doctor of Journalism, Southern Illinois *0 University, Carbondale, U.S.A.; Chairperson of the 2 nd term of National Communication Commission; Professor, Department of Journalism (Graduate program), National Chengchi University, Taiwan	Adjunct Professor, College of Communication, National Chengchi University; Adjunct Professor, School of Communication, Ming Chuang University.	None	None	None	
	0 *0			0 Postgraduate Diploma in Business *0 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

2019/04/20

		k experience of more than s		Conform to Independent (Note)										
Condition	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, university.	prosecutor, attorney, certified public	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	No. of Public companies in which he/she serves as Independent Director
Douglas Hsu			V			٧				٧		٧		None
Peter Hsu			V			٧				٧		٧		None
Jan Nilsson			V	٧	٧	٧	V	٧		٧	٧	٧		None
Lawrence Juen Yee Lau	V		V	٧	٧	٧	٧	٧	٧	٧	٧	٧	٧	None
Chung Laung Liu	V		V	٧	V	٧	٧	٧	٧	٧	V	٧	٧	3
Tim Pan			V	٧	V	٧	٧	٧	٧	٧	٧	٧	٧	None
Champion Lee			V			٧	٧			٧	٧	٧		None
Jeff Hsu			V			٧			-	V		٧		None
Keijiro Murayama			V	٧	٧	٧	٧	٧	٧	٧	٧	٧		None
Bonnie Peng	V		V	٧	٧	٧	V	٧	V	٧	٧	٧		None
Toon Lim			V	٧	٧	٧	٧	V	V	٧	٧	٧		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.)
- 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.
- 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

·		Basic requirements and values Professional knowledge and skills			nd skills	Necessary knowledge, skill, and experience (Note)								
Name	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	Information skills	
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	V	
Jan Nilsson	Male	Sweden	Telecom		V	V	V	V	V	V	V	٧	*	
Keijiro Murayama	Male	Japan	Telecom		V	V	*	V	V	V	V	٧	*	
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	٧	*	
Jeff Hsu	Male	U.S.A.	Business		*	V	*	V	V	V	V	٧	*	
Tim Pan	Male	R.O.C.	Technology		*	V	*	V	V	V	V	V	V	
Chung Laung Liu	Male	R.O.C.	Technology	Professor of Electrical Engineering	V	V	*	V	V	V	٧	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	*	

^{*} is referred to possessing partial ability.

Note: The directors account for 0% of employees. The independent directors account for 27% of the Board. The female director accounts for 9% of the Board One independent director has been served on the board for over 9 years. 2 independent directors have been served on the board under 6 years. The age of 6 directors is over 70 years old. The age of 2 directors is between 60 to 69 years old. The age of 3 directors is under 60 years old.

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

2018/12/31

	2018/12/31
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%), Cathay Life Insurance Co., Ltd. (4.71%), Fubon Life Insurance Co., Ltd. (2.33%), Public Service Pension Fund Management Board (2.03%), Nan Shan Life Insurance Co., Ltd. (2.02%), Yuan Ding Investment Co., Ltd. (1.05%), Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds (1.04%), Yu Yuan Investment Co., Ltd. (0.94%), Asia Investment Corp. (0.92%), Ding Shen Investment Corp. (0.85%)
Asia Investment Corp.	Asia Cement Co., Ltd. (100%)
Ding Yuan International 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

2018/12/31

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 (3.42%), Yuan-Ze University (2.74%), Fubon Life Insurance Co., Ltd. (2.50%), Cathay Life Insurance Co., Ltd. (2.43%), Douglas Hsu (1.71%), Nan Shan Life Insurance Co., Ltd. (1.67%), China Life Insurance Co., Ltd. (1.55%)								
Ta Juh Chemical Fibers Co., Ltd.	Yuan Ding Investment Co., Ltd. (41.86%), Yu Ding Industry Co., Ltd. (38.76%), Yu 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%), China Life Insurance Co., Ltd. (1.52%), Labor Pension Fund Committee of Far Eastern New Century Corporation (1.51%), Shin Kong Life Insurance Co., Ltd. (1.50%), Far Eastern Department Stores Co., Ltd. (1.49%), Yuan-Ze University (1.41%), Far Eastern Memorial Foundation (1.31%), Yu Yuan Investment Co., Ltd. (1.29%)								
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%)								
Yue Ming Trading Co., Ltd.	Bai-Ding Investment Co., Ltd. (47%), Yuan Ding Investment Co., Ltd. (45.50%), Yu 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%), Norges Bank (1.98%), The committee of Employee Pension Fund of Far Eastern Department Stores Co., Ltd. (1.97%), Far Eastern Memorial Foundation (1.71%), Yuan Ding Investment Co., Ltd. (1.61%), Tranquil Enterprise Ltd.(1.5%)								
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%)								
Cathay Life Insurance Co., Ltd.	Cathay Financial Holding Co., Ltd. (100%)								
Yu Yuan Investment Co., Ltd.	Asia Cement Co., Ltd. (30.02%), Yuan Ding Co., Ltd. (25.02%), Yuan Ding Investment Company (18.96%), U-Ming Marine Transport Corp. (17.66%), Yu Ding Industry Co., Ltd. (0.1%)								
Asia Investment Corp.	Asia Cement Co., Ltd. (100%)								
Ding Shen Investment Corp.	Yuan Tong Investment Co., Ltd., (18%), Ton Fu Investment Corporation (18%), Bai-Ding Investment Co., Ltd. (18%), Asia Investment Corp. (18%), Yue-Tung Investment Corporation (18%), Yu Ding Industry Co., Ltd. (5%)								

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	Current Shar	eholding	Shares he by Spouse &	ld Minor	
Title	rationanty	Name	Gender	Date	Shares	%	Shares	%	
President	R.O.C.	Chee Ching (Note 1)	Female	2019.01.07	0	0.00	0:	0.00	
Executive VP, Consumer BU	R.O.C.	T.Y. Yin	Male	2018.01.01	0	0.00	0	0.00	
Executive VP, Omni Channel Management Executive VP, Enterprise & Carrier BU	R.O.C.	Maxwell Cheng Philip Tseng	Male	2018.01.01	0	0.00	0:	0.00	
Executive VP, NT Executive VP IT	R.O.C.	Herman Rao Eton Shu	:Male	2008.02.01	16,682	0.00	0:	0.00	
Executive VP & CFO, Strategy & Finance	R.O.C.	Sherman Lee	Male	2018.03.01	0	0.00	17,895	0.00	
Sr. VP, Legal & Procurement	R.O.C.	Vivian Lee	Female	2018.01.03	0	0.00	0	0.00	

2019/04/20

Shares held Name of Oth		Major Education and Experience	Current Position with Other Company	Consai	nguinity	Spouse or within 2 th Other
Shares %	%					Relation
	0.00	Vice President, Technology Development, AT&T PhD., Management Information Systems., Purdue University	Director of Far Eastern Department Stores Ltd.; Chairwoman & President of Far Eastern Info Service (Holding) Ltd.; Chairwoman of ARCOA Communications Co., Ltd.; Director & President of New Century InfoComm Tech Co., Ltd.; Director of Omusic Co., Ltd.	None	None	None
0: (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.; Chairman of Linkwell Tech. Ltd.; Chairman of Home Master Technology Ltd.; Supervisor of Omusic Co., Ltd.; 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); Chairman of Yuanshi Digital Technology Co., Ltd.; Vice Chairman of Far Eastern Electronic Toll Collection Co., Ltd. Director of Ding Ding Integrated Marketing Service Co., Ltd. Director of New Diligent Hong Kong Company Ltd.;	None	None	None
0 (Manager of Nestle Taiwan Group; M.S., Marketing, University of Michigan, U.S.A.	Chairman of Yuan Cing Co., Ltd.;	None	None	None
0 (President of Ericsson Taiwan; Master Degree of Science from Industrial Engineering School, Lehigh University, U.S.A.	Chairman & President of KGEx.com Co., Ltd.; Director of New Century InfoComm Tech Co., Ltd.; Chairman of Information Security Service Digital United, Inc. Chairman of Digital United (Cayman) Ltd.; Chairman of Digital United Information Technology Co., Ltd.; (Shanghai); Director of Sino Lead Enterprise Limited; Director of New Diligent Co., Ltd.; Chairman of Prime EcoPower Co., Ltd.; Manager of Far EasTone Telecommunications Co., Ltd. System Integration Branch Office	None	None	None
0 (Director of AT&T Wireless; Ph.D. of Computer Science, Arizona University, U.S.A.	None	None	None	None
0. (0.00	VP of KG Telecom; M.S., Computer Science and Information Engineering, National Taiwan University	Director of Yuan Hsin Digital Payment Co., Ltd; Director of Far Eastern Tech-info Ltd.(Shanghai); Director of Far Eastern Info Service (Holding) Ltd.; Director of Omusic Co., Ltd.; Supervisor of Far Eastern Electronic Toll Collection Co., Ltd. Director of Information Security Service Digital United, Inc.	None	None	None
0 (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.; Supervisor of Ding Ding Integrated Marketing Service Co., Ltd.; Supervisor of New Century InfoComm Tech Co., Ltd.; Supervisor of KGEx.com Co., Ltd.; Supervisor of Yuan Cing Co., Ltd.; Director of New Diligent Hong Kong Company Ltd.; Supervisor of New Diligent Co., Ltd.; Supervisor of Information Security Service Digital United, Inc. Supervisor of Prime EcoPower Co., Ltd.; Supervisor of Digital United Information Technology Co., Ltd. (Shanghai)	None	None	None
0 (VP, Head of Ericsson Commercial Management, Ericsson Sweden; M.S., LLM, Intellectual Property Law. John Marshall Law School, Chicago, Illinois;	Director of KGEx.com Co., Ltd.; Director of Yuan Cing Co., Ltd.; Director of ARCOA Communications Co., Ltd.;	None	None	None

Title	Nationality	Name	Gender	Effective	Current Share	eholding	Shares he by Spouse &		
Title	Nationality	Name	Gender	Date	Shares	%	Shares	%	
r. VP, Iuman Resources & Facility	R.O.C.	Olivia Chew	Female	2018.01.03	0	0.00	0	0.00	
P, Consumer BU	R.O.C.	Andy Tu	Male	2018.01.01	0:	0.00	0:	0.00	
P, onsumer BU	R.O.C.	Belinda Chen	Female	2018.01.01	5,070	0.00	0:	0.00	
P, onsumer BU	R.O.C.	Terrance Yang	Male	2018.01.01	0	0.00	0	0.00	
/P, Consumer BU	R.O.C.	Brian Chao	Male	2018.01.01	0	0.00	0	0.00	
/P, Consumer BU	R.O.C.	Jessie Teng	Female	2018.01.01	0	0.00	0	0.00	
VP Consumer BU	R.O.C.	Lopes Lu (Note2)	Female	2019.04.01	155	0.00	0	0.00	
/P, Omni Channel Management	R.O.C.	Jessica Sung	Female	2018.01.01	0	0.00	0	0.00	
/P, Omni Channel Management	R.O.C.	Roger Lin	Male	2018.01.01	0:	0.00	0:	0.00	
/P, Omni Channel Management	R.O.C.	Charlene Lin	Female	2018.01.01	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.	Mark Lee	Male	2014.10.01	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	
/P, Enterprise & Carrier BU	R.O.C.	Andy Kuo	Male	2018.04.01	0	0.00	0	0.00	

2019/04/20

	Major Education and Experience	Current Position with Other Company	Managers are Spouse o Consanguinity within 2 Degrees to Each Other			
Shares %			Title	Name	Relatio	
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	
0.000	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	Director of Taiwan High Speed Rail Corporation; M.S., Advertising, University of Illinois, U.S.A.	Director of Omusic 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	
	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	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	Assist. Marketing Manager, Standard Chartered Bank; Major in Accounting & Statistics, Ming-Chuan College	None	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	
0.00	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	
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.	Director of DataExpress Infotech Co., Ltd. Chairman of New Diligent Co., Ltd.; Director of Prime EcoPower Co., Ltd.; Director of Information Security Service Digital United, Inc. Director of Digital United Information Technology Co., Ltd. (Shanghai)	None	None	None	
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	
	Director of KG Telecom; B.S., Electrical Engineering, Feng Chia University, Taiwan	Director of KGEx.com Co., Ltd.; Director of Digital United Information Technology Co., Ltd. (Shanghai) 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	President of Information Security Service Digital United Inc. Director of Prime EcoPower Co., Ltd.;	None	None	None	

Title	Nationality	Name	Gender	Effective	Current Share	eholding	Shares h by Spouse &		
Tiue	Nationality	Name	Genuei	Date	Shares	%	Shares	%	
VP, NT	R.O.C.	Bruce Yu	Male	2013.04.01	0	0.00	0	0.00	
VP, Strategy & Finance	R.O.C.	Sharon Lin	Female	2018.03.01	11,076	0.00	0	0.00	
VP, Strategy & Finance	R.O.C.	David Tsai	Male	2018.03.01	0	0.00	0	0.00	
VP, PR & Brand Management	R.O.C.	Sabrina Lee (Note 3)	Female	2018.08.01	0:	0.00	0	0.00	
Senior Director, Consumer BU	R.O.C.	Eric Chu	Male	2018.04.01	0:	0.00	0	0.00	
Senior Director, Consumer BU	R.O.C.	C. J. Lee	Female	2018.01.01	28,452	0.00	0	0.00	
Senior Director, Consumer BU	R.O.C.	D.J. Chen	Male	2018.01.01	0:	0.00	0	0.00	
Senior Director of Sales, Omni Channel Management	R.O.C.	Adam Wong	Male	2018.04.01	0:	0.00	0	0.00	
Senior Director, Omni Channel Management	R.O.C.	Andy Kuo	Male	2018.01.01	0:	0.00	0	0.00	
Senior Director of Sales, Omni Channel Management	R.O.C.	Maurice Tsai	Male	2018.04.01	0:	0.00	0:	0.00	
Senior Director, Enterprise & Carrier BU	R.O.C.	Tony Chen (Note 3)	Male	2018.08.01	0	0.00	0	0.00	
Senior Director, Transformation Office	R.O.C.	Joyce Chen (Note 4)	Female	2018.11.15	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	

Shares he Name of (Major Education and Experience	Current Position with Other Company	Consai	ers are S nguinity es to Eac	
Shares	%					Relation
0		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	Manager of Vishay General Semiconductor Taiwan Ltd.; M.S, Finance, University of Wisconsin U.S.A.	Supervisor of Yuanshi Digital Technology Co., Ltd. Supervisor of ARCOA Communications Co., Ltd.;	None	None	None
0	10	Manager of U-Ming Marine Transport Corp.; EMBA of Yuan-Ze University, Taiwar	Supervisor of ARCOA Communications Co., Ltd.;	None	None	None
0	1 1 1	Group Head of Digital Customer Experience and Channel Management, UK, Vodafone Group Services Limited Database Marketing Manager, ANZ National Bank Ltd, New Zealand; Bachelor of Arts, Philosophy, Soochow University	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:	Ξ.	CFO/COO, Effortel SA Taiwan; Accounting, The Soochow University, Taiwan	:None :-	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	Sales Assistant Manager of KG Telecom; M.S., Department of International Business, Soochow University	None	None	None	None
0	0.00	Manager of Magical Furniture Corporation; B.S., Business Management, Tamsui Oxford University College, Taiwan.	Director & President of Yuan Cing Co., Ltd.; Director of Far Eastern Info Service (Holding) Ltd	None	None	None
0	0.00	Manager of New Century InfoComm Tech Co., Ltd.; Department of Physics, Chung Yuang Christian University	None	None	None	None
0	0.00	Chairman&CEO of MIGO, B.S.,Computer Science,San Diego University.	None	None	None	None
0	0.00	Senior consultant of BroadVision, Inc. MBA, National Taiwan University	None	None	None	None
0	0.00 I	MBA, National Taiwan University Marketing specialist of MiTAC; Engineer of ABS Telecom Inc.; Ph.D. of Department of Engineering Science, National Cheng Kung University	None	None	None	None
0		Director, Digital United Inc, Taiwan; Master degree of Science in Electrical Engineering, University of Southern California, U.S.A.	None	None	None	None

TO LA	N. 41 W.	.,	a ,	Effective	Current Shar	eholding	Shares h		
Title	Nationality	Name	Gender	Date	Shares	%	Shares	%	
Senior Director, NT	R.O.C.	Dave Lu	Male	2016.10.01	0	0.00	0	0.00	
Senior Director, NT	R.O.C.	James Yen (Note2)	Male	2019.04.01	42,615	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.	Barry Chang	Male	2017.07.03	0	0.00	0	0.00	
Senior Director, IT	R.O.C.	Kai Lin (Note2)	Male	2019.04.01	11,607	0.00	0	0.00	
Senior Director, IT	R.O.C	Julian Lin (Note5)	Male	2019.03.20	0	0.00	0	0.00	
Senior Director, Strategy & Finance	R.O.C.	Ann Chang	Female	2018.03.01	13,352	0.00	0	0.00	
Senior Director, Strategy & Finance	R.O.C.	Gary Lai	Male	2018.03.01	0	0.00	0	0.00	
Director, Strategy & Finance	R.O.C.	Stacy Cheng (Note 6)	Female	2019.03.15	0	0.00	0	0.00	
Senior Director, PR & Brand Management	R.O.C.	Yaling Lang	Female	:2018.01.01	1,000:	0.00:	0:	0.00	
Senior Director, Legal & Procurement	R.O.C.	Jason Chen	Male	2018.01.03	0	0.00	0	0.00	
Senior Director, Human Resources & Facility	R.O.C.	Allan Lee	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: Promoted on Jan. 07, 2019

Note 2: Promoted on Apr.1, 2019 Note 3: On board on Aug. 01, 2018 Note 4: On board on Nov. 15, 2018 Note 5: Transferred on Mar. 20, 2019

Note 6: Promoted on Mar. 15, 2019

Special Notes Financial Information

Shares h Name of (Major Education and Experience	Current Position with Other Company	Consa	nguinity	Spouse or within 2
Shares	%			Degre Title		ch Other Relation
0		LANcom Technologies,Inc;	None	None	None	None
: ":		M.S., Naval architecture and Ocean	None	None	· None	ivone
		engineering, National Taiwan				
: :		University		:	:	1
0		Associate Engineer, Industrial	None	None	None	None
· · · · · · · · · · · · · · · · · · ·		Technology Research Institute				
1 1		Master of Electrical Engineering,		1	1	1
: :		National Taiwan University		1	1	1
. 0		Manager of KG Telecom.;	Director of KGEx Co., Ltd.	None	None	None
		M.S., Computer Science, Monmouth				
: :		University, U.S.A.		:	1	1
0-		AVP, IT Division, Genius Electronic	None	None	None	None
		Optics;				1
: :		Master, Institute of Decision and	•	:		:
		Computer Science, Tsing-hwa				:
: :		University, Taiwan	:	:	:	:
0		Senior System Engineer, Chinatimes;	None	None	None	None
: :		Master of Management Science,		:	:	1
		Tamkang University			:	:
0		Chief Technology Officer, IBM	None	None	None	None
: :		Taiwan Corporation;		1	:	1
		Bachelor of Business Administration,		- 1		1
: :		National Sun Yat-Sen University	•	-	:	-
: 0:		Arthur Andersen CPA firm;	Supervisor of DataExpress Infotech Co., Ltd.	None	None	None
		M.S., Management Science,			:	1
: :		National Chiao Tung University,	•	:	:	1
		Taiwan				<u>:</u>
: 0:		Director of MrTaiwan.com;	None	None	None	None
		M.S, Finance, George Washington				3
· · · · · · · · ·		University, U.S.A.	· ·	:	 	
: 0:		Assistant Manager of Audit	None	None	None	None
		Division, KPMG Taiwan;	•			
		Bachelor of Accounting, National				-
0		Cheng Chi University	M	None	NI	N
. 0		Reporter at TTV & United Daily News;	None	None	None	None
		Supervisor, Department of public				-
		information, Formosa TV;				1
: :		Special assistant to General		1	:	1
		Manager, Far Eastern Electronic Toll				1
: :		Collection Co., Ltd;	:	1	:	:
		M.S. in Media University of				-
: :		Minnesota–Twin Cities U.S.A	:	1	:	:
0		Manager of KG Telecom.;	None	None	None	None
		M.S., E.E., Polytechnic Institute of				
: :		New York University,	•	:	1	1
 		U.S.A.(NYU-Poly)	· ·	<u>:</u>	<u>: </u>	<u>:</u>
0		Manager of Chung-Chie Property	None	None	None	None
		Management;	:		:	1
: :	:	Ph.D. of Economics, Nankai				-
		University, China				1
0	0.00	Manager of KG Telecom.;	None	None	None	None
		M.S., Computer Information System,				
		Arizona State University, U.S.A.				

2-6. Remuneration to Directors, President, Executive Vice Presidents and Vice Presidents in the last year.

					Remuneratio	n to Directo	ors			
Title	Name	Com	pensation (A)	Pens	Pension Fund (B)		remuneration		Operating allowance (D) (Note 2)	
Tiue		Ame Ame Ame Ame Ame American Manager American Ding Investment Ding Investment Ding Investment Ding Investment Ding Investment Ding Investment Ding Ding Ding Ding Ding Ding Ding Ding								
Chairman	Douglas Hsu, Representative of Yuan Ding Investment Co., Ltd.									
Vice Chairman	Peter Hsu, Representative of Yuan Ding Investment Co., Ltd.									
Managing Director	Jan Nilsson, Representative of Yuan Ding Investment Co., Ltd.		21,467	0	0	84,128		6,519		
Independent Director	Lawrence Juen-Yee LAU Chung Laung Liu Kurt Roland Hellström(Note 4)	21,467								
	Champion Lee, Representative of Yuan Ding Co., Ltd. Jeff Hsu, Representative of Yuan Ding Co., Ltd.						84,152		6,519	
Director	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 2018 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.

Note:4: The independent directores tenure expired on June 14, 2018, shall present 2 times.

Escalation for Remuneration to Directors

		Name of Di	rectors		
Escalation for remuneration	Total of (A+B+C	+D)	Total of (A+B+C	+D+E+F+G)	
paid to individual directors of the Company (NTD) (Note 1)	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. Kurt Roland Hellström; Tim Pan	Bonnie Peng, Representative of Asia Investment Corp; Toon Lim, Representative of Ding Yuan International Investment Co., Ltd. Kurt Roland Hellström; Tim Pan	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. Kurt Roland Hellström; Tim Pan	
2,000,000~5,000,000 (inclusive of 2,000,000)	Chung Laung Liu; 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; 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; 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; 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)	Co., Ltd.; Peter Hsu,	-Co., Ltd.; -Peter Hsu,	Jan Nilsson, Representative of Yuan Ding Investment -Co., Ltd.; Peter Hsu, Representative of Yuan Ding Investment -Co., Ltd.	Co., Ltd.; Peter Hsu,	
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.	
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	12	12	12	12	

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

Special Notes Financial Information

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(A+B+C+1)	D) Percentage									(A+B+C-	+E+D+F+G)	Other
of net in	ncome (%)	Salary, b	onus, special	Pensi	on Fund	Rem	uneration	to Employ	rees			Remuneration
(N	ote 3)	disburs	sement (E)		(F)		(G	/		(%)(Note 3)	from
The		The		The		The Company Consolidated		The Constituted		Investment		
Company	Consolidated	Company	Consolidated	Company	Consolidated	Cash	Stock	Cash	Stock	Company	Consolidated	Business except
1.19%	1.18%	О	0	О	0	O	O	O	O	1.19%	1.18%	subsidiary 9,390

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				
2017	1.12%	1.12%				
2018	1.19%	1.18%				

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

NT\$'000

Title	Name	Salary (A)		Pension Fund (B) (Note 3)		Bonus and special allowance (C) (Note 4)		Bonus to employees from distribution of earnings (D) (Note 5)				(A+B+C+D) Percentage of net income after tax (%)		Remuneration from invested companie
		The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	Cash	mpany Stock bonus	Cash	Stock	The Company	Consolidated	other than the
President	Chee Ching (Note 1)													
Executive VP	T.Y. Yin													
Executive VP	Maxwell Cheng		95,195	2,267	2,267	20,146	20,146	33,949	0 33	33,949 0	9 0	1.61%	1.61%	80
Executive VP	, <u>,</u>													
Executive VP														
Executive VP	Eton Shu													
Executive VP& CFO,	Sherman Lee													
Sr. VP,	Vivian Lee													
Sr. VP,	Olivia Chew													
VP	Andy Tu													
VP	Belinda Chen													
VP	Terrance Yang													
VP	Brian Chao	95,195												
VP	Jessie Teng													
VP	Jessica Sung													
VP	Roger Lin													
VP	Charlene Lin													
VP	Eric Li													
VP	Mark Lee													
VP	James Lee													
VP	Andy Kuo													
VP	Bruce Yu													
VP	Sharon Lin													
VP	David Tsai													
VP	SabrinaLee (Note 2)													

Note 1: On board on Sep. 03, 2018. Promoted on Jan. 07, 2019

Note 2: On board on Aug. 01, 2018

Note 3: The figures shown in the table include actual payment for pension fund and pension fund contribution in 2018.

Note 4: Including bonus, special allowance, transportation allowance, special disbursement, accommodation allowance, company car and etc. The total expense for company car leasing is NT\$5,589 thousand. In addition, the compensation paid to the driver is NT\$681 thousand in total, which is excluded from aboved mentioned remuneration.

Note 5: The remuneration from 2018 distribution of earnings is a proposed amount and not a actual payment amount yet.

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

Escalation for remuneration to President, Executive Vice	Name of President, Executive Vice President	Name of President, Executive Vice Presidents, Senior Vice Presidents and Vice Presidents				
Presidents, Senior Vice Presidents 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)	Bruce Yu, Sabrina Lee (Note 1), Mark Lee, James Lee, Roger Lin, Charlene Lin, Andy Kuo, Belinda Chen, Brian Chao, David Tsai, Chee Ching (Note 2)	Bruce Yu, Sabrina Lee (Note 1), Mark Lee, James Lee, Roger Lin, Charlene Lin, Andy Kuo, Belinda Chen, Brian Chao, David Tsai, Chee Ching (Note 2)				
5,000,000~10,000,000 (inclusive of 5,000,000)	Jessica Sung, Eric Li, Andy Tu, Sharon Lin, Terrance Yang, Jessie Teng, Vivian Lee, Olivia Chew, Sherman Lee, Eton Shu, Philip Tseng, Maxwell Cheng	Jessica Sung, Eric Li, Andy Tu, Sharon Lin, Terrance Yang, Jessie Teng, Vivian Lee, Olivia Chew, Sherman Lee, Eton Shu, Philip Tseng, Maxwell Cheng				
10,000,000~15,000,000 (inclusive of 10,000,000)	T.Y. Yin, Herman Rao	T.Y. Yin, Herman Rao				
15,000,000~30,000,000 (inclusive of 15,000,000)	None	None				
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	25	25				

Names of employees with the same position are in order of Chinese last name.

Note 1 : On board on Aug. 01, 2018 Note 2 : On board on Sep. 03,2018, Promoted on Jan. 07, 2019

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

Year	The Company	All companies in the consolidated statement
2017	1.59%	1.59%
2018	1.61%	1.61%

The remuneration policies, standards and packages of the Company's Directors, President, Executive Vice Presidents, Senior 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. 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, date and conditions 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, Senior 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. 2.80% of the net income has been paid to Directors, President, and Vice Presidents as the remuneration for the standalone basis in 2018 and 2.79% of the net income has been paid to Directors, President, and Vice Presidents as the remuneration for the consolidated basis in 2018. 2.71% of the net income has been paid to Directors, President, and Vice Presidents as the remuneration for both the standalone and consolidated basis in 2017.

Has the company adopted succession planning for board members and key executives, and disclosed the operational status of such planning?

Board Members

Succession planning

The Company starts with a clear idea about the optimal board composition: the required knowledge, skills and experience; the percentage of the board that should be composed of independent directors; and the level of diversity, such as gender diversity. A key part of our succession planning is the targeted recruiting of board members who fit the organization's needs.

Implementation status:

Through the operation of Advisory Board meetings, at which participants discuss and exchange viewpoints and provide strategic advices, the Company is able to identify potential candidates for nomination as director. Also, the Company holds events such as forums, seminars, and workshops in an attempt to connect with potential candidates. Evaluation and assessments of candidates are made.

Succession Schedule:

The expiration of the current term Board of Directors

Key management of the Company

Succession plan:

Starting from 2015, FET has implemented Annual Succession Plan Review mechanism. We will identify and review successors of key leadership positions (including the President and Executive Vice President positions). The action plan of the successor development is determined and implemented based on the review results.

Implementation status:

Starting from 2015, Head of each Division will have an annual succession plan review on the critical leadership positions in the unit. The Division Heads will discuss in details with President on the successor status and action plans. In addition to proactively develop and train internal successors, we also look for external talents depending on the succession plan status.

Plan Schedule: From 2018 to the Annual Report being published, many important management positions (including: President, and Vice President) are new promoted, appointment or replacement. Please refer to item 5 of Article III Corporate Governance: President, Executive Vice Presidents, Senior Vice Presidents, Vice Presidents, Senior Directors and Department Heads for details..

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

Unit: NT\$'000

	Title	Name	Stock bonus	Cash bonus (Note 6)	Total	Percentage of Net income after tax (%)
	President	Chee Ching (Note 1)				
	Executive VP	T.Y. Yin	-			
	Executive VP	: Maxwell Cheng				
	Executive VP	Philip Tseng				
	Executive VP	Herman Rao	-			0.52%
	Executive VP	Eton Shu	0	49,139	49,139	
	Executive VP & CFO	Sherman Lee				
	Sr. VP	Vivian Lee				
	Sr. VP	: Olivia Chew				
Managers	VP	Andy Tu				
	: VP	Belinda Chen	-			
	: VP	Terrance Yang	<u> </u>			
	· VP	Brian Chao	<u> </u>			
	VP	Jessie Teng	₹:			
	: VP	Lopes Lu (Note 2)	-			
	VP	Jessica Sung	7:			:
	· VP	Roger Lin			:	:
	VP	Charlene Lin	7			

Title	Name	Stock bonus	Cash bonus (Note 6)	Total	Percentage of Net income after tax (%)
VP	Eric Li				
VP	Mark Lee				
: VP	James Lee	:			
VP	Andy Kuo	:	:	•	
: VP	Bruce Yu			:	
: VP	Sharon Lin	-			
VP	David Tsai	:	:	• •	:
VP	Sabrina Lee (Note 3)	:			
Senior Director	: Eric Chu			î :	: :
Senior Director	C. J. Lee	-			
Senior Director	D.J. Chen	:			
Senior Director of Sales	Adam Wong			f • •	. •
Senior Director	Andy Kuo	-	:		
Senior Director of Sales	Maurice Tsai	:			:
Senior Director	Tony Chen (Note3)			f •	•
Senior Director	Joyce Chen (Note 4)	:	:	•	
Senior Director	: Vivian Chiang	:	:		
Senior Director	: Jason Kuo	:	:	•	• •
Senior Director	Dave Lu	:	:		
Senior Director	Leon Li	- :	:	:	:
Senior Director	Barry Chang	:		i :	
Senior Director	Julian Lin (Note 5)	:	:		
Senior Director	Ann Chang	:			:
Senior Director	: Gary Lai	* :		; •	: :
Senior Director	Yaling Lang	:	:		:
Senior Director	Jason Chen	:	:		:
Senior Director	Allan Lee	:	1	f 	f -
Chief Auditor	Iris Su]	1		

Note 1: On board on Sep. 03,2018, Promoted on Jan.07, 2019

Note 2: Promoted on Apr. 01, 2019 Note 3: On board on Aug. 01, 2018

Note 4: On board on Nov. 15, 2018
Note 5: On board on Nov. 15, 2018
Note 5: On board on Jun.19, 2018 Transferred on Mar. 20, 2019
Note 6: Remuneration of 2018 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:

-Unit: NT\$'000

		Bonuses Amount (Note 2)				
Name (Note 1)	Position	Cash Dividend		Stock dividend		
		Cash Dividend	Shares	Market Price	Amount	
T.Y. Yin	Executive VP					
Sherman Lee	Executive VP & CFO					
Eton Shu	Executive VP					
Philip Tseng	Executive VP					
Maxwell Cheng	Executive VP	18,331	10.221	0 Not Applicable	0	
Herman Rao	Executive VP	16,551	U		U	
James Lee	VP					
Sharon Lin	VP					
Terrance Yang	VP					
Jessie Teng	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 2017 earnings.

Special Notes Financial Information

3. Operation of Corporate Governance

3-1. Operation of Board of Director:

Holding 7 times (A) of the Board Meeting, and the attendance status of Board of Directors from last year up to the Annual Report being Published:

2019/04/30

Title	Name		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.	7	0	100	100	
Vice Chairman	Peter Hsu, Representative of Yuan Ding Investment Co., Ltd.	6	1	86	100	
Managing Director	Jan Nilsson, Representative of Yuan Ding Investment Co., Ltd.	7	0	100	100	
Independent Director	Lawrence Juen-Yee LAU	4	3	57	100	
Independent Director	Kurt Roland Hellström	2	0	100	100	The independent director's tenure expired on June 14, 2018, shall present 2 times.
Independent Director	Chung Laung Liu	6	1	86	100	
Independent Director	Tim Pan	5	0	100	100	The independent director's tenure effective on June 14, 2018, shall present 5 times.
Director	Champion Lee, Representative of Yuan Ding Co., Ltd.	6	1	86	100	
Director	Jeff Hsu, Representative of Yuan Ding Co., Ltd.	6	1	86	100	
Director	Keijiro Murayama, Representative of U-Ming Marine Transport Corp.	6	1	86	100	
Director	Bonnie Peng, Representative of Asia investment Corp.	6	1	86	100	
Director Other matters of imm	Toon Lim, Representative of Ding Yuan International Investment Co., Ltd.	6	1	86	100	

- 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.
- 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.
- 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 6 times from last year up to the Annual Report being Published. 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. The attendance status of Independent Directors in 2018 and up to the Annual Report being Published:

Independent Directors	14 th Meeting of the 7 th Term Board of Directors (2018.02.23)	15 th Meeting of the 7 th Term Board of Directors (2018.05.4)	1 st Meeting of the 8 th Term Board of Directors (2018.06.14)	2 nd Meeting of the 8 th Term Board of Directors (2018.08.01)	3 rd Meeting of the 8 th Term Board of Directors (2018.11.05)	4 th Meeting of the 8 th Term Board of Directors (2018.12.18)	5 th Meeting of the 8 th Term Board of Directors (2019.02.20)
Lawrence Juen-Yee LAU	V	*	*	V	V	*	V
Kurt Roland Hellström	V	V	-	-	-	-	-
Chung Laung Liu	*	V	V	V	V	V	V
Tim Pan	-	-	V	V	V	V	V

V: Attendance in person.; *: Attendance by proxy. Kurt Roland Hellström's director tenure expired on June 14, 2018 while Tim Pan 's director tenure was effective on the same day.

3-2. Annual key task and status of operations of Audit Committee:

Holding 6 times (A) of Audit Committee Meetings, the attendance status of Independent Directors from last year up to the Annual Report being published:

2019/04/30

Title	Name	Times of Attendance (B)	Proxy	Actual Percentage of Attendance (%) (B/A)	Remark
Convener	Lawrence Juen-Yee LAU	6	0	100	
Member	Kurt Roland Hellström	2	0	100	The independent director's tenure expired on June 14, 2018, shall present 2 times.
Member	Chung Laung Liu	5	1	83	
Member	Tim Pan	4	0	100	The independent director's tenure effective on June 14, 2018, shall present 4 times.

Annual key operations of Audit Committee:

The Committee shall compose of the entire independent directors. The Audit Committee assists the Board in fulfilling its oversight of the quality and integrity of the accounting, auditing, reporting, and financial control practices of the Company.

Holding 6 times of Audit Committee Meetings from last year up to the Annual Report being published. The powers of the Committee are

- 1. The adoption of or amendments of the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
- 2. Assessment of the effectiveness of the internal control system.
- 3. The adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and providing endorsements or guarantees to others.
- 4. Matters in which a director is an interested party.
- 5. Asset transactions or derivatives trading of a material nature.
- 6. Loans of funds, endorsements, or provision of guarantees of a material nature.
- 7. The offering, issuance, or private placement of equity-type securities.
- 8. The hiring or dismissal of an external certified public accountant, or their compensation.
- 9. The appointment or discharge of a financial, accounting, or internal audit officer.
- 10.Annual and semi-annual financial reports.
- 11. Other material matters as required by this Corporation or by the competent authority

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2018 Business Report, the Financial Statements and the Proposal for Profit Distribution. The CPAs of Deloitte & Touche, An-Hwei Lin and Cheng-Hung 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.

· The evaluation of effectiveness of the internal control system

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

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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. The Company management has assessed the effectiveness of the internal control system design and implementation based on the above Regulations. 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
- 2. Reliability, timeliness, transparency, and regulatory compliance of reporting;
- 3. Compliance with applicable laws, regulations, and bylaws

• The hiring of CPA

Audit Committee assessment according to Standard of Ethics No.10, the 2018 assessment result of independence of Certified Public Accountant is in accordance with "The Norm of Professional Ethics for Certifiedth Public Accountant. This proposal has been approved by the 3rd meeting of the 2nd-term Audit Committee and the 5th meeting of the eighth-term Board of Directors on February 20, 2019

Other matters of importance:

- 1. If any any of below listed-circumstances of operation of Audit Committee Meetings, it's necessary to be disclosed, 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:
 - 1.1The 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 disposal of equipment			
The 14 th Meeting of the 7 th Term	The assignment of financial officer (Chief Financial Officer) and accounting officer			
	The internal audit update			
	The 2017 annual financial statements and consolidated financial statements	Ratified or approved by all attending Members	Ratified or approved by all attending Directors	
(February 23, 2018)	The distribution cash dividend from Retained Earnings and Capital Surplus of the Year 2017	without objection.	without objection.	
	The 2017 business report			
	The Company's 2018 business plan and summary consolidated financial forecast			
	The Declaration of Internal Control System			
	The disposal of equipment			
	The disposal of real estate in Taichung City		Ratified or approved by	
The 15 th Meeting of the	The internal audit update	Ratified or approved by		
7 th Term (May 4, 2018)	The amendments to the "Ethical Corporate Management all attending Members Best Practice Principles" without objection. The merger with Q-ware Communications Co., Ltd, .		all attending Directors without objection.	
	The additions to the capital expenditure budget for 2018.			
	The disposal of equipment			
The 2 th Meeting of the 8 th Term	The Q2 2018 consolidated financial statements	Ratified or approved by all attending Members	Ratified or approved by all attending Directors	
(August 1, 2018)	The internal audit update	without objection.	without objection.	
	The amendments to the "Internal Control System"			
The 3 rd Meeting of the	The disposal of equipment	Ratified or approved by	Ratified or approved by	
8 th Term	The internal audit update	all attending Members	all attending Directors	
(November 5, 2018)	The 2018 Audit Plan	without objection.	without objection.	
	The disposal of equipment			
	The assignment of accounting officer			
The 5 th Meeting of the	The internal audit update	Ratified or approved by	Ratified or approved by	
8 th Term (February 20, 2019)	The 2018 annual financial statements and consolidated financial statements	all attending Members without objection.	all attending Directors without objection.	
•	The distribution cash dividend from Retained Earnings and Capital Surplus of the Year 2018		, and the second	
	The 2018 business report			

Dates & sessions of Board of Director	Contents and motions	Resolution:	The Company's response to Audit Committee's opinions:
	The Company's 2019 business plan and summary consolidated financial forecast		
	The Declaration of Internal Control System		

Due to the resolutions of the 4th Meeting of the 2nd Term of Audit Committee Meeting which is at April 25, 2019 are not acknowledged by the 6th Meeting of the 8th Term of Board of Directors, the issues of Article 14-5 of the Securities and Exchange Act are not available yet. 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 2018 and up to the annual report being published, there were 6 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 2018 and up to the annual report being published, 6 related meetings were held. At the Auditing Committee meetings of Q1 2018 and Q1 2019, the CPA reported the audit results to three Independent Directors via separate session. The CPA was present at the rest of four Auditing Committee meetings.
 - C. Communication status is listed below:

Communication outlines of independent directors with the chief auditor:

Date	Communication Outlines	Suggestions and Results
	Chief auditor reported the Control Self Assessment result of FET and its	
2018/02/22	subsidiaries for the year of 2017.	Without
Audit Committee Meeting	2. Chief auditor reported the progress of internal audit for the fourth quarter of 2017.	objection.
	3. Chief auditor reported the follow-up status of audit findings.	· ·
2018/05/03	1. Chief auditor reported the progress of internal audit for the first quarter of 2018.	Without
Audit Committee Meeting	2. Chief auditor reported the follow-up status of audit findings.	objection.
2018/08/01	1. Chief auditor reported the progress of internal audit for the second quarter of 2018	Without
Audit Committee Meeting	2. Chief auditor reported the follow-up status of audit findings.	objection.
2018/11/05	1. Chief auditor reported the progress of internal audit for the third quarter of 2018.	Without
Audit Committee Meeting	2. Chief auditor reported the follow-up status of audit findings.	objection.
	Chief auditor reported the Control Self- Assessment result of FET and its	
2019/02/20	subsidiaries for the year of 2018.	Without
Audit Committee Meeting	2. Chief auditor reported the progress of internal audit for the fourth quarter of 2018.	objection.
_	3. Chief auditor reported the follow-up status of audit findings.	
2019/04/25	1. Chief auditor reported the progress of internal audit for the first quarter of 2019.	Without
Audit Committee Meeting	2. Chief auditor reported the follow-up status of audit findings.	objection.

Communication outlines of Independent Directors with CPA:

Date	Communication Focus	Suggestions and Results
2018/02/22 Audit Committee Meeting	 Explained the results of the financial statement for 2017. Explained the audit results of the internal control for 2017. Discuss and respond to attendee questions 	Without objection.
2018/05/03 Audit Committee Meeting	1. Discuss and respond to attendee questions for the financial statement.	Without objection.
2018/08/01 Audit Committee Meeting	1. Discuss and respond to attendee questions for the financial statement.	Without objection.
2018/11/05 Audit Committee Meeting	Communicate the key audit matters for 2018. Discuss and respond to attendee questions for the financial statement	Without objection.
2019/02/20 Audit Committee Meeting	Explained the results of the financial statement for 2018. Explained the audit results of the internal control for 2018. Discuss and respond to attendee questions.	Without objection.
2019/04/25 Audit Committee Meeting	Discuss and respond to attendee questions for the financial statement.	Without objection.

3-3.Implementation of Code of Ethical Conduct

			Implementation Status	Deviations from "Ethical Corporate Management
Evaluation Criteria	Yes	No	Illustration	Best Practice Principles for TWSE/GTSM-Listed Companies" and Reasons
1. Establishment of Corporate Governanace Policy and Implementation Measures 1-1 Do regulations and documents disclosed by the Company clearly state the corporate governance policy, its implementation measures, and the Board of Directors and the management team are 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 3 rd meeting of the 7 th term of Board of Directors on July 30, 2015, and has been submitted to the Y2016 FET Shareholders' Meeting. 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".	
1-2 Does the company disclose its "Ethical Corporate Management Best Practice Principles" explicitly stating its implementation measures as well as relevant policies for any unethical conduct, and the standard operating procedure (SOP), guidance, punishment for violation, 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. We have re-inforced the internal whistle blowing mechanisms to all employees in September 2018.	Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies.
system.			FET conducts "Ethical Corporate Management" related training courses, including training course of "Ethical Corporate Management rules, Internal Control and Codes of Ethical Conduct" In 2018, there is total number of 112 training courses were conducted for 7,904 employees, with a total of 5,002 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: Home>CSR>CorporateGovernance>Articles of Incorporation and others.) https://www.fetnet.net/corporate/en/RegulationRule.html FET has also established each disciplinary and complaints system. Anyone can report an offense by internal mailbox or through public channels.	
1-3 Does the Company take any precautionary measures to prevent high-risk illegal business activities, based on Paragraph 2 of Article 7 of the "Corporate Governance Best-Practice Principles for TWSE/TPEx 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.	
2. Implementation of Code of Business Conduct 2-1 Does the Company evaluate counterparties'	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". 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	Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies.

			Implementation Status	Deviations from "Ethical Corporate Management	
Evaluation Criteria	Yes	No	Best Practice Principles for TWSE/GTSM-Listed Companies" and Reasons		
ethical records and specifiy "Ethical clauses" in business contracts?	Ethical be ceased. a business All new suppliers are required to submit corporate credit report or no bouncing check				
2-2 Does the Company establish a full- (or part-) time dedicated unit for the stipulation, supervision and execution of business conduct policy and prevention measures; detail the unit's operations and execution status; and report the unit's status of operations regularly 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: policies 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 material violation of trustworthy management policies was reported in 2018 The Internal Audit will report contravening matters to the Board of Directors.		
2-3 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. We also launched the e-approval flow for these declaration forms in order to re-inforce the concept and enhance the execution in Sep. 2018.		
2-4 Does the Company establish efficient accounting system and 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 chairman, directors, president, and relevant authorities so as to enforce the code of Business Conduct.		
2-5 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 21st of September 2018. 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.In 2018, Procurement also conducted the training course for "Code of Conduct for Fareastone Supplier Chain Social Responsibility" and "Ethical Corporate Management Best Practice Principles" at two Supplier Conference which had total 215 suppliers attending 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.		
3. Operation of Internal/External Reporting Mechanism 3-1 Does the Company establish reporting and rewarding mechanisms, establish convenient channels and procedures for any violation, and assign appropriate specialists to investigate	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.	Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies.	

			Implementation Status	Deviations from "Ethical Corporate Management	
Evaluation Criteria	Yes No		Illustration	Best Practice Principles for TWSE/GTSM-Listed Companies" and Reasons	
any reported cases?			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.		
3-2 Does the Company establish standard investigation procedures and security mechanisms for the	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.		
cases reported?			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.		
3-3 Does the Company take measures to protect whistleblowers 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.		
4. Improvements on 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/corporate/en/RegulationRule.html_ Home>CSR>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. own guidelines for the "Code of Business Conduct" according to Ethical Corporate	Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies.	

5. 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.

6. 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.
- In each order, the procurement would state that the suppliers affirm that the content of the order is neither a copy nor a counterfeit, and that it is not in violation of a third party's intellectual property rights or other rights. This is done to enhance FET's Ethical Corporate Management.

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:

			Implementation Status	Deviations from "Corporate
Evaluation Criteria	Yes	No	Illustration	Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies" and Reasons
Implementation and promotion of corporate governance I-1 Does the Company establish proper corporate governance framework to formulate and review its corporate social responsibility policies or systems and regularly discloses 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.	
1-2 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.	
1-3 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. At the end of 2015, the board of directors resolved to incorporate CSR topics as part of the meeting agenda. Starting from 2017, the Company adopted Go Prosperous, Go Innovative, Go Caring, Go Inclusive and Go Eco, for sustainable development in the future. Members in the "CSR Committee" came 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.	Compliant with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.
1-4 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.	
1-5 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.	
2. Development of a sustainable environment 2-1 Does the Company devote 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 that to minimize its impact on the environment. The outcomes in 2018 included: 1. There are 6.35 mega kwh of electricity saved, and 5,161 tons of CO2 reduced, equal to the annual carbon absorption of 14 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. 260 base stations have been improved with 1.48 mega kwh of electricity saved and 175 inverter air-conditioner have been installed that has 0.1 mega kwh of electricity saved. 200 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 1.5 mega kwh and 829 tons of GHG emissions compared to 2017. Major focuses for energy saving and carbon reduction in 2019: 1. Continue to deploy 200 small weather-proof shelters with high-performance cooling fans. 2. Install another 288 fan cooling system in existing shelter type base stations to reduce power consumption.	

	Implementation Status							Deviations from "Corporate	
Evaluation Criteria	Yes	No		Illustration					
			To strengthen the egoals and regularly Our commitments if of telecom core teel Carbon Reduction If IOT Energy Saving						
2-2 Does the Company achieve ISO 14001 and ISO50001 or other similar verification of Environment or Energy Monitoring System?	V		The Company has estroutinely measure envillumination, indoor C chambers, etc. The Company obtains (Environmental Man Inventory) verification	ironmental quality O_2 concentration, and the ISO50001 (agement System	y, such as tempera hydrogen concen Energy Managen	nture, humidity, stration in battery ment System), ISO1	4001		
				ISO50001	ISO14001	ISO14064-1			
			Organization Valid period	BSI 2018/5/9	BSI 2017/5/7	BSI On year			
			, p	-2021/2/23	- 2020/5/6	(Note)			
			Certified Date	2019/4	2019/4	2019/4			
			Note: ISO14064-1 is a emissions throughout verification in April 2	the previous year.		-	54-1		
2-3 Does the Company develop policies for energy-efficiency, reducing carbon/GHG emissions and implementing a greenhouse gas inventory ,reducing the ues of water or other waste management because of an awareness of the impact on company operations brought about by climate change?	V		environmental manage policy ensuring these visit: https://www.fetu In 2018, FET's GHG tons. Major changes in Office saving 4.78%, Transceiver Station) s	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 risit: https://www.fetnet.net/corporate/en/EcoCSR.html n 2018, FET's GHG (Greenhouse Gas) emission reached 292,977.995 metric cons. Major changes in EnPI (Energy Performance Indicator) as following: Office saving 4.78%, PUE(Power Usage Effectiveness) saving 2.77%, BTS(Base Transceiver Station) saving 18% and retail saving 11.28%. The Company commissioned the British Standards Institution (BSI) to complete the ISO14064-1 Greenhouse Gas Verification in 2017 and 2018.					
3. Maintenance of Social	V	:		-	_	_			
Charity 3-1 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 and management plans?	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. FET conducts educational training on issues related to human rights, including training course of "Education of Labor Safety, Information and Technology Safety and Health Management". In 2018, there is total number of 127 training courses were conducted for 23,069 employees, with a total of 9,508 employee-training hours built up.					Compliant with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.	
3-2 Does the Company set up a mechanism and channels for employees' complaints and does it deal with them properly?	V		Staffs can feed back the complain" channel on			ns via the 'I want to			

Evaluation Criteria Practice Principles for Yes No Illustration TWSE / GTSM Listed Companies" and Reasons 3-3 Does the Company provide a To ensure the safety and health of personnel as well as prevent occupational safe and healthy working injuries, the Company has established a Labor Safety and Health Office (OSH) environment for employees to formulate, plan, promote, and monitor occupational safety and health related and implement health and affairs, meanwhile, Labor Safety and Health Committee is built up and meets safety education regularly? 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. Does the Company In order to strengthen the efficacy and efficiency of communication with establish regular employees of FET, the Company provides diverse communication modes to interact and reach a consensus with employees. For more details, please refers to communication mechanisms for employees "Employee Care" disclosed under "Corporate Governance". and does it notify the staff in a reasonable way when there is an operational change that may have a substantial impact on them? Does the Company The Company has established a career development structure and linked it to the Compliant with the Corporate establish efficient career Company's core competency measures, using this as the basis for a management Social Responsibility Best development and training mechanism to develop all kinds of opportunities for personnel. The career Practice Principles for plans for employees? hierarchy structure is dual-track, incorporating both management skills and TWSE/GTSM-Listed professional tracks, and divided into six grades based on the company's Companies. short-term strategic direction and operations. It simultaneously maintains consistency of rank across departments and encourages employees to develop cross-functional experience. Our company values the voice of consumers, aside from our FET phone shops 3-6 Does the Company establish relevant policies that offer face-to-face services across Taiwan. Our customer service center for protecting consumer 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 rights and appeals procedures on the basis of services and emails, to ensure their interests are protected at all times the research and Furthermore our customer service center passed ISO18295:2017 customer development, procurement, service center management certification. Which examines five major operational production, operation and items such as customer relationship, service orientation, human resources, procedure of service? service process and service facilities combined with multi-dimensional data analysis to improve key service performance efficiently. Simultaneously, 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 Does the Company follow The Company engages in active, detailed disclosure and communication for all the relevant international rate plans and services by varied channels such as website and stores and is in standard rules for compliance with relevant telecommunication laws and regulations. marketing and marking products and services? Does the Company Companies with capital of more than NT\$5 million must provide a credit evaluate the environmental statement, and those with less than NT\$5 million must provide proof of no and social records of bounced checks to serve as a basis for approval. Starting From 2015, FET also suppliers before beginning requests that suppliers to fill out a CSR self-disclosure statement to ensure they cooperation with adhere to regulations relating to Environment, Economic and Social regulations. suppliers?

Implementation Status

Deviations from "Corporate Social Responsibility Best

Deviations from "Corporate

	\vdash	1	пиренении значи	Social Responsibility Best
Evaluation Criteria	Yes	No	Illustration	Practice Principles for TWSE / GTSM Listed Companies" and Reasons
3-9 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.	
4. Improvements in information disclosure 4-1 Does the Company disclose relevant and reliable information concerning corporate social responsibility on its website and Market Observation Post System? 4.2 Does the company disclose.	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: https://www.fetnet.net/corporate/en/ReportDownload.html 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	
4-2 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. The CSR Committee meets quarterly and provides unscheduled presentations yearly regarding relevant decisions and company performance to the Board of Directors. With the President as the moderator and senior management members as the convener of each task force, the Committee presents the action plan of the year and the result of communication with 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.	
4-3 Does the company disclose employees' work environment and personal safety measures and their implementation?	V		Please see Appendix 1 for communication status 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: https://www.fetnet.net/corporate/en/Healthandsafety.html. FET has set up the "Occupational Health and Safety Committee" (OHS Committee) as well as dedicated labor safety and health units to make improvements to the working environment and ensure work safety. Occupational Health and Safety Committee holds a meeting quarterly. Its responsibility is to oversee the formulation of the occupational disaster prevention plan and the self-inspection plan; discuss, examine, and analyze related occupational disasters and review OHS improvements. There were 207 items of working environment and construction security were also completed, the improvement rate for irregular items reached 100% and thus guaranteed the prevention of occupational disaster and hazard. The frequency of checking operation in Occupational Health and Safety as bellows: Checking operation in Occupational Health and Safety 1. Occupational Health and Safety office check workplace 2. Management by wandering around check retail 3. Cell site safety check More than 1 times a month	
			FET got the certification of ISO 45001 and CNS 15506 Occupational Health and Safety Management System from the British Standards Institution (BSI), is the national standards authority on March, 2019.	

Implementation Status

		Implementation Status Deviations from "Corpo					
Evaluation Criteria	Yes	No	Illustration	Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies" and Reasons			
			According to government Regulations and Fire Act, all FET's workplaces have established appropriate fire-fighting systems and executed regular equipment				
	1		maintenance declarations, as well as the fire prevention management. We will				
		1	also implement disaster prevention education every six month to enhance disaster				
			resilience and personnel awareness.				
			Some areas have multiple protective measures in each office and MSC/IDC.				
	1	1	They are controlled through the access control system. All personnel need				
			authorization to access and real-time records are maintained for reference. We				
	1	1	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.				
	:	1	According to FET physical security management protocols, all areas are set up	:			
	1		with different clearances covered by access control, surveillance and alarm				
		1	systems. The mechanism has been certified of ISO27001 each year since 2014.				

- 5. 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
- 6. 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 corporate sustainability pillar of 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.

FET aims to grow with business partners and implements transparent and honest corporate governance system in order to become the benchmark of sustainability governance.

- > Having corporate governance and risk management as the core, FET strengthens the structure and operation of the board of directors and enhances information transparency. In addition to establishing functional committees reporting directly to the board, FET correlates senior management's remuneration with CSR performance to ensure the effectiveness of corporate governance and ethical management.
- > Through Total Impact Measurement and Management (TIMM) management tool, FET monetizes sustainability for a more comprehensive managing approach.
- > FET was included in DJSI Emerging Markets for the third consecutive year.
- > FET ranked top 5% in the Corporate Governance Evaluation released by the Taiwan Stock Exchange for the fifth consecutive year.

FET integrates external, internal and the Group's innovative resource, consolidates industrial competitive advantages, and provides diverse digital products and services to be the most preferred partner in digital life

- > FET is committed to the research and development of new technique and innovative applications, and assists enterprises with digital transformation.
- > To accelerate smart life promotion via digital innovative products, FET launched the "FET Smart Speaker", which utilizes a voice assistant with a local, Taiwanese Mandarin accent.
- FET aggressively drives the domestic IoT industry development. It dominates the industry by setting the following six records: the first carrier in Taiwan to obtain 3 million exclusive IoT numbers; provides comprehensive NB-IoT network coverage and NB-IoT pricing plan; officially initiates the commercial use of NB-IoT; establishes NB-IoT ecosystem, and offers free NB-IoT enterprise experience plans.
- > Through collaboration with business partners, FET extends IoT scope to encompass applications such as air quality control, hydrologic observation, smart street lights, smart parking and vehicle-to-motorcycle.

FET builds a close and safe customer service and work environment, and becomes the leading telecommunication brand for consumers and employees.

- > FET's quality 360-degree store service garnered Global Views Monthly magazine's "Five-Star Service Award" and received A in the Net Promoter Score.
- > FET continues to obtain international certificates associated with information security and personal data management, providing safe and trustworthy communication service to customers.
- > FET fully explores employer brand through diverse cooperation, strengthens the blueprint of employee training development with progressive and agile learning, and builds an energetic workplace with diligent and dedicated employees.
- > FET received the 2018 HR Asia Best Companies to Work for in Asia Award.

Go Inclusive

FET creates a fare and inclusive information society via communication networks extension and core technology.

- FET strives to improve remote area's broadband infrastructure and urban and rural development and has achieved 96% network coverage
- FET initiates the "Cherish the Earth, Spread Love Far" campaign with stakeholders including suppliers, employees, consumers, and NGO groups, calling on everyone to participate in green activities.
- FET launches the "Flip Education, Spread Love Far" program by working with Professor Bing-Cheng Ye from the National Taiwan University, FET volunteers employ his online learning platform, PaGamO, to increase the learning motivation of children at the rural areas and diminish the problem of unbalanced education resource allocation between the urban and rural area. Volunteers worked at 26 elementary schools in Taiwan's remote areas, benefiting 984 students.

Evaluation Criteria	Imp	plementation Status	Deviations from "Corporate
			Social Responsibility Best
		Illustration	Practice Principles for
	Yes No		TWSE / GTSM Listed
			Companies" and Reasons

> FET carries out the "Saving the Lives of Abandoned Children" project for the 12th year, assisting Child Welfare League Foundation with fundraising for abandoned kids. The fund accumulates to NT\$40 million, benefiting over 1,400 abandoned children.

- FET continues to reduce the business carbon footprint, drive green transformation with core technology, and build a sustainable smart city
- > FET sets up the "Environment and Energy Management Committee" to manage the company's internal resource, and establishes explicit countermeasures for enterprise transition and mid- and long-term energy management goals.
- > FET enters the solar energy industry and promotes renewable energy development plan with Prime EcoPower. Photovoltaic system installed at our own plant, which can generate a total of 200Kwp, a 20-fold increase from 2017.
- FET collaborates with Delta Electronics, Inc. to lay out the new generation base stations and promote environmental-friendly energy conservation plans. The energy conversion efficiency has improved enormously to reach 98%, effectively lowering the energy consumption of base stations.
- To encourage the green supply chain, FET encourages suppliers or vendors within the supply chain to purchase in line with the green procurement standards. The green procurement amounted to NT\$380 million in 2018, accounted for 99.2% of local purchases.
- 7. If the Company's products or Corporate Social Responsibility(CSR) statement have/has been accredited by relevant accreditation institutions, please elaborate: The 2017 FET CSR report was verified by SGS Taiwan, which issued an independent assurance report in June 2018 stating that disclosures within the report were in compliance with GRI Standards core options and AA1000 (AccountAbility) Type 2 high-level assurance
- 8. The specific plans for implementing corporate social responsibility (CSR) and its effectiveness in 2018:

FarEasTone's (FET) implementation status of CSR was presented at the 3rd meeting of the 8th Board of Directors on November 5, 2018. The three main aspects of CSR that FET has engaged in are environmental sustainability, digital inclusion, and social participation.

The specific implementation plans and performance in 2018 are as follows:

- 1. In 2018, FET invested NT\$20.91 million toward social welfare, had 352 corporate volunteers who were committed to our welfare projects, and cumulatively influenced nearly 800 thousand individuals through these efforts over the past three years.
- 2. FET's sustainable performance was positively recognized by the international community and was included in the Dow Jones Sustainability Indices (DJSI) Emerging Markets Index for the third consecutive year. The Company was also awarded the "Industry Mover" in the 2019 Sustainability Yearbook published by RobecoSAM, the only telecommunication services provider to receive such honor throughout the
- 3. FET introduced the Science-Based Targets (SBT) to conduct scientific management over greenhouse gas (GHG) emissions.
- 4. Enhanced key green energy technology and established Prime EcoPower as a stepping stone toward the solar energy industry. In addition, the Company collaborated with CPC Corporation to build Taiwan's first "Clean Energy Battery Charging Station."
- 5. FET strives to bridge the digital gap and to reinforce broadband infrastructure in remote areas and fulfill urban-rural development, achieving up to 96% of network coverage in remote areas.
- 6. FET collaborated with PaGamO to establish environmental education and digital learning database to enhance the quality of education in remote areas through game-assistive learning, benefitting 26 schools and 984 students in remote areas throughout Taiwan.
- 7. FET partnered with the Child Welfare League Foundation (CWLF) and friDay in fundraiser events throughout Taiwan. Cumulatively, over NT\$40 million has been raised over the past 12 years.
- 8. FET optimized supply chain management and development mechanism and promoted the sustainable development throughout the industry supply chain. Our green procurement has amounted to NT\$380 million, while 99.2% of FET's total procurement is sourced from local
- 9. FET is committed to industry-university cooperation and participation in associations; relevant expenditure has mounted up to NT\$8.59 million per year.
- 10.FET continues to collaborate with Ericsson toward the goal of 5G development. Key 5G technology testing and demonstrations are being gradually introduced.
- 11.FET formed "FET 5G Pioneer Team" to drive the development of 5G by partnering with various industry, government, academic, and research entities

Stakeholders	Material Issues of Concern	Response and communication channels	Key communication results in 2018
Competent Authorities	Response to government policy and regulatory changes Corporate governance and integrity Communications quality and network infrastructure Information security and customer privacy protection Risks management and emergency response Digital inclusion Energy management Climate strategy	Contact person TEL: Regulatory Team, Mr. Huang 886-2-7723-500 Email: hachuang@fareastone.com.tw Communication Methods Business meetings and administrative inspections by the National Communications Commission (NCC) Fair Trade Commission investigations Official correspondence	Took part in 170 NCC business meetings and 15 administrative inspections in 2018 There were three cases investigated by the Fair Trade Commission in 2018. All cases were closed and no violation of the Fair Trade Act was found 151 official documents
Employees	Business performance Corporate governance and integrity Management of human rights issues Talent development and management	 Contact person FET maintains an employee suggestion system and a grievance mailbox. Communication Methods Quarterly two-way communication meeting Employee satisfaction survey Quarterly Lantern Legend Meeting Annual Employee Meeting Employee Welfare Committee FET e-Express FET internal website 	Through FET e-Express, all employees are informed of employee discounts, employee benefits and volunteer accomplishments for the year Through FET internal website, SOP, new webpage information, employee discounts are announced to all employees 3,373 employee training courses held, and average training hours per employee was 65.62 hours Percentage of employee who received annual performance assessment: 100% FET received 29 employee suggestions and 12 cases from the grievance mailbox
Shareholders /Investors	Business performance Innovative strategy management Corporate governance and integrity Social innovation Climate strategy Energy management	Contact person TEL: Investor Relations Division, Ms. Huang 886-2-7723-5000 Email: ir@fareastone.com.tw Communication Methods Establish an investment relationship department Host general shareholders meeting per year Regularly Host Global Investor Telephone Conference to facilitate direct communication between investors and executive management Dedicated units took part in domestic/overseas face-to-face institutional investor meetings to communicate with investors. Announce information simultaneously in the MOPS (Market Observation Post System) and company website investor service area	Hosted one general shareholders meeting Hosted four Global Investor Telephone Conference to facilitate direct communication between investors and executive management Dedicated units took part in domestic/overseas face-to-face institutional investor meetings to communicate with investors Published monthly non-audited revenue, profit and operating statistical data on the FETnet website
Consumers	Communications quality and network infrastructure Information security and customer privacy protection Brand image management Quality customer experience Communication and research on issues concerning electromagnetic radiation Rate plan transparency and	Contact person TEL: Customer Service Department (please call the following customer service line, there will be a designated personnel to provide consultation and service) Email: ecare@fareastone.com.tw	FET received an customer loyalty index and NPS (Net Promoter Score) of A Overall average customer satisfaction of FET's retail stores in 2018: 4.71 / 5 Overall customer satisfaction of FET's customer service center in 2018 reached 93.1% By the end of 2018, there were

Stakeholders	Material Issues of Concern	Response and communication channels	Key communication results in 2018
	communication	2. FET instant dial: 888/123 (toll free) 3. Local line: 449-5888/449-5123 (local rate billing) 4. Official website problem response area `customer service instant inquiry 5. Telecom storefronts, official documents, and coordination meetings 6. Conduct customer service satisfaction surveys via external units on a regular basis 7. Product briefings and marketing activities with consumers	7.65 million friends on LINE accounts and 560,000 fans on Facebook fan pages
Suppliers	Business performance Corporate governance and integrity Innovative strategy management Supply chain management Management of human rights issues	Contact person TEL: Procurement Division, Mr. Tsou 886-2-7723-767 Email: http://www.ecome.com.tw/A00BG/ABG _Connection.aspx Communication Methods 1. Establish a sustainable supply chain with suppliers by signing the company's self-declaration of corporate social responsibility, integrity/audit management consent, supplier training and testing, supplier auditing, etc. Conduct suppliers satisfaction surveys Regularly hold supplier conferences and developer conferences to share and exchange global sustainable trends; at the same time drive supplier innovation	 In 2018, 97% of material first-tier suppliers and 100% of new suppliers signed the "Supplier CSR Self-Declaration". Based on 4 aspects including supplier management actions, supplier CSR risk assessment, office energy management, and supplier code of conduct to provide training for 215 suppliers, which accounted for 90.2% of total procurement. In 2018, averagely 90% of the procurement satisfaction questionnaire responses were "satis¬fied" or "very satisfi¬ed"
Community Groups/NGOs	Community care and charity programs Climate strategy Digital inclusion	Contact person TEL: Public Relations Division, Ms. Lee 886-2-7723-5000 Email: pr@fareastone.com.tw Communication Methods Communicate and promote through sponsorship and collaboration projects	 Public welfare appropriation in 2018 was NT\$20.91 million A total of 352 volunteers participated in public welfare activities and nearly 800 thousand people were benefited.

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

	Implementation Status Deviations from Governance B				
Item	Yes	No	Illustration	Governance Best-Practice Principles for TWSE / GTSM Listed Companies'' and Reasons	
1. 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: https://www.fetnet.net/corporate/en/RegulationRule.html http://mops.twse.com.tw/mops/web/t167sb01	Compliant with the "Corporate Governance Best-Practice Principles for TWSE / GTSM Listed Companies"	
2. Ownership Structure and Shareholders' Equity 2-1 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.		
2-2 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".	Compliant with the "Corporate Governance Best-Practice Principles for TWSE / GTSM Listed Companies"	
2-3 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.		
2-4 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.		
3. Structure and Duties of the Board of Directors 3-1 Does the Company establish guidelines for the diversification of Board members and disclose the execution status of it? 1. **The Board of the Bo	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 do count for the board composition. Board members' background diversified from United States, Japan, Singapore, Sweden, China and 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. Performance evaluation of Board of Directors is conducted every year on a regular basis to verify the diversity and competency of the Board.	Compliant with the "Corporate Governance Best-Practice Principles for TWSE / GTSM Listed Companies"	

			Implementation Status	Deviations from "Corporate Governance Best-Practice	
Item	Yes	No	Illustration	Principles for TWSE / GTSM Listed Companies'' and Reasons	
			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		
			https://www.fetnet.net/corporate/documents/en/Y2018%20Perfomanc e%20Evalution%20Method%20and%20Results%20for%20Board%2 0Meetings.pdf		
3-2 Other than the Remuneration Committee and Audit Committee, does the Company set up any other functional committee with no less than three members (where over half of the members are Independent Directors) and disclose their composition, responsibilities,	V		The Company approved to restructure the Risk Management Committee at the third meeting of the eighth-term Board of Directors on November 5, 2018. The Committee members shall be appointed by resolution of the board of directors. It shall have at least three members and more than half of them shall be independent directors. Currently, all of the three independent directors, Lawrence Juen-Yee LAU, Chung Laung Liu and Tim Pan, are the committee members. This is done in order to implement enterprise risk management from a more comprehensive perspective that encompasses the scopes of financial		
and operations?			risk, strategic and operational risks, information security risk, and environmental and energy risks, through the operation of different levels of organization and responsibilities. The duties of the Committee are as follows:		
			(1) Review risk policies and framework, risk appetite, or tolerance level. (2) Review management reports on major risk issues. (3) Make timely reports to the Board.		
			The Committee shall convene at least twice a year, and may call a meeting when necessary. For the Committee member list and implementation status, please refer to the Market Observation Post System website: http://mops.twse.com.tw/mops/web/t100sb03_1		
3-3 Are the Company's regulations 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	V		The Company has established "Procedures for Perfomance Evaluation of Board of Directors", and have been approved by the Board. The procedures stipulate that the Board shall conduct a self-evaluation regarding its year-round performance at the end of each year. The evaluation covers the overall operation of the Board as well as the performances of individual Board members. Results and improvement measures of the latest Board performance evaluation are as follows:		
website or in the annual report?			The Company's improvement project in 2018 was to "engage a professional and independent institution to conduct an external performance evaluation on the Board", in which the Company engaged KPMG's Risk Consulting Service Department to complete the external evaluation as scheduled.		
			In 2019, the Company's proposed improvement project is "to have appropriate employment instructions for new directors." The overall evaluation result was assessed as good, and will be reported in the fifth meeting of the eighth-term Board of Directors on February 20, 2019. The evaluation result has been disclosed on the Company's website.		
			The website address is as follows: https://www.fetnet.net/corporate/en/BODMeetingInfo.html		
3-4 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	V		The Company has established "Procedures for Perfomance Evaluation of Board of Directors", and have been approved by the Board. T The Rules stipulate that an external evaluation regarding the Board's performance shall be conducted every three years. The evaluation covers the overall operation of the Board and the performance of individual Board members.		
three years, as also according to the deadline stipulated in the regulations? Does the company share the implementation status			In October 2018, the Company engaged KPMG's Risk Consulting Service Department (hereinafter referred to as KPMG) to perform the 2018 external evaluation regarding the Board's performance, and a report was received in January 2019. The overall evaluation result was		
and results of these evaluations on its official website or in its annual report?			assessed as falling between good and excellent. The evaluation result has been reported to Board of Directors on February 20, 2019. The Company will apply KPMG's improvement recommendations as a		

Special Notes Financial Information

			Implementation Status	Deviations from "Corporate Governance Best-Practice
Item	Yes	No	Illustration	Principles for TWSE / GTSM Listed Companies'' and Reasons
			reference for continuous enhancement of Board effectiveness and Board member functions.	
			The evaluation result has been disclosed on the Company's website. The website address is as follows: https://www.fetnet.net/corporate/en/BODMeetingInfo.html	
8-5 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 14th meeting of the 7th term Board of Directors on Feb. 23, 2018, and the 5th meeting of the 8th term Board of Directors on Feb. 20, 2019, respectively. ("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	
4. Does the Company have a	V		Public Accountant. Annex 2: Assessment table of independence of Certified Public Accountant. Senior Vice president of Legal & Procurement, Vivian Lee, is FET's	
dedicated chief responsible for corporate governance affairs; and disclose function scope, focus of the year, and training status?			Function description: 1. Handling matters relating to board and shareholders, according to laws, and assisting the Company incompliance with laws and regulations governing such meetings. 2. Producing minutes of board meetings and shareholders meetings. 3. Furnishing information required for business execution by Board directors. 4. To assist Directors' in compliance with laws. FET's 2018 corporate governance matters included the following: 1. Handling matters relating to Board Meetings and Audit Committee Meetings. 2. Handling matters relating to shareholders' meeting, assist to product meeting minutes. 3. Updating board directors on change of laws and regulations relating to the operation of the Company. 4. Assisting on Directors' continuing education. 5. According to "Procedures for Performance Evaluation of the Board of Directors", the Corporate Governance Personnel shall submit the assessment outcome to the Board for approval on a yearly basis. The outcomes have approved at the 14th meeting of the 7th-term Board of Directors on February 23, 2018. Information concerning the operation and execution of the corporate governance unit has been placed on the corporate website. The address is as follows:	Compliant with the "Corporat Governance Best-Practice Principles for TWSE / GTSM Listed Companies"
5. Does the Company build up communication channels with interest-conflicting parties	V		https://www.fetnet.net/corporate/en/BODMeetingInfo.html Training: In accordance with laws and regulations, the corporate governance personnel will be reported in the Board of Directors' meeting in the second quarter of 2019, and continuing education will be arranged. (The laws stipulate that a first-time corporate governance supervisor shall take on at least 18 hours of education within one year from the date of attaining the position, and 12 hours are required in each subsequent year.) In addition to a formal spokesperson mechanism, the Company has set up adequate connection for suggestions from stakeholders, such as mail box on the Company website (ir@fareastone.com.tw), or could be	Compliant with the "Corporat Governance Best-Practice Principles for TWSE / GTSM

	Implementation Status			Deviations from "Corporate Governance Best-Practice	
Item	Yes	No	Illustration	Principles for TWSE / GTSM Listed Companies'' and Reasons	
shareholders, employees, customers and suppliers), delicate a specific area on the Company website, and properly respond to important issues regarding CSR?			provides a 24-hour online service (Mobile Direct Line on 123), FET Self-Care App and e-mail (ecare @ fareastone. com.tw). Retail shareholders shall contract the stock agency, Oriental Securities Co., Ltd. for any comments and suggestions.		
6. 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"	
7. Information Disclosure 7-1 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.		
7-2 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.	Compliant with the "Corporate Governance Best-Practice Principles for TWSE / GTSM Listed Companies"	

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 $\begin{array}{c} \text{Description} & \text{Result} & \text{Independent of } Y/ \end{array}$					
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			

	Independence						
Item	Description	Result	Independence Y/N				
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

nysical Communication Chamics				
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.			
1 0	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.			
	An employee engagement survey is conducted on a 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

Electronic Communicatio	in Channel
e_Newcletter	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.
Employees' suggestion for FET product/ Service	Set up a forum community in FET EMMA (Enterprise Mobility Messaging Assistant) to encourage colleagues to provide suggestions, and arrange the moderators for two-way communication.
I Want to Complain	Employees may seek assistance through the opinion box for cases where queries to responsible units or supervisors have 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

Special Notes Financial Information

(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 freeze. 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

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. In 2018, FET also completed its ESG risk evaluation for 158 suppliers, which accounted for 52% of the Company's annual procurement amount. Twenty suppliers were identified as high-risk and FET has taken improvement measures. It focused on their confidentiality agreements and the IPR protection aspect, which are completed by March 2019.

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	Trainning Hours	Accumulated Training Hours
Ch.:	Develop Here	2018/07/24	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3	
Chairman	Douglas Hsu	2018/12/24	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3	6
Dimenter	Chamaian La	2018/07/24	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3	
Director	Champion Lee	2018/12/24	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3	6
Vice	Data a Hara	2018/07/24	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3	
Chairman Peter Hsu	2018/08/01	Taiwan Corporate Governance Association	Introduction to Directors and Officers Liability Insurance	3	6	
D: .		2018/08/01	Taiwan Corporate Governance Association	Introduction to Directors and Officers Liability Insurance	3	6
Director Jan Nilsson	Jan Nilsson	2018/11/05	Taiwan Corporate Governance Association	Cyber Risk: What the Board of Directors Needs to Know	3	
D: .		2018/07/24	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3	6
Director	Jeff Hsu	2018/08/01	Taiwan Corporate Governance Association	Introduction to Directors and Officers Liability Insurance	3	
		2018/11/09	Taiwan Corporate Governance Association	A class for directors and supervisors -Business operation risk analysis	3	6
Director	Bonnie Peng	rng 2018/12/14 Taiwan Corporate Governance Association		How to effectively demonstrate the functions of director, implementation of corporate governance	3	
Б.		2018/08/01	Taiwan Corporate Governance Association	Introduction to Directors and Officers Liability Insurance	3	6
Director Toon Lin	100n Lim	2018/11/05	Taiwan Corporate Governance Association	Cyber Risk: What the Board of Directors Needs to Know	3	
D: .	Keijiro	2018/08/01	Taiwan Corporate Governance Association	Introduction to Directors and Officers Liability Insurance	3	
Director	Murayama	2018/11/05	Taiwan Corporate Governance Association	Cyber Risk: What the Board of Directors Needs to Know	3	6

Title	Name	Study Date	Sponsoring Organization	Course Name	Trainning Hours	Accumulated Training Hours
Independent	Lawrence	2018/08/01	Taiwan Corporate Governance Association	Introduction to Directors and Officers Liability Insurance	3	
Director	Juen-Yee LAU	2018/11/05	Taiwan Corporate Governance Association	Cyber Risk: What the Board of Directors Needs to Know	3	6
		2018/03/07	Taiwan Corporate Governance Association	Board effectiveness evaluation	3	
	Chung Laung Liu	2018/08/01	Taiwan Corporate Governance Association	Introduction to Directors and Officers Liability Insurance	3	9
		2018/11/05	Taiwan Corporate Governance Association	Cyber Risk: What the Board of Directors Needs to Know	3	
		2018/07/24	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3	
Independent Director		2018/07/30	Securities and Futures Institute	2018 Insider equity transaction law compliance announcement	3	12
	: ни гап	2018/08/01	Taiwan Corporate Governance Association	Introduction to Directors and Officers Liability Insurance	3	12
		2018/11/05	Taiwan Corporate Governance Association	Cyber Risk: What the Board of Directors Needs to Know	3	

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

A. Executive Management

Title	Name	Study Date	Sponsoring Organization	Course Name	Training Hours	Accumulated Training Hours
President Yvonne Li (note)	2018/07/24	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3		
		2018/12/24	Taiwan Academy of Banking and	Practice Advanced Seminar for Directors and Supervisors (including Independent Directors)	3	6

^{*} Except for the above mentioned education status, the Company would monthly inform all management of updated Corporate Governance related regulations. Note: The tenure expired on Jan 7th, 2019.

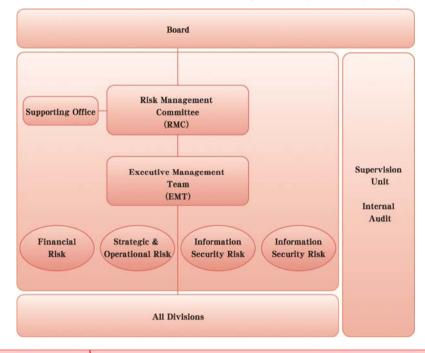
8-7 The composition, responsibilities, and operations of the Company's Risk Management Committee:

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 restructured its risk management organization in 2018 and upgraded the Risk Management Committee (RMC) level. RMC members are appointed by the Board of Directors and are made up of independent directors. The RMC aims to implement enterprise risk management from a more comprehensive perspective that encompasses scopes including financial risk, strategic and operational risk, information security risk, and environment and energy risk. This is done through the design and operation of multi-layer organizations and management mechanisms, including: (1) all divisions; (2) the Executive Management Team (EMT); (3) the RMC; and (4) the Board of Directors and Internal Audit. It features the flexibility of risk management and supervision as well as risk response, to better control risks in a rapidly changing business environment while achieving the Company's strategic goals.

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The Company's security risk management structure has been established; policies and specific management plans are as listed below:



Orga	nization	Responsibility
Highest decision-making and supervision	Board of Directors and Internal Audit	Board of Directors: Approve risk management policies and framework. Supervise the effective operation of the risk management mechanism. Internal Audit: Review risk. Report audit results to the Board of Directors.
Third-layer management	Risk Management Committee	 Review risk policies and framework, risk appetite, or tolerance level. Review management reports on major risk issues. Make timely reports to the Board.
	Executive Management Team	 Develop risk policies and framework; set risk tolerance and goals. Implement Board of Directors decisions, allocate resources effectively, and manage the overall risks. Establish risk management culture.
First-layer management	All Divisions	 Responsible for the identification, evaluation, management, and reporting of daily risks and taking necessary countermeasures. Monitor risk situations, ensure the effective implementation of control procedures, and make timely reports of risk information to comply with relevant laws, regulations, and corporate policies. Facilitate and promote relevant policies and regulations.

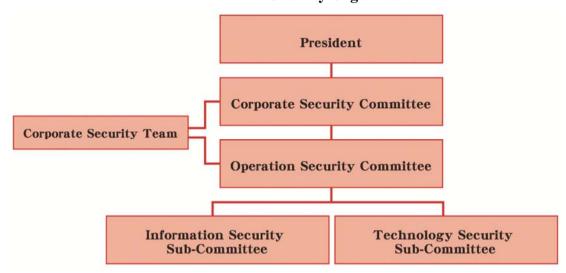
In addition to the above organizations, in the event of a risk the relevant units shall immediately set up contingency management teams to respond promptly to various risk conditions and communicate with relevant internal and external stakeholders, to ensure compliance with laws and regulations and to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

The Company has established an information security risk management framework, information security policies, and solid management mechanisms, as described below:

To demonstrate its emphasis on and commitment to information security and customer privacy, FET has set forth its vision of information security: "treasuring customer trust, respecting customer information, winning the trust of customers, and maintaining sustainable services." Following these principles, it has established its corporate security organization. In addition, FET has developed security policies and frameworks that include operational information security, technical security, physical security, and personnel security management, with consideration given to government regulations, personal data protection, and risk and crisis management. The relevant policies and regulations are regularly reviewed and revised according to internal and external requirements. In addition, FET has also set up an information security section on an intranet website to constantly enhance the security awareness of all employees. Every year, FET conducts security risk assessments annually to identify high-risk issues such as cyberattacks, and incorporates these assessments into annual plans by taking such countermeasures as risk avoidance, risk reduction, risk transfer, etc., to manage relevant risks.

The Corporate Security Organization and responsibilities are as follows:

FET Security Organization



The Corporate Safety Organization consists of the representatives of business units, who are responsible to implement safety management within the business unit based on their duties, so as to ensure the management and maintenance of company-wide

Organization	Responsibility
Corporate Security Committee	Establish corporate security policies and governance framework, approve security plans and resource budgets, and oversee the Company's overall security risks; the Committee also has a Data Protection Officer (DPO) to supervise the planning, formulation, and implementation of a personal data security maintenance plan.
Operation Security Committee	Establish corporate security objectives; manage the planning, establishment, implementation and review of security-related policies and regulations; and plan resources and response plans based on risk projects.
Corporate Security Department	Assist in the formulation of security policies; responsible for policy and awareness promotion and security committee operations.
Information Security Sub-Committee	Responsible for the planning, execution, management and reporting of divisional related security plans; ensure compliance with management regulations and solid management.
Technology Security Sub-Committee	Review and evaluate information security risks in the technology domain and establish appropriate control measures to ensure the protection of information assets and a sound information security environment.

In 2018, FET has held four meetings of Corporate Security Committee meetings and seven meetings of Operation Security Committee. The major discussion topics including security policy review and revision, global major risks and trend analysis, relevant regulation review such as GDPR, high-risk issues identification, the response strategies and reinforcement plans. For high-risk issues, it is also timely reported to the board members in the Risk Management Committee

To continuously improve overall operational security, FET's relevant divisions had completed a number of projects, including risk management and security awareness promotion of all employees, enhancement of cyber-attack protection, physical security management, information security testing, and the drills of business continuity plans, etc.

In addition to strengthening management, FET continues to conduct international standard verification through external third-party organizations. Up to 2018, FET has passed ISO 27001 information security management certification for 14 consecutive years, passed ISO 20000 service management certification for 10 consecutive years, passed BS10012 personal data management certification for 6 consecutive years, and passed CSA STAR cloud security certification for 5 consecutive years, which also demonstrates the results of FET's efforts in information security and personal data management

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 store and customer service center have 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; latest insured period from June 18, 2018 to June 18, 2019. 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 licenses and certification obtained from professional authorities are shown:

Name of Certification	Department	Number of People
R.O.C. CPA	Strategy & Finance, President Office	4
U.S.A. CPA	Strategy & Finance, President Office, Internal Audit	5
Certified Internal Auditor	Internal Audit	3
Certified Information System Auditor	Internal Audit	2
ISO 27/001 Internal Auditor	Strategy & Finance, Internal Audit, Information Technology, Network & Technology, Omni Channel Management	67
ISO 9001 Internal Auditor	Strategy & Finance, Internal Audit, Information Technology	4
BS 10012 Lead Auditor	Information Technology, Omni Channel Management, Internal Audit	11
Debt-Collection Personnel's proficiency test held by Taiwan Academy of Banking and Finance	Strategy & Finance	150
Stock Personnel's Proficiency Test held by Securities and Futures Institute	Strategy & Finance	2
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

Items failing to meet the standards in 2017 include: the consecutive terms of at least two independent directors not exceeding nine years; functional committees in addition to statutory requirements being established; and the number of Board meetings. The above items have been corrected in 2018.

The Company's items to-be improved in 2018 include: the convener of the Audit Committee shall attend the annual general meeting. The Company has notified all directors of the date of the 2019 annual general meeting and has asked for the attendance of the Audit Committee's convener. Thus, this pending item shall be corrected in 2019.

(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 secured 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 24, 2019.

3-5. The Composition, Duties, and Operation of the Remuneration Committee:

(A) Information of the Remuneration Committee Members

Role		With work experience for more than 5 years and the following professional qualification requirements				Conform to Independent (Note1)								
	Name	up in a department of commerce, law, finance, accounting, or other academic department related to company business in a public or private junior	accountant, or other professional or technical specialist who has passed a national examination and	experience in the area of commerce,	1	2	3	4	5	6	7		No. of Public companies in which he/she serves as Remuneration Committee Member	Remark
Independent Director	Lawrence Juen-Yee LAU	V	-		V	V	V	V	V	V	V	V	0	
1	Chung Laung Liu	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	

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.

Note 2: The scope of responsibilities of the Company's Remuneration Committee

- (1) Formulate and periodically examine the performance review, remuneration policy, system, standards, and structure for directors and
- (2) Periodically evaluate and formulate the remuneration of directors and managerial officers.

(B) Operation of the Remuneration Committee

- 1. There are currently three members on the Remuneration Committee.
- 2. The current term of office is from August 1, 2018 until June 13, 2021. Remuneration Committee meetings have been held 5 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	5	This is the member of the 4 th term of the Remuneration Committee of the Company, who was elected again on Aug 1, 2018, shall present 5 times.		
Committee member	Chung Laung Liu	5	0	100%	This is the member of the 4 th term of the Remuneration Committee of the Company, who was elected on August 1, 2018, shall present 5 times.
Committee member	Edward Y.Way	4	1	80%	This is the member of the 4 th term of the Remuneration Committee of the Company, who was elected again on August 1, 2018, shall present 5 times.

Instances where discussion and results of resolution of the remuneration committee and the response to members' opinion:

Remuneration Committee	Mater to be discussed	Resolution	The response to members' opinion
The 6 th meeting of the 3 rd term 2018.02.22	To discuss and approve the 2017 directors' and employees' compensation of the Company	Approved by all attending members without objection.	The proposal is submitted to Board of Directors, and approved by all attending directors.
The 2 nd meeting of the 4 th term 2019.02.19	To discuss and approve the 2018 directors' and employees' compensation of the Company	Approved by all attending members without objection.	The proposal is submitted to Board of Directors, and approved by all attending directors.

Other matters of importance:

- 1. In instances where recommendations of the Remuneration Committee faced objections by the Board of Directors, or were subject to qualified opinions, then the date(s) of meetings, sessions, and contents of motions shall be specified, as shall be the Board resolutions and actions taken concerning the Committee's opinions. (E.g., if the remuneration level resolved to in the Board meeting exceeds the one recommended by the Committee, the difference and reasons for the difference shall be specified.): None.
- 2. In 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 20, 2019

Based on the self-examination results of the internal control system for the year ended December 31, 2018, Far Eastone Telecommunications Co., Ltd. (The Company) therefore declares the following:

- 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.
- 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.
- 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 Parent Company (Far Eastern New Century Corporation) 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 20,

Far EasTone Telecommunications Co., Ltd.

Douglas Hsu Chairman

Chee Ching President

- Fund Utilization Status Operational Highlights Review and Analysis of the Financial Condition, Operating Performance and Risk Issues

- (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 14, 2018	Resolutions in the Annual Shareholders' Meeting of Year 2018 Matters to be reported 1. Business report of Year 2017. 2. Financial report of Year 2017. 3. The 2017 Audit Committee's review report. 4. The 2017 directors' and employees' compensation. 5. The issuance of corporate bonds. 6. Revisions to the Ethical Corporate Management Best Practice Principles Matters to be approved 1. Approval of the Year 2017 closing report (Including business report). 2. Approval of the proposal regarding Year 2017 earnings distribution.	July 17, 2018 was fixed as the record date of ex-cash dividends, and cash dividends were paid on August 3, 2018. (Cash dividend per share is NT\$3.037)
	Matters to be discussed and election 1. Approval of the cash distribution from Capital Surplus. 2. Election of new Directors of the Company (The term of the newly elected eleven Directors, including three Independent Directors). 3. Release of the non-competition restriction on Directors in accordance with Article 209 of the Company Law	July 17, 2018 was fixed as the record date of ex-cash dividends, and cash were paid on August 3, 2018. (The Cash dividend per share is NT\$0.713) It had been approved by the Department of Commerce, MOEA on July 4 th , 2018, and renew at the company's website as well.

(2) Major Resolutions of Board Meetings

Date	Resolutions of the Board Meetings
February 23, 2018	(1) Approval to 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.
May 04, 2018	 (1) Approval of the amendments to the "Rules of Order for the Board of Directors Meeting" and other related regulations of the Company. (2) Approval of the Director Candidates (3) Approval of the release of the non-competition restriction on directors in accordance with Article 209 of the Company Act. (4) Approval of the additions to the agenda of the 2018 Annual Shareholders' Meeting. (5) Approval of the merger with Q-ware Communications Co., Ltd. (6) Approval of the additions to the capital expenditure budget for 2018. (7) Approval of the release of recent dual employments and non-competition restriction on managerial officers of the Company.

Date	Resolutions of the Board Meetings
June 14, 2018	(1) Approval of Election three managing directors of the eighth term board of directors of the Company.
August 01, 2018	 (1) Approval of the amendments to the "Internal Control System" of the Company. (2) Approval of the issuance of domestic unsecured corporate bond not exceeding NT\$5 billion. (3) Approval of the appointment of the Remuneration Committee Members of the Company.
November 05, 2018	 (1) Approval of the 2019 Audit Plan. (2) Approval of the restructure of the "Risk Management Committee" and the revision of relevant Charter and Policy of the Company. (3) Approval of the appointment of the Risk Management Committee Members of the Company.
December 18, 2018	(1) Approval of the appointment of President of the Company.
February 20, 2019	 (1) Approval of the assignment of accounting officer of the Company. (2) Approval of the 2018 directors' and employees' compensation of the Company. (3) Approval of the 2018 annual financial statements and consolidated financial statements of the Company. (4) Approval to distribute cash dividend from retained earnings of 2018. (5) Approval of the 2018 business report of the Company. (6) Approval of the dates and agenda of the Company's 2019 Annual Shareholders' Meeting. (7) Approval of the Company's 2019 business plan and summary consolidated financial forecast. (8) 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	
President	Yvonne, Li	2010.09.10	2019.01.07	Retirement	
Accounting Manager	Andrea, Shen	2018.02.23	2019.03.15	Resignation	

4. Certified Public Accountant (CPA) Professional Fee Information

4-1. Information of CPA

	2018/12/31			
Accounting Firm	Name of	СРА	Audit Period	Note
Deloitte & Touche	An-Hwei Lin	Cheng-Hung Kuo	2018.01.01 ~ 2018.12.31	

4-2. Professional Fees of CPA

4-2-1.

				Unit: NT\$'000
1	Item Amount (NTD)	Audit Fees	Non-audit Fees	Total
1	Less than 2,000		V	
2	2,000 ~ 4,000 (inclusive of 2,000)			
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

2018/12/31; Unit: NT\$'000

Accounting		Audit		Non-a	audit Fees					
Firm	Name of CPA	Fees	System Design	Registration	Human Resources	Other	Total	Audit Period	Note	
Deloitte &	An-Hwei Lin	\$0.100	None	None	None	\$1.600	E10 700	2018.01.01~	Non-audit Fees are mainly consulting fees	
Touche	Cheng-Hung Kuo	\$9,190	None	None	None	φ1,000	\$10,770	2018.12.31	for cases.	

- 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.

4-2-2

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:

2019/04/20

	1				2019/04/20	
		2	018	2019/01/01 ~ 2019/04/20		
Title	Name	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	(19,148,482) *0	0 *0	0 *0	
Vice Chairman	Peter Hsu, Representative of Yuan Ding Investment Co., Ltd. (Note 1)	0 *0	(19,148,482) *0	0 *0	0 *0	
Managing Director	Jan Nilsson, Representative of Yuan Ding Investment Co., Ltd. (Note 1)	0 *0	(19,148,482) *0	0 *0	0 *0	
Independent Director	Lawrence Juen-Yee LAU	0	0	0	0	
Independent Director	Chung Laung Liu	0	0	0	0	
Independent Director	Tim Pan	0	0	0	0	
Director	Champion Lee, Representative of Yuan Ding Co., Ltd.	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	Chee Ching (Note 2)	N/A	N/A	0	0	
Executive VP	T.Y. Yin	0	0	0	0	

		20	2018		2019/01/01 ~ 2019/04/20	
Title	Name	Shares Increased (Decreased)	Pledged Shares Increased (Decreased)	Shares Increased (Decreased)	Pledged Shares Increased (Decreased)	
Executive VP	Maxwell Cheng	(1,000)	0	0	0	
Executive VP	Philip Tseng	0	0	0	0	
Executive VP	Herman Rao	0	0	0	0	
Executive VP	Eton Shu	0	0	0	0	
Executive VP& CFO,	Sherman Lee	0	0	0	0	
Sr. VP.	Vivian Lee	0	0	0	0	
Sr. VP,	Olivia Chew	0	0	0	0	
VP	Andy Tu	0	0	0	0	
VP	Belinda Chen	0	0	0	0	
VP	Terrance Yang	0	0	0	0	
VP	Brian Chao	0	0	0	0	
VP	Jessie Teng	0	0	0	0	
VP	Lopes Lu (Note 3)	0	0	0	0	
	Jessica Sung	0	0	0	0	
VP	Roger Lin	0	0	0	0	
VP	Charlene Lin	0	0	0	0	
VP	Eric Li	0	0	0	0	
VP	Mark Lee	0	0	0	0	
VP	James Lee	0	0	0	0	
VP	Andy Kuo	0	0	0	0	
VP	Bruce Yu	0	0	0	0	
VP	Sharon Lin	0	0	0	0	
VP	David Tsai	0	0	0	0	
VP	Sabrina Lee (Note 4)	0	0	0	0	
Senior Director	Eric Chu	0	0	0	0	
	C. J. Lee	0	0	0	0	
Senior Director	D.J. Chen	0	0	0	0	
Senior Director of Sales		0	0	0	0	
Senior Director	Andy Kuo	0	0	0	0	
Senior Director of Sales		0	0	0	0	
Senior Director	Tony Chen (Note 4)	0	0	0	0	
Senior Director	Joyce Chen (Note 5)	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	James Yen (Note 3)	N/A	N/A	0	0	
Senior Director	Leon Li	0	0	0	0	
Senior Director	Barry Chang	0	0	0	0	
	Kai Lin (Note 3)	N/A	N/A	0	0	
Senior Director	Julian Lin (Note 6)	0	0	0	0	
Senior Director	Ann Chang	0	0	0	0	
Senior Director	Gary Lai	0	0	0	0	
	Stacy Chang (Note7)	N/A	N/A	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	
	Iris Su	0				
	and shareholding percentage of the individual representations.					

^{*}Number of shares held and shareholding percentage of the individual representative. Note 1: Who are the major shareholders that hold over 10% share.

Note 2 : Promoted on Jan. 07, 2019 Note 3 : Promoted on Apr. 01, 2019 Note 4 : On board on Aug. 01, 2018

Note 5 : On board on Nov. 15, 2018 Note 6 : On board on Jun. 19, 2018. Transferred on Mar. 20, 2019. Note 7 : Promoted on Mar. 15, 2019

^{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**

2019/04/20

Name	Current Shareholding		Spouse & Minor Children's Shareholding		Shareholding in Name of Others		Name, relationship of top are Spouses of within consanguinity to e	n 2 degrees of	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.	317,821,000	9.75	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.	152,823,000	4.69	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
Taiwan Post Co., Ltd.	102,931,696	3.16	N/A	N/A	0	0.00	None	None	None
Chairman: Chien-Hung Wei	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		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
Fubon Life Insurance Co., Ltd.	87,920,696	2.7	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
Nan Shan Life Insurance Co., Ltd.	47,850,354	1.47	N/A	N/A	0	0.00	None	None	None
Chairman: Y. T. Du	0	0.00	0	0.00	0	0.00		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
Kai Yuan International Investment Co., Ltd	34,149,031	1.05	N/A	N/A	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	0	0.00	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**

2019/03/31; Unit: share; %

					2017/03/31, 0	mit. snarc, 70
Affiliated Company (Note 1)	Investment of Fa	r 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	-	-	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	-	-	82,762,221	61.63
KGEx.com Co., Ltd.	68,897,234	99.99	-	-	68,897,234	99.99
Yuan Hsin Digital Payment Co., Ltd.	30,626,472	30.00	20,417,648	20.00	51,044,120	50.00
Ding Ding Integrated Marketing Service Co., Ltd.	5,098,200	15.00	22,092,200	65.00	27,190,400	80.00
Omusic Co., Ltd.	2,500,000	50.00	-	-	2,500,000	50.00
Yuan Cing Co., Ltd.	2,000,000	100.00	-	-	2,000,000	100.00
Far Eastern Info Service (Holding) Ltd.	1,200	100.00	-	-	1,200	100.00
DataExpress Infotech Co., Ltd.	-	-	12,866,353	70.00	12,866,353	70.00
New Diligent Co., Ltd.	-	-	54,000,000	100.00	54,000,000	100.00
Information Security Service Digital United Inc.	-	-	10,249,047	100.00	10,249,047	100.00
Digital United (Cayman) Ltd.	-	-	10,320,000	100.00	10,320,000	100.00
Prime EcoPower Co., Ltd.	-	-	16,000,000	100.00	16,000,000	100.00
Catalyst_207 SPS-SP Tranch One	-	-	4,000	25.00	4,000	25.00
Sino Lead Enterprise Limited	-	-	30,000	100.00	30,000	100.00
Next Technology Co., Ltd.	-	-	3,430,000	70.00	3,430,000	70.00
Microfusion Technology Co., Ltd.	-	-	2,600,000	100.00	2,600,000	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*
Nextlink(HK) Technology Co., Ltd	-	-	-	100.00*	-	100.00*
Nextlink Tech-info Ltd. (Shanghai)	-	-	-	100.00*	-	100.00*
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^{*}The ratio is based on the proportion of investor company's contributions to the registered capital. Note 1: Investment accounted for using equity-method.

W 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

2019/04/20

Authorized Capital Shares Outstanding		utstanding	Remarks						
Yea	r.	Par Value	Shares	Amount	Shares	Amount		Non-Monetary	Effective
Mon	ıth	(NT\$)		(NT\$'000)	('000)	Amount (NT\$'000)	Source of Capital	Capital	Date & Cert.
	(1114) (000) (1114000) (000)	(1114 000)		Expansion	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		Others (Including ECB Conversion & Acquisition of the issue of new shares)	
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

2019/04/20; Unit: '000 Shares

Type of Stock		Authorized Capital	Note	
Type of Stock	Shares Outstanding	Un-issued	Total	Note
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**

2019/04/20

Shareholder Structure Quantity		Financial Institutions	Other Institutional Shareholders	Individual Shareholders	Foreign Institutions and Individual Shareholders	Total
Numbers	14	67	160	25,273	737	26,251
Shares	38,547,068	805,754,508	1,506,530,213	111,088,961	796,580,060	3,258,500,810
Shareholding ratio (%)	1.18%	24.73%	46.23%	3.41%	24.45%	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

1	Level	Number of shareholders	Shares	%
1 -	999	5,441	1,439,789	0.04
1,000 -	5,000	16,071	32,290,695	1.00
5,001 -	10,000	2,107	16,749,698	0.51
10,001 -	15,000	631	8,080,260	0.25
15,001 -	20,000	424	7,810,538	0.24
20,001 -	30,000	378	9,531,864	0.29
30,001 -	50,000	305	12,014,203	0.37
50,001 -	100,000	289	20,754,988	0.64
100,001 -	200,000	171	24,123,780	0.74
200,001 -	400,000	123	34,909,812	1.07
400,001 -	600,000	57	28,613,120	0.88
600,001 -	800,000	41	29,142,708	0.89
800,001 -	1,000,000	33	29,813,703	0.91
1,000,001	and above	180	3,003,225,652	92.17
Total		26,251	3,258,500,810	100.00

Note: The Company has not yet issued any preferred shares until April 20, 2019.

1-5 Top 10 Major Shareholders

2019/04/20

Shares Major Shareholders	Shares	%			
Yuan Ding Investment Co., Ltd.	1,066,657,614	32.73%			
Shin Kong Life Insurance Co., Ltd.	317,821,000	9.75%			
NTT DOCOMO INC.	153,543,573	4.71%			
Cathay Life Insurance Co., Ltd.	152,823,000	4.69%			
Taiwan Post Co., Ltd.	102,931,696	3.16%			
Yuang Tung Investment Co., Ltd.	100,237,031	3.08%			
Fubon Life Insurance Co., Ltd.	87,920,696	2.70%			
Nan Shan Life Insurance Co., Ltd.	47,850,354	1.47%			
An Ho Garment Co., Ltd.	40,817,592	1.25%			
Kai Yuan International Investment Co., Ltd.	34,149,031	1.05%			

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

Unit: NT\$; shares

Item		Year	2017	2018	2019 (as of March 31)
	High		79.90	79.40	74.30
Share price (Note 1)	Low		70.20	69.80	70.80
	Average		73.77	74.53	72.26
Net Value	Before distribution		21.41	22.50	23.16
per share	After distribution		17.66	(Note 2)	(Note 2)
	Weighted-average o	utstanding shares	3,258,500,810	3,258,500,810	3,258,500,810
Earnings per share		Before adjustment	3.33	2.88	0.68
	Earnings per share	After adjustment (Note3)	3.33	2.88	0.68
	Cash dividend		3.75 (Note 7)	3.75 (Note 8)	Not Applicable
Dividend	Stock dividend	Distribution of surplus	0	0	Not Applicable
per share	Stock dividend	Additional Paid-In Capital	0	0	Not Applicable
	Accumulated un-dis	tributed dividend	0	0	Not Applicable
	Price/Earnings Ratio	Price/Earnings Ratio (Note 4)		25.88	Not Applicable
Return on Investment	Price/Dividend Rati	o (Note 5)	19.67	19.87	Not Applicable
	Cash dividend yield	(Note 6)	5.08%	5.03%	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 2017 distribution NT\$3.75 per share was based on 3,258,500,810 shares.

Note 8: The cash dividend of year 2018 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.

With pay-out dividends over past three years, the dividend payout ratios from 2016-2018 were 107%, 113% and 130% 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	1	Cash Dividend from	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(D/A) (B+C)/D
2016	3.50	3.129	0.621	3.75	107%	100%
2017	3.33	3.037	0.713	3.75	113%	100%
2018	2.88	3.75	0	3.75	130%	100%

^{*}FET didn't distribute any stock dividend in recent three years.

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

The 2018 profit allocation resolved by the Board of Directors on February 20th, 2019 for reporting to the 2019 Annual Shareholders' Meeting is as follows: Distribute profits of NT\$12,219,378,038 in the form of shareholder dividends, NT\$3.75 per share, giving a total cash dividend of NT\$3.75 per share held in 2018.

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.

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 2018 earnings by cash resolved by the Board of Directors on February 20, 2019, and the accrued amount in the year these remunerations were recognized as expenses are as follows:

Unit: NT\$'000

Amount	Bonuses for Employees	Remuneration to Directors	Treatment of Discrepancy	
Accrued Amount (A)	\$233,689	\$84,128		
Proposed Distribution (B)	\$233,689	\$84,128	None	
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 2017 earnings, which has been resolved by the Board of Directors on February 23rd, 2018, and the accrued remunerations amount recognized as expenses in 2017 are as follows:

Unit: NT\$'000

Item Amount	Remuneration to Employees	Remuneration to Directors	Treatment of Discrepancy
Recognized Accrued Amount (A)	\$261,539	\$94,154	
Actual Distribution (B)	\$261,539	\$94,154	None
Variance (B) - (A)	\$0	\$0	

1-10 Shares buyback by the Company: None.

2018 ANNUAL REPORT

2. Issuance of Corporate Bonds

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\$25.4 billion, terms and impacts on shareholders' equity disclosed as below. And currently subsidiaries of the Company do not issue corporate bond.

Issuance	Domestic 4 th Unsecured Corporate Bond	Domestic 6 th Unsecured Corporate Bond	2016 Domestic 1 st Unsecured Corporate Bond
Issue Date	2013/06/27	2013/12/24	2017/01/05
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\$3,200,000,000 (C Issue: NT\$3,200,000,000)	NT\$5,200,000,000
Coupon	1.33%	C Issue:1.58%	1.17%
Tenor and Maturity Date	7 years Maturity: 2020/06/27	C Issue : 6 years Maturity : 2019/12/24	5 years Maturity: 2022/01/05
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	KGI Securities
Legal Counsel	Lee and Li Attorney Grace Wang	Lee and Li Attorney Grace Wang	Lee and Li Attorney Grace Wang
Auditor	Deloitte & Touche CPA, Ching-Fu Chang	Deloitte & Touche CPA, Ching-Fu Chang	Deloitte & Touche CPA, An-Hwei Lin
Credit rating agency, rating date, bond ratings	Taiwan Ratings Corp. twAA+ (2013/05/02)	Taiwan Ratings Corp. twAA+ (2013/11/07)	Taiwan Ratings Corp. twAA- (2016/01/14)
Repayment	Repay 50% of principal each in the 5 th & 7 th year.	Bullet repayment	Bullet repayment
Outstanding Balance	NT\$2,500,000,000	NT\$3,200,000,000	NT\$5,200,000,000
Redemption or Early Repayment Clause	None		
Covenants	None		
Amount of converted or exchanged into Other common shares, ADRs rights of or other securities	Not applicable		
Bond Rules governing holders issuance or conversion (Exchanged or subscription)	Not applicable		
Dilution Effect and other adverse effects on existing shareholders	None		
Custodian of exchanged securities	Not applicable		

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

The Domestic 6th Unsecured Corporate Bond C Issue, according to its issuance rules, will be repaid the entire outstanding principal of NT\$3,200,000,000 on 2019/12/24.

- 2-3 Convertible Bond: None.
- Exchangeable Bond: None.

2019/04/30

		2018 Domestic 1st Unsecure
-	•	Corporate Bond
	-	2018/05/07
NT\$10,000,000	NT\$10,000,000	NT\$10,000,000
At par value	At par value	At par value
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%	A Issue:0.95% B Issue:1.09%	A Issue:0.85% B Issue:1.01%
.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: 2023/05/07 B Issue: 7 years Maturity: 2025/05/07
None	None	None
Taishin International Bank	Chinatrust Commercial Bank	Chinatrust Commercial Bank
KGI Securities	KGI Securities	KGI Securities
Lee and Li Attorney Grace Wang	Lee and Li Attorney Grace Wang	Lee and Li Attorney Grace Wang
Deloitte & Touche CPA, An-Hwei Lin	Deloitte & Touche CPA, An-Hwei Lin	Deloitte & Touche CPA, An-Hwei Lin
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
NT\$2,000,000,000	NT\$3,000,000,000	NT\$5,000,000,000
	Corporate Bond 2017/09/04 NT\$10,000,000 At par value NT\$2,000,000,000 1.17% 7 years Maturity: 2024/09/04 None Taishin International Bank KGI Securities Lee and Li Attorney Grace Wang Deloitte & Touche CPA, An-Hwei Lin Taiwan Ratings Corp. twAA- (2017/02/17) Bullet repayment	2017/09/04 2017/12/20 NT\$10,000,000 NT\$10,000,000 At par value At par value NT\$3,000,000,000 (A Issue: NT\$1,500,000,000) NT\$2,000,000,000 (A Issue: NT\$1,500,000,000) (B Issue: NT\$1,500,000,000) (B Issue: NT\$1,500,000,000) 1.17% A Issue: 0.95% B Issue: 1.09% A Issue: 5.5 years 7 years Maturity: 2023/06/20 Maturity: 2024/09/04 B Issue: 7 years Maturity: 2024/12/20 None None None Taishin International Bank Chinatrust Commercial Bank KGI Securities KGI Securities Lee and Li Attorney Lee and Li Attorney Grace Wang Grace Wang Deloitte & Touche CPA, An-Hwei Lin Taiwan Ratings Corp. Taiwan Ratings Corp. twAA- (2017/02/17) twAA- (2017/02/17) Bullet repayment Bullet repayment

- Shelf Registrations for Issuing Corporate Bonds: None. 2-5
- Bond with Warrants: None.
- Issuance of Corporate Bonds through Private Placement in Recent 3 Years: None.

3. Preferred Shares

None.

4. Issuance of Overseas Depository Receipt

2019/03/31

Date of Issuance Item			June 11	, 2004		
Total Price of Issuance			US\$132,190,000			
Unit Price	of Issuance		US\$13	3.219		
Total num	ber of units issu	ıed	10,000	0,000		
Type of u	nderlying securi	ities	Far EasTone co	ommon stocks		
Amount o	f underlying sec	curities	15 sh	ares		
Rights and	l obligations of	subscribers	Same as commo	n stock holders		
Trustee			Not app	licable		
Depositary	y Bank		The Bank of New York (Luxembourg) S.A.			
Custodian	Custodian Bank		Far Eastern International Bank			
Number o	f outstanding sh	nares	2,920,735 shares			
	Related charge uance and holdi		Charges of GDR issuance shall be borne by sellers; charges incurred during holding period shall be borne by the Company.			
Major terr	ns of Depositar dian Agreemen	y Agreement	Noi			
Place of is			Luxembourg Stock Exchange	London Stock Exchange		
		High	US\$40.012	US\$36.000		
	2018	Low	US\$34.200	US\$35.650		
Market		Average	US\$36.848	US\$35.815		
Price per unit		High	US\$36.200	US\$36.000		
	2019 (as of March	Low	US\$36.600	US\$36.000		
	31, 2019)	Average	US\$35.171	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' evaluation 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.
- 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 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 Y2018 Domestic 1 st Unsecured Corporate Bond	5,000,000	2018/05/07	To repay short-term bank loans	2018 (12	Had 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

Financial Information

1-1 Business Scope

1. Business Activities

(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

Year	2017		2018		
Item	Amount	%	Amount	%	
Telecommunication Service Revenue	63,590,599	69	50,580,903	58	
Others	28,479,082	31	36,054,068	42	
Total	92,069,681	100	86,634,971	100	

Note: The figures are on consolidated base.

(3) Existing Products and Services

A. Consumer Business

Wireless Telecommunication Services:

Provide mobile telecommunications services, including 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 call service, 007 international call service, Wagaly Talk cost saving service, etc.

New Economy:

friDay digital services include friDay video, friDay Omusic, friDay wallet, friDay shopping and friDay photobook. And also provides direct carrier billing of payment service, personal tracker "Bobee," and smart speaker of consumer IOT product.

B. Enterprise Business

- · Professional telecommunication integrated services: 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.
- Cloud services: Integrate telecom resources with cloud platforms of international corporations (e.g., AWS, Microsoft Azure/Azure Stack, VMWare); provide one-stop services incorporating deployment, construction, transfer, and maintenance; and formulate enterprise public, private, and hybrid cloud structures.
- Information security services: Integrate the professional information security consulting services of subsidiary Information Security Service Digital United Inc., to offer the safest and most reliable, as well as flexible and cost-effective, solutions for information security.
- New economy: FET provides enterprises professional ICT integration solutions with flexibility for customization. At the same time, the Company establishes the IoT ecosystem with hundreds of partners. It integrates innovative applications such as NB-IoT technology, Big Data, and AI via mobile services to customize more flexible services for enterprise users and government departments. FET builds diverse IoT applications encompassing smart city, smart transportation/IoV, smart healthcare, smart manufacturing, and smart retail.

(4) New Products or Services under Development

A. Consumer Business

FET provides different pricing plans to different target audiences. We will stay connected to consumers' needs, lead the industry development trends, and plan and develop innovative services in line with consumers' demand. Based on the brand spirit of FET and friDay, we continue to develop diversified digital services to meet consumers' needs and satisfactions including mobile entertainment, mobile payment, e-commerce, and personal AI assistant.

B. Enterprise Business

Take advantage of NB-IoT strength which are featuring low power, low cost, wide coverage, and a large number of connections, NB-IoT is more suitable for the development of smart cities and has been applied to many fields, including the internet of vehicles, smart road lights, smart parking, smart building, environment/air pollution detection, battery power monitoring, asset tracking, and personal positioning (wearing device management). And is the first telecommunications operator in Taiwan to complete the NB-IoT roaming test with Hutchison Telecommunications Hong Kong Holdings Limited and officially commences the commercial application. FET also incorporates Ericsson's Device Connection Platform to expand the IoT business opportunities overseas. It has launched comprehensive NB-IoT global deployment solutions and offered convenient services of a "Connectivity Management Platform and "FET single-stop with global network" for domestic vendors to market their products worldwide with ease.

1-2 Industry Overviews

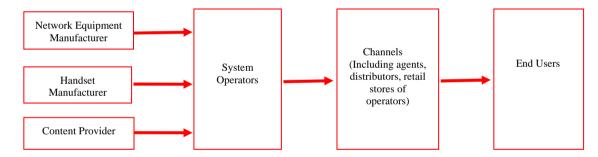
A. Consumer Business

(1) Industry Status and Development

According to National Communication Commission(NCC) statistics, total mobile subscribers in Taiwan reached 29.22 million by the end of 2018.

According to the report issued by Taiwan Network Information Center (TWNIC), Taiwan's mobile internet usage rate surpassed 70% in 2018. Furthermore, close to 97% of the respondents chose mobile phones as the most frequently used internet devices, which drove people's lives towards digital mobility. Also, the applications of IoT, smart home and AI personal assistant have become popular and the industry developments are booming. The reliance of those services on internet is increasing and cross-region mobile internet services are turning into a necessity.

(2) Industry Value Chain:



In New Economy domain, FET works with leaders of other industries through business or R&D collaborations, investments, etc., and carries out vertical integration to satisfy consumers' demand. friDay video takes parts in content publishing by working with movie publishers. FET also collaborates with Mobvoi to develop Taiwan localized personal AI assistant service.

(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.

The competition in digital service is intense. Through big data analysis, FET understands users' spending behaviors, favorites and life styles, and provides contents and services tailored to personal preferences. Also, FET introduces technologies such as IoT and AI, launches relevant products, and brings the latest digital life experience to consumers. The Company also leverages advantages of having telecommunication as its core business in offering products and services with competitive prices and diversity.

(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.

Digital services market in Taiwan has attracted not only local but also international players to join, for example, Netflix and Shopee. The friDay service leverages the advantage of telecommunication business, improves its own capabilities and carries out integrated marketing to become consumers' best digital partner.

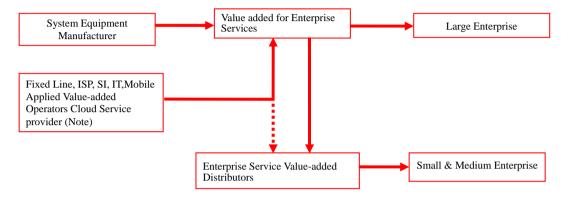
Financial Information

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

The Market Intelligence & Consulting Institute (MIC) indicates that in 2019, the global ICT industry will focus on 5G, IoT, AI, and blockchain developments, which encompass peripheral applications such as edge computing, ASIC, FWA, sensing elements, and smart devices.

(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.

1-3 Technology Development Overviews

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

2019/03/31; Unit: NT\$'000 Year 2018 2019 Q1 Item R&D Expenditure 796,562 178,778(Note) Total Operating Revenue 86,634,971 20,819,459 R&D Expenditure as percentage of Total Operating 0.92 0.86 Revenue (%)

Note: 2019 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					
	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 Omusic	Consumers can have their unique musical playlists under different scenario. friDay Omusic persistently improves its user experience and content.					
	friDay Wallet	friDay Wallet can be equipped with EasyCard, iPass, HappyCash and iCash 2.0 cards. User can go shopping, gat loyalty points and make utilities payments through the app.					
	friDay Shopping	With group synergy, friDay Shopping enlist hundreds of thousands of goods from Far East Department Store, SOGO Department Store and A-Mart. And the new Gold-Card service allows paid members to enjoy more shopping benefits.					
	Bobee	Personal GPS tracker. User can track the device location by app, no matter the device carrier is located indoor or outdoor.					
	Smart Speaker	A smart speaker with personal AI assistant. It uses speech recognition technology to receive orders. Users can rely on the speaker for life trivia or control smart home appliances.					
	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.					
2018	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.					
	Smart Owner	FET provids 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					
	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.					
	Cloud services	Integrate telecom resources with cloud platforms of international corporations (e.g., AWS, Microsoft Azure/Azure Stack, VMWare); provide one-stop cloud services incorporating deployment, construction, transfer, and maintenance; and assist enterprises with formulating public, private, and hybrid cloud structures.					
	FET VoWiFi Business WIFI	Users do not have to download the APP to enjoy FET's VoLTE/VoWiFi. They can make phone calls when connected to WiFi, and international calls would be charged as domestic ones. For enterprise MVPN users, they can stay in touch by dialing the calling codes so as to not miss any important calls or incur high roaming fees.					
	NB IoT applications	NB-IoT contains features of low power consumption, low cost, and wide coverage and connection. FET has continually launched the following smart application services: IoV, smart street lights, smart parking, smart buildings, environment/air pollution control, battery power monitoring, asset tracking, and GPS trackers (management of wearable devices).					
	Information security services	FET launches more competitive and comprehensive information security solutions, i.e., SOC, penetration testing, and vulnerability assessment.					
2019	friDay Photobook	Utilize FET channel power, cooperates with NTT DOCOMO to allow user to distil their photos down to just the best and have them immortalized in print, all laid out in a fancy book for user to enjoy					

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.
- Provide diverse mobile value-added services by cooperating with digital content providers.
- Develop new financial service, focus to the youth and provides them exclusive experiences
- Leverage big data to analyze consumer behavior and enhance precision marketing to satisfy castomers personalized needs.
- Shape FET and friDay brand image, strengthen customer experience and loyalty, and establish customer-first spirit.

(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.
- · Continuously promote four major services: digital content, mobile financial services, e-commerce, and AIoT. Products shall meet customers' demand in aspects of content, price and services and to set new profit target by differentiate product and services.

B. Enterprise Business

Short-term plans

FET will continue to improve the telecom infrastructure; integrate IoT, AI, and Big Data on a professional telecom basis; and offer professional total solutions with flexibility for customization, providing them to government departments and large enterprises. These will include applications of NB-IoT in different industries, as well as additional comprehensive smart information security and diverse cloud services. Also, FET provides one-stop cloud digital instruments to small and medium-sized enterprises to satisfy their needs for enterprise transformation and IT-based services.

Long-term plans

FET will utilize its professional ICT capability and vast experience in customization as it remains committed to nurturing talent and developing technologies associated with innovative applications. It will promote the transformation and innovation of Taiwan industries in the IoT era, integrate innovative applications of the cloud, IoT, Big Data, and AI; and it will realize the goal of "AI industrialization and industrial AI" in order to assist domestic industries and enterprises with upgrades and speed up the practical applications of AI in the 5G era.

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 2018, 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. FET digital content services are available all over Taiwan, includes friDay video, friDay Omusic, friDay Wallet, friDay Shopping, friDay photobook, direct carrier billing, Bobee, and smart speaker. Services cater to consumers' needs.

(2) Market Share

With the 4G penetration being saturated, the mobile market in Taiwan has been very challenging. Total mobile market revenue in 2018 declined almost 6% year-on-year. The decline was greater than a year ago, which dropped 3% YoY in 2017. It is very hard to reverse the declining trend in the short run. In 2018, the market share of all operators in mobile service revenue is as follows: CHT: 35.5%, TWM: 28.0%, FET: 26.8%, and Asia Pacific Telecom and Taiwan Star together account for 9.7%. The revenue market share changes in the future shall be determined by the new economy business, including: big data, AI, IoT, Cloud business and information security...etc. Operators seek to expand revenues from providing ICT (Information and Communication Technology) solutions to enterprise customers. As for retail customers, operators would continue to ensure network quality, provide good customer services, offer innovative services and applications, along with the bundling of various smartphones and devices with various rate plans, to keep the customers and protect the core revenue. Hopefully, when 5G becomes available and there are more consumer-related applications becomes available, then operators would have the chances to increase the revenue. (Source: 2018 mobile service revenue is sourced from public information released by each company.) FET aggressively exploits the digital service market and many of its products have the scale of over 1 million members. friDay Video has over 2 million users and friDay Omusic has 1.3 million users. friDay Shopping has close to 1 million interactive members each month. More than one-third of FET subscribers enjoy FET carrier billing service every month.

(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. The demand for mobile digital services is growing every day, and the market competition is heating up. International players also take parts in mobile video/music streaming services and e-commerce markets in Taiwan, indicating the robust development in Taiwan's digital service market.

(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.

• Close to Consumers' Demand

FET is committed to understanding consumers' needs from the perspective of consumers. For different market segmentation, FET provides distinct services to meet consumers' needs.

• 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.

New Economy

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

Financial Information

(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. 5G Market is about to enter the stage of commercial operation which will bring the demand of IoT, IoV and so on.

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 integrated 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.
- Deploy 5G Market aggressively and provide a whole new kind of network.

Benefit from the growing penetration of mobile internet, the diverse applications of mobile contents are commonly seen nowadays and the market is also growing. Besides local companies, global players have entered Taiwan market with their loaded 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 recognition and preference. Our priority is to fulfill consumers' demand and service more users.

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, 2018, sales from enterprise customers account for 17% of our overall revenue in 2018. 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.

- In the fixed-network market, the domestic fixed communications revenue declined by 5% comparing to 2017, according to the telecommunications market revenue analysis published by NCC. Among which, landline network, long-distance network and international network were down by 3.4%, 7.6% and 10.1%, respectively.
- · With regard to fixed broadband access services, the NCC data indicate a small increase in the number of accounts, which went from 5.7 million in the early 2018 to 5.71 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 0.1% in the number of FTTx and Cable Modem users in 2018.
- TWNIC's long-term survey, "A Survey on Broadband Internet Usage in Taiwan", states that there are 17.38 million internet users aged 12 and above in Taiwan and the total number of users is estimated to be 18.66 million, which is equivalent to an 79.2% internet usage rate. The mobile internet usage rate has declined to 15%.
- · 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.

(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. 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

FET will utilize our vast selling experience as we aggressively develop solutions in mobile applications, IoT, cloud computing, Big Data, information security, and AI. These efforts will be tailored to different industrial features in order to satisfy different customer segments and groups. Furthermore, we will collaborate with international telecom carriers to offer localized professional services to international enterprises. We will move toward becoming a comprehensive "ICT service provider" and assist users to successfully achieve comprehensive digital transformations.

2-2 Main Features and Production Process of Major Products

(1) Main Features of Major Services

Major Service	Major Features
Short message service	4G communications; interconnection with other domestic operators' networks.
WiFi Service	WLAN (Wireless Local Area Network) access service at hotspots allows overseas roaming with operators.
4G Service	LTE 700/1800/2100/2600 high-speed wireless broadband service, providing 1Gbps broadband data service theoretical value.
NB- IOT Service	L700 NB- IOT Access Service
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

2019/03/31; Unit: NT\$'000, %

	2017				2018			2019/03/31				
Year Item	r Company		% of Total Operating Cost		Company		% of Total Operating Cost		Company	Amount	% of Total Operating Cost	Relations with the Company
1	Company A	13,519,446	24.01	None	Company A	14,605,904	24.91	None	Company A	2,738,089	19.35	None
2	Company B	6,863,535	12.19	None	Company B	6,276,069	10.70	None	None			

Note: The figures are on consolidated base.

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

2019/03/31; Unit: NT\$'000, %

	2017			2018			2019/03/31					
Year Item	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	2	2017	2018		
Quantity	Quantity	Quantity Revenue (NT\$'000)		Revenue (NT\$'000)	
Mobile telecom service revenue	7,158,142 Subscriber number as of the end of the year	56,485,675	7,172,094 Subscriber number as of the end of the year	44,056,624	
Domestic fixed communication service revenue	674,691 Thousand minutes	1,217,542	587,613 Thousand minutes	1,049,123	
International communication service revenue	364,958 Thousand minutes	2,016,656	213,788 Thousand minutes	1,536,113	
Data telecommunication service revenue	295 Thousand Lines	3 870 726	273 Thousand Lines	3,939,043	
Sales & other operating revenue	Not Applicable	28,479,082	Not Applicable	36,054,068	
Total	Not Applicable	92,069,681	Not Applicable	86,634,971	

^{*} 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

2019/03/31

	Year	2017	2018	2019/03/31
Number of Employee	es Total	6,389	6,085	5,698
Average Age		37.0	37.7	37.7
Average Years of Se	rvice	8.3	9.1	9.1
	Ph.D.	0.22	0.26	0.23
D 11 C	Master	12.96	13.38	13.43
Breakdown of Educational Level (%)	College	72.64	70.94	70.92
Level (%)	High School	14.13	15.35	15.35
	Below High School	0.05	0.07	0.07

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.

Talent is the growth driver of the organization. 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 3,373 training courses were conducted for 162,228 employees, with a total of 402,407 employee-training hours built up. This was conducted at a total expense of NTD 36,857,000 in 2018.

(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
- 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 Employee Personal Safety Provisions and Work Environment 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

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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 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:

- In 2017, FET officially introduced the Occupational Health and Safety Assessment Series (OHSAS) 18001 and
 has acquired international certification. In 2018 officially introduced the ISO 45001 Occupational Health and
 Safety Management System. With the management model of the PDCA system, the corporate has completed the
 occupational safety and health management.
- 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.
- FET has set up the "Occupational Health and Safety Committee" (OHS Committee) as well as dedicated labor safety and health units to make improvements to the working environment and ensure work safety. The OHS Committee is made up of 17 members, including the business operator or their agent, OHS personnel, department heads, supervision, controllers, OHS engineering or medical personnel, and labor representatives. The Committee has 8 labor representatives, which accounted for 47% of all seats.
- The Committee holds a meeting quarterly. Its responsibility is to oversee the formulation of the occupational disaster prevention plan and the self-inspection plan; discuss, examine, and analyze related occupational disasters and review OHS improvements as it engages in communication and management related to disaster prevention. In addition, OHS units communicate the concepts of disaster prevention to employees and contractors on an ad hoc basis, whilst various types of safety training are also often held. In 2018, a total of 1,177 people took part in a total of 19 education training for labor health and safety. In the meantime, an inspection for 207 items of working environment and construction security were also completed; the improvement rate for irregular items reached 100% and thus guaranteed the prevention of occupational disaster and hazard.

(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. The achieve rate of medical
 examinations is 100% in 2018.
- There are 3,167 employees participated in the 90 health activities organized in 2018, which cover health management, disease prevention, health education, health promotion, etc.
- FET held a healthcare reward program in 2018, encouraging employees to take part in health promoting activities, club events and external sports games. A total of 4,280 employees participated.

- FET organized a weight loss challenge in 2018, where 730 employees participated and lost a total of 1,514 kilograms.
- 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 became the promotion partner of the "The I Sport Exercise Enterprise Certification" by the Sports Administration, Ministry of Education in 2018. There were 2,016 employees from FET's Taiwan stores invited to wear the I-Sport badges and promote the Exercise Enterprise collectively. I-Sport desk signs were placed in 380 FET stores nationwide.
- Neihu office got "The Excellent Breastfeeding Award" by Department of health, Taipei City government. Banqiao and Kaohsiung office got the "A Badge of accredited health workplace" by Health Promotion Administration, Ministry of Health and Welfare,
- Massage services by visually impaired massage therapists are available to relieve employees of work stress and improve health. A total of 27,108 employees used the service in 2018 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

2019/03/31

Contract Type	Counter Party	Contract Period	Description	Restricted	
J1	Ericsson Taiwan Ltd.	1996.12.05 ~ Present	Purchase for 4G cell site, mobile phone system and network equipment, software, installation, system construction and technical service	Clauses	
D.	XunWei Tech. Co., Ltd 2014.03.27 ~ Frame Agreement For 3.5G RA		Frame Agreement For 3.5G RAN Acquisition and technical support	Confidential	
Procurement (FET)	2010.01.29 ~ Apple Asia LLC 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	Confidentia Clause	
·	NTT DOCOMO, Inc. StarHub Mobile FET Group (FET and KGT) Hutchison (Hong Kong)	2006.02.13 ~ Present	Strategic alliance among Asia Pacific Telecommunication operators		
		2007.03.01 ~ Present	Collaboration Agreement with Conexus Members	-	
Strategic Alliance	All Conexus Members Pres	2010.06.15 ~ Present	Collaboration Agreement with Conexus Members	Confidentia Clause	
(FET)		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		

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Contract Type	Counter Party	Contract Period	Description	Restricted Clauses
Commercial Cooperation	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
(FET)	Line Financial Taiwan Limited Taipei Fubon Commercial Bank Co., Ltd. Union Bank of Taiwan CTBC Bank Co., Ltd Standard Chartered Bank (Taiwan) Ltd. Taiwan Mobile Co., Ltd.	2018.12.26 ~ present	To create a new economy for cross-border financial services, and to deploy the net banking business, the Company chose to join the group led by Line Financial Taiwan Limited to incorporate a company, the Company acquire a 5% stake, to obtain the FSC's approval for incorporation of the Digital-Only Bank.	Ciause
Merge& Acquisition (FET)	Q-ware Communications Co., Ltd.	2018.05.04	FET merge Q-ware	Confidential Clause
Merge& Acquisition (Subsidiary- NCIC)	Nextlink Technology Co., Ltd.	2018.11.05~ ~ Present	To deploy the cloud service market.	Confidential Clause
Inter Company Loan (Subsidiary- NCIC)	Far EasTone Telecommunications Co., Ltd.	2018.07.31 ~ Present	NCIC loans FET	Confidential Clause



- 1. Financial Condition
- 2. Financial Performance
- 3. Cash Flow
- 4. Key Performance Indicator (KPI)
- 5. Analysis of Major Capital Expenditure and Sources of Funding
- 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

2018/12/31; Unit: NTD'000

Year	D 1 21 2017	D 1 21 2010	Variance	
Item	December 31, 2017	December 31, 2018	Amount	%
Current Assets	\$26,284,153	\$23,940,125	(\$2,344,028)	(9)
Properties, Plants and Equipment	46,233,707	41,843,053	(4,390,654)	(9)
Intangible Assets	56,109,371	53,122,685	(2,986,686)	(5)
Other Assets	4,079,124	7,910,646	3,831,522	94
Total Assets	132,706,355	126,816,509	(5,889,846)	(4)
Current Liabilities	30,391,974	25,621,259	(4,770,715)	(16)
Non-current Liabilities	31,868,168	27,159,067	(4,709,101)	(15)
Total Liabilities	62,260,142	52,780,326	(9,479,816)	(15)
Capital Stocks	32,585,008	32,585,008	0	0
Capital Surplus	8,143,345	5,820,041	(2,323,304)	(29)
Retained Earnings	29,011,927	34,881,092	5,869,165	20
Other Equity	18,132	31,357	13,225	73
Non-controlling Interest	687,801	718,685	30,884	4
Total Shareholders' Equity	70,446,213	74,036,183	3,589,970	5

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

- 1. The increase in Other Assets mainly due to recognition of contract assets and the incremental costs of obtaining a contract under IFRS 15 "Revenue from Contracts with Customers".
- 2. The decrease in Capital Surplus because of dividend distribution.
- 3. The increase in Retained Earnings mainly because of adjusting increase in retained earnings under IFRS 15 "Revenue from Contracts with Customers".
- 4. The increase in Other Equity mainly comes 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

2018/12/31; Unit: NTD '000				
Ye	2017 ear	2018	Variance	•
Item	Amount	Amount	Amount	(%)
Operating Revenues	\$92,069,681	\$86,634,971	(\$5,434,710)	(6)
Operating Costs and Expenses	77,853,383	74,261,798	(3,591,585)	(5)
Operating Income	14,216,298	12,373,173	(1,843,125)	(13)
Non-Operating Incomes and (Expenditures):				
Financial Costs	(461,784)	(427,081)	(34,703)	(8)
Losses on Disposal of Property, Plant, Equipment and Intangible Assets	(756,192)	(359,574)	(396,618)	(52)
Share of the gains (losses) of associates	(79,524)	21,446	100,970	127
Other Profits or Losses	243,774	261,466	17,692	7
Income Before Income Tax	13,162,572	11,869,430	(1,293,142)	(10)
Income Tax Expense	2,308,929	2,444,654	135,725	6
Net Income	10,853,643	9,424,776	(1,428,867)	(13)
Other Comprehensive Income (Loss)	171,098	79,024	(92,074)	(54)
Total Comprehensive Income	11,024,741	9,503,800	(1,520,941)	(14)
Net Income (loss) Attributable to:				
Owners of Far EasTone	10,856,682	9,381,351	(1,475,331)	
Non-controlling interests	(3,039)	43,425	46,464	
Comprehensive Income (loss) Attributable to:				
Owners of Far EasTone	11,027,319	9,459,897	(1,567,422)	
Non-controlling interests	(2,578)	43,903	46,481	

2-1 Analysis of variation

- 1. Decreases in Losses on Disposal of Property, Plant, Equipment and Intangible Assets: mainly the related assets and service ceased when 2G license expires in June 2017.
- 2. Increase in Share of the gains (losses) of Associates: the increase in investment income mainly comes from "Far Eastern Electronic Toll Collection Co., Ltd".
- 3. Decreases in Other Comprehensive Income (Loss): mainly comes 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 2018 Cash Flow Analysis

Unit: NT\$ '000; %

Item	2017	2018	Variance	Variance%
Net cash generated from operating activities	24,849,266	23,063,487	(1,785,779)	(7.2)
Net cash outflow from (used in) investing activities	(14,158,138)	(6,145,848)	8,012,290	56.6
Net cash outflow generated from (used in) financing activities	(12,602,055)	(21,015,491)	(8,413,436)	(66.8)
Effect of exchange rate changes	(512)	(1,107)	(595)	(116.2)
Net decrease in cash	(1,911,439)	(4,098,959)	(2,187,520)	(114.4)

- 1. Operating activities: The decrease in cash inflow was from less profit resulting from market competition in 2018.
- 2. Investing activities: The decrease in cash outflow was from 4G concession payment in 2017 and lower capex spending in 2018.
- 3. Financing activities: The increase of cash outflow was from repayment of short-term and long-term debt in 2018.

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	Forecast Net Cash Inflow from Operating Activities	Forecast Total Cash Outflow (3)	Forecast Balance of Cash and Cash Equivalents (1) + (2) - (3)	Balance of Cash an	Plans for Negative d Cash Equivalents Financing Plan
_	4,248,345	23,095,950	24,795,142	2,549,153	-	-

- 1. Operating activities: 2019 projected cash inflow from operating activities is expected to remain stable.
- 2. Investing activities: The net cash used in investing activities in 2019 is for network expansion and enhancement.
- 3. Financing activities: Mainly for cash dividend distribution and payments of lease liabilities.

4. Key Performance Indicator (KPI)

Unit: NT\$ Mio

КРІ	2018 Target	2018 Actual	KPI Achievement Ratio
Total Revenue	\$89,886	\$86,635	96.4%
EBITDA	\$28,163	\$26,685	94.8%
Net Income	\$10,418	\$9,381	90.1%

5-1 Major Capital Expenditure and Sources of Funding in 2018

5. Analysis of Major Capital Expenditure and Sources of Funding

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	2018	7,103,495

5-2 Expected Benefit: Expansion of future mobile service and new business development.

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

The Company's long-term investments are for strategic purpose or new business development. In 2018, the performance of long-term investment was tending towards stability. On a consolidated basis, the Company's investment loss from long-term investments under the equity method turned into profits amounted to NT\$21,446 thousand. In the future, the Company will evaluate investment plans prudently in accordance with the long-term business strategy.

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 2018, fixed-rate corporate bonds accounted for 86% 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 revenue from value-added services.. The percentage of foreign exchange gains/losses over operating revenue and operating income in 2018 and Q1 2019 are as follows:

2019/03/31; Unit: NT\$'000

Year	2018	2019 (as of March 31)
Foreign Exchange Gains (Losses) (A)	8,143	(1,751)
Operating Revenue (B)	86,634,971	20,819,459
% of Operating Revenue (A)/(B)	0.009%	(0.008%)
Operating Income (C)	12,373,173	3,068,215
% of Operating Income (A)/(C)	0.066%	(0.057%)

As shown in the above table, the foreign exchange gains/losses accounted for a small percentage of operating revenue were 0.009% in 2018 and (0.008%) in Q1 2019 and operating income were 0.066% in 2018 and (0.057%) in Q1 2019.

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

As of March 31, 2019, 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. For aforementioned foreign currency assets, NCIC, for the considerations of the range trading of exchange rate and continuous rising hedge costs, has adjusted the hedging ratio to 0% since the end of 2019 Januaryand adopts natural hedge policy.

(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.

7-1-3 Inflation Analysis and Response Strategy

Affected by the China-US trade disputes, the uncertainty of European political and economic situation (Brexit) and the slowdown of global economic expansion, the global financial market has experienced huge volatility. It is expected that global economic growth and trade growth will slow down in 2019. According to the meeting minutes of the Board meeting of Taiwan's Central Bank in December 2018, based on the steady growth of private consumption and domestic investments, the government's continuous infrastructure investment, and the slow down momentum of export trades, it's predicted that the economic growth rate in 2019 will be around 2.33%. Based on International institutions predict that oil prices of Y2019 will be slightly lower than Year 2018 and domestic demands will be moderate in 2019, it's predicted that the consumer price index (CPI) in 2019 will drop to 1.05%, slightly lower than the CPI 1.38% in 2018, thus the price of consumer goods remains relatively stable. In light of economic outlook, US Fed. is expected to maintain interest rate unchanged in year 2019, and Europe, 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 2018 through until the annual report was published.
- 2. Capital lending: Until the annual report was published, the balance of capital lent to the Company by subsidiary NCIC was NT\$7.5 billion. 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 2018 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\$0 and US\$10 million through until March 31, 2019 and at the end of 2018 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.

Special Notes Financial Information

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

2019/03/31

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. Hundreds of LTE Small Cells have been deployed by domestic and foreign vendors on the existing network. Starting from December 2018, they have commenced the deployment of LAA Small Cells at events such as the Taichung World Flora Exposition and the Lantern Festival.	This plan is continuing in 2019.
FET 5G laboratory	FET collaborated with ITRI, Ericsson, and domestic small cell vendors to build the first 5G IoV industry chain innovation base in Taiwan. It did so through the 5G experimental spectrum field approved by the NCC at the T-park in Taipei in December, 2018. Having a commanding position in the 5G era, and with the advantage of being the first Taiwanese telecom carrier to join the 5GAA, FET will provide the most advanced IoV solutions and lead the IoV industry chain.	This plan is continuing in 2019.

B. System Projects

Project Name	Description	Mass Production Date
4G/4.5G wireless broadband internet access service and device	FET continued to expand the LTE Internet and upgrade and enhance NB-IoT software in 2018. In addition, FET conducted access compatibility tests on network devices for enterprise users in the NW Device IoT project, in order to diminish the impact on users and networks. This significantly reduced network access time for IoT devices and improved the success rate for device access and data transmittance.	This plan is continuing in 2019.
4G/4.5G network expansion and upgrade and LTE Core Network Expansion	Expand 4G /4.5G and LTE core capacities and enhance coverage in poor signal and new-build areas to maintain 99.5% population coverage ratio in Taiwan.	This plan is continuing in 2019.
ROADM Backbone Expansion	Keep enlarging and building ROADM to enhance its bandwidth and efficiency of Transmission Backbone.	Plan to complete in December 2019.
NFV (Network Function Virtualization) Trial	Introduce NFV (Network Function Virtualization) technology to build the flexible and efficient core network.	Plan to complete in December 2019.

B. Digital Content, Mobile Applications & Payment, E-Commerce and AIoT:

Project Name	Description	Mass Production Date
friDay Video	satisfaction as top priority.	Plan to complete by the end of 2019.
friDay Omusic	Product revamp. Improve music database, product feature, and user experience.	Completed in 2018.

(2) The projected R&D expense is estimated at around NT\$715,114 thousand in 2019.

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 "Digital Communication Bill" was read the second time on November 2, 2018. The "Telecommunications

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Administration Bill " was first read on November 26, 2018 and has been included in the 2019 priority bill of the Legislative

In legislating the "Telecommunications Administration Bill" and "Digital Communications 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 5G spectrum for Mobile Broadband Businesses Licenses

For the 5th Generation Mobile Technology (5G) with extremely fast transmission speed (eMBB), low latency (URLLC), and the ability to simultaneously connect a large number of devices (mMTC), Taiwan government has also actively launching 5G related planning and spectrum preparation. The Executive Yuan has clearly stated in the "5G Application and Industry Innovation Strategy (SRB) Conference" held at the end of October, 2018 that the government will "encourage the approval of 5G vertical application field", "develop 5G innovative development environment", "provide 5G technical support and integration trial platform", "plan to release 5G spectrum in line with overall interests", and "revise regulations to create a favorable environment for 5G development" so as to form the future 5G development action plan.

The NCC also stated that the first stage of 5G spectrum release will be completed in the first half of 2020, and the spectrum will be released for 5G services. In order to promote the development of innovative applications, we also encourage domestic industrial innovation through PoC/PoB, cooperation between telecommunications and new applications, and appropriate utilization such as dedicated telecommunications.

In addition to its efforts to follow up on the development of 5G, FarEasTone officially announced on December 12, 2018 the "5G Pioneer Team" together with ITRI, Ericsson, domestic small cells suppliers and other partners which will lead the entire 5G Internet of Vehicles industry chain, so as to seize the commanding heights of the 5G era by focus on "Internet of Vehicles". FarEasTone will be actively preparing for the 5G frequency to be released in 2019, and keep providing various 5G application services to leading industries, and become the leader of 5G services in Taiwan.

(3) Reduction of "Radio Frequency Utilization Fee"

To lower operating costs for mobile broadband network operators, expand their roll-out of mobile broadband networks and balance the development between urban and rural areas, uphold digital human rights, as well as in response to the coming auction of 5G frequency in 2019 so as to differentiate frequency spectrum values, the proposed amendments to the "Charge Standard of Utilization Fee of Radio Frequency" was issued again by the NCC (National Communications Commission) on April 30, 2019. The Calculation standards table of Mobile Telecommunications frequency for mobile network operators was revised to include a "frequency utilization fee per MHz", "remote territory coverage factor" and "band factor". The amendment will reduce the operating costs and accumulate the strength of innovative business.

(4) 3G services sunset

Our country's 3G business terminated on Dec. 31, 2018. FarEasTone followed 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.

FarEasTone has followed the aforesaid plan to help our 3G customers transit to the 4G services and in compliance with related regulation by returning of 3G bandwidths, 3G licenses, and amend business plan accordingly.

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 FDD 2*65 MHz and TDD 25MHz (Total 155MHz BW). Compared to other 4G 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.

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.

FET utilized our advantages in mobile network operations and our advanced 4G/LTE wireless broadband access technology to gradually integrate 3G/WiFi/4G/NB-IoT networks based on market demand. 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 2018, FET provided NB-IoT communication services via the LTE 700MHz band network and became the leading telecom carrier to apply the services for commercial use in Taiwan. In addition to forming the IoT Ecosystem with hundreds of partners, FET completed the NB-IoT network deployment in Taiwan ahead of others in May 2018. The network covers the main island as well as the offshore islands of Kinmen, Matsu, Penghu, and Lutao. NB-IoT encompasses features including low power consumption, low cost, and wide coverage and connection, which make it a more appropriate candidate for various smart city developments. FET has already launched smart application services such as IoV, smart street lights, smart parking, smart buildings, environment/air pollution control, battery power monitoring, asset tracking, and GPS trackers (management of wearable devices) to accelerate the advent of Taiwan's IoT era.

Combining the technical energy accumulated in the 5G laboratory in the past two years, and standing as the first carrier to complete NB-IoT coverage in Taiwan, FET has been promoting 5G plans in line with national policy since the third quarter of 2018. It has also built next-generation WiFi; has collaborated with ITRI, Ericsson, and domestic small cell vendors to form the "FET 5G Vanguard Team" centered around IoV; and has remained committed to being the best IoV solution provider in Taiwan. In October 2018, FET was accepted by the 5G Automotive Association (5GAA), the first Taiwanese telecom carrier to join the association. FET channels all our energy to focus on acceleration-associated technology and business model development, aiming to lead the rise of the IoV industry in Taiwan.

From 2G, 3G, and 4G to the pre-5G era, FET has initiated various applications including fleet management, 4G IoV, and NB-IoT of vehicles/bicycles. It has continued to press forward in the smart transportation field, cultivating customers from well-known logistics, taxi, and electric scooter companies in Taiwan. It has also accumulated vast experience and strength associated with the industry. As FET enters the 5G era, we will choose to adopt IoV as our application theme. In particular, smart and real-time transmission brought on by 5G will be the key in leading the development of autonomous vehicles, and this is expected to defy the technological and business models of the vehicle industry. FET's 5G Vanguard Team will demonstrate FET's enormous potential in 5G technology, through the technical energy accumulated in the 5G laboratory and the largest NB-IoT Ecosystem in Taiwan. The team will combine innovative applications associated with Big Data, artificial intelligence, and IoT, all of which are actively invested by FET. Furthermore, we will utilize 5GAA's world-class vehicle industry resources to lead a team of IoV Ecosystem players in the World Cup!

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 /NB-IoT/ implement NFV and enhancement, 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:

In corporate with FET's strategic plan of New Economic Revenue growth, NCIC, a subsidiary of FET, strives on cloud service and platform integration with NextLink. Before the acquisition, NCIC provided service primarily focus-on cloud hosting, fixed network and IDC service. In the past years, NCIC has awarded plenty of cloud service bids. However, there is still room to enhance the in-house delivery capability of global public cloud platform such as AWS, Azure, GCP, etc. Therefore, in 2019 NCIC acquired NextLink to accelerate the service capability and quality against architecture integration of public and hybrid cloud for enterprise customers; and further assist our valued customers aim the goal of digital transformation

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 24.91% of the total amount of supply in 2018. 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 product and availability, the Company has maintained a stable and good relationship with FarEastone Telecommunications and the subsidaries. 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 2018. 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:

- A. For more information about market risk, credit risk and liquidity risk, please refer to VIII- Financial Information "2018 Independent Auditors' Report, Consolidated Financial Statements and Notes" enclosure in the annual report.
- B. The evaluation report of information risk: (if the risk is identified as critical operational risk, countermeasures shall be disclosed)

Information security risks include risks that threaten the confidentiality, integrity, or availability of the Company's information assets due to natural, human, or technical factors. In 2018, cyberattacks were identified as a major threat in terms of information security related risks. In response, FET adopted countermeasures including the establishment of overall protection strategies and technology, enhancing cyberattack protection mechanisms, improving the security awareness of all employees, and setting risk management indicators. This was done to continuously strengthen security risk management and reduce potential risks.

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

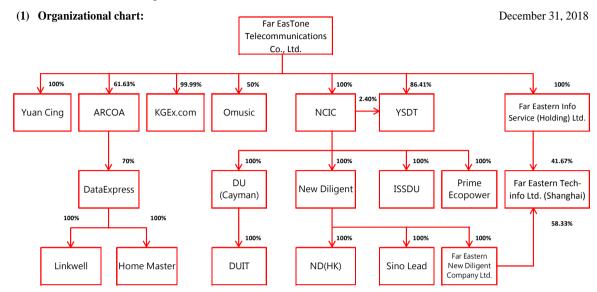
None.



- 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



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

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

		· ·		diwali Dollars, Ulliess Stated Otherwi	
Company	Date of Incorporation	Address	Common Stock Issued	Major Business Activities	
Far EasTone Telecommunications Co., Ltd.	1997/04/11	28 th 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	4 th 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	3 rd 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 services	
Yuan Cing Co., Ltd.	2000/08/05	28 th 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	36 th Floor, No. 207, Tun-Hwa S. Rd., Sec. 2, Taipei, Taiwan, R.O.C.	1,342,800	Sales of communications products and office equipment	
Omusic Co., Ltd.	2010/10/05	9F., No. 220, Gangqian Rd., Nei Hu, Taipei, Taiwan, R.O.C.	50,000	Electronic information services	
DataExpress Infotech Co., Ltd.	2004/07/22	2 nd 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	2 nd 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	2 nd floor, No. 218, Ruei Guang Rd., Nei Hu, Taipei, Taiwan, R.O.C.	12,725	Sale of communications products	
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	

Company	Date of Incorporation	Address		nmon Stock Issued	Major Business Activities
Sino Lead Enterprise Limited	2006/04/11	Hong Kong Trade Centre, 7/F 161-167 Des Voeux Road Central, Hong Kong	(HK\$	125 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 (US\$	74,630,969 10,320,000)	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, research, installment and maintenance of computer software and system
Far Eastern New Diligent Company Ltd.	2010/07/27	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	RMB (US\$	91,482,640 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 services
Prime Ecopower Co., Ltd.	2018/8/1	4F1&2, No. 271, Sec. 4, Ximen Rd., North Dist., Tainan City 704, Taiwan R.O.C.		160,000	Energy technology services
New Diligent Hong Kong Co. Limited	2014/12/04	Hong Kong Trade Centre, 7/F 161-167 Des Voeux Road Central, Hong Kong	(US\$	3,051 100,000)	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, design, research,installment and maintenance of computer software and system, and energy technology services.

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. 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.
- e. 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.
- f. Sino Lead Enterprise Limited provides international lease circuit service to NCIC.
- g. Information Security Service Digital United sells security and monitoring equipments to Far EasTone and NCIC.
- h. Far EasTone sells cellular phone equipments and accessories to Yuan Shi and Yuan Shi provides electronic information services to Far EasTone.
- i. Omusic provides electronic information services to Far EasTone.

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

Unit: Number of Shares; %

			Registered Shares Owned			
Company	Title	Name of Representative	Shares	% of Owner- ship		
	Chairman	Yuan Ding Investment Co., Ltd.	1,066,657,614	32.73		
		Douglas Hsu				
	Vice Chairman	Yuan Ding Investment Co., Ltd.	1,066,657,614	32.73		
	&Managing Director	Peter Hsu				
	Managing Director	Yuan Ding Investment Co., Ltd.	1,066,657,614	32.73		
	D'	Jan Nilsson	221 000	0.01		
	Director	U-Ming Marine Transport Corp.	331,000	0.01		
	Indonendance Director	Keijiro Murayama				
Far EasTone	Independence Director Director	Lawrence Juen-Yee LAU	4 162 500	- 0.12		
Telecommunications	Director	Yuan Ding Co., Ltd.	4,163,500	0.13		
Co., Ltd.	Director	Champion Lee Yuan Ding Co., Ltd.	4,163,500	0.13		
	Director	Jeff Hsu	4,103,300	0.13		
	Independence Director	Tim Pan				
	Independence Director	Chung Laung Liu				
	Director	Asia Investment Corporation	1,426,303	0.04		
	Director	Bonnie Peng	1,420,303	0.04		
	Director	Ding Yuan International Investment Co., Ltd.	919,653	0.03		
	Brector	Toon Lim	717,033	0.03		
	President	Yvonne Li (Notel)	_	_		
	Chairman	Far EasTone Telecommunications Co., Ltd.	1,200	100.00		
		Yvonne Li (Note2)				
	Director	Far EasTone Telecommunications Co., Ltd.	1,200	100.00		
		T. Y. Yin				
Far Eastern Info Service	Director	Far EasTone Telecommunications Co., Ltd.	1,200	100.00		
(Holding) Ltd. (British Bermuda Islands)		Eton Shu				
Definida Islands)	Director	Far EasTone Telecommunications Co., Ltd.	1,200	100.00		
		Jennifer Liu (Note2)				
	Director	Far EasTone Telecommunications Co., Ltd.	1,200	100.00		
		Maggie Mei (Note2)				
	President	Yvonne Li (Note2)	-	-		
	Chairman	Far EasTone Telecommunications Co., Ltd.	68,897,234	99.99		
		Philip Tseng				
	Director	Far EasTone Telecommunications Co., Ltd.	68,897,234	99.99		
		Bruce Yu				
	Director	Far EasTone Telecommunications Co., Ltd.	68,897,234	99.99		
	Brector	Vivian Lee	00,057,25	77.77		
KGEx.com Co., Ltd.	Director		68 907 224	00.00		
	Director	Far EasTone Telecommunications Co., Ltd.	68,897,234	99.99		
		James Lee				
	Director	Far EasTone Telecommunications Co., Ltd.	68,897,234	99.99		
		Hae Shung Ju (Note3)				
	Supervisor	Sherman Lee	-	-		
	President	Philip Tseng	-	-		

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

			Registered Share	es Owned
Company	Title	Name of Representative	Shares	% of Owner- ship
	Chairman	Universal Music Ltd.	225,000	4.50
		Sunny Chang		
	Director	Far EasTone Telecommunications Co., Ltd.	2,500,000	50.00
		Yvonne Li (Note 6)		
	Director	Far EasTone Telecommunications Co., Ltd.	2,500,000	50.00
		Magdalina Lin		
	Director	Far EasTone Telecommunications Co., Ltd.	2,500,000	50.00
		C.J. Lee (Note 6)		
	Director	Far EasTone Telecommunications Co., Ltd.	2,500,000	50.00
O-music Co., Ltd.		Eton Shu		
	Director	Forward Music Co., Ltd.	225,000	4.50
		Katia Lin		
	Director	Sony Music Entertainment Taiwan Ltd.	225,000	4.50
	Supervisor	T.Y. Yin	-	-
	Supervisor	Otiga Technologies Limited	475,000	9.50
		Ipang Lin		
	Supervisor	HIM International Music Inc.	225,000	4.50
		Lydia Ho		
Direct Di	President	Belung Chang	225,000	4.50
	Chairman	ARCOA Communication Co., Ltd.	12,866,353	70.00
		T.Y. Yin		
	Director	Jing Ho Tech	3,490,724	18.99
		Grace Chu		
•	Director	ARCOA Communication Co., Ltd.	12,866,353	70.00
Ltu.		Eric Li		
	Director	ARCOA Communication Co., Ltd.	12,866,353	70.00
		Brian Chao		
	Supervisor	Ann Chang	-	-

			Registered Shares Owned			
Company	Title	Name of Representative	Shares	% of Owner- ship		
Linkwell Technology Ltd.	Director	DataExpress Infotech Co., Ltd.	-	100.00		
		T.Y. Yin				
Home Master Technology Ltd.	Director	DataExpress Infotech Co., Ltd. T.Y. Yin	-	100.00		
	Chairman	Far EasTone Telecommunications Co., Ltd. Douglas Hsu	2,100,000,000	100.00		
	Director	Far EasTone Telecommunications Co., Ltd.	2,100,000,000	100.00		
New Century InfoComm Tech Co., Ltd.	Director	Yvonne Li (Note 7) Far EasTone Telecommunications Co., Ltd.	2,100,000,000	100.00		
	Supervisor	Philip Tseng Far EasTone Telecommunications Co., Ltd.	2,100,000,000	100.00		
		Sherman Lee				
	President	Yvonne Li (Note 7)	-	-		
	Chairman	New Century InfoComm Tech Co., Ltd.	54,000,000	100.00		
New Diligent Co., Ltd.	Director	Eric Li New Century InfoComm Tech Co., Ltd.	54,000,000	100.00		
		Philip Tseng				
	Director	New Century InfoComm Tech Co., Ltd.	54,000,000	100.00		
		James Lee				
	Supervisor	New Century InfoComm Tech Co., Ltd.	54,000,000	100.00		
		Sherman Lee				
Sino Lead Enterprise Limited	Director	New Diligent Co., Ltd. Philip Tseng	30,000	100.00		
	Chairman	New Century InfoComm Tech Co., Ltd.	10,249,047	100.00		
	Director	Philip Tseng New Century InfoComm Tech Co., Ltd.	10,249,047	100.00		
		Alan Chang (Note 8)				
Information Security Service Digital United	Director	New Century InfoComm Tech Co., Ltd. Mark Lee	10,249,047	100.00		
C	Director	New Century InfoComm Tech Co., Ltd.	10,249,047	100.00		
	Supervisor	Eric Li New Century InfoComm Tech Co., Ltd.	10,249,047	100.00		
		Sherman Lee				
5	Chairman	New Century InfoComm Tech Co., Ltd.	10,320,000	100.00		
Digital United (Cayman) Ltd.	Director	Philip Tseng New Century InfoComm Tech Co., Ltd.	10,320,000	100.00		
	Director	T. Y. Yin	10,320,000	100.00		
	Chairman	Digital United (Cayman) Ltd.	-	100.00		
		Philip Tseng				
	Director	Digital United (Cayman) Ltd.	-	100.00		
Digital Unite Information Technologies (Shanghai)		James Lee				
Ltd.	Director	Digital United (Cayman) Ltd. Eric Li	-	100.00		
	Supervisor	Eric Li Digital United (Cayman) Ltd.	_	100.00		
	Supervisor	Sherman Lee		100.00		
	<u>i</u>	Sherman Lee	<u> </u>	<u> </u>		

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			Registered Shares Owne			
Company	Title	Name of Representative	Shares	% of Owner- ship		
	Director	New Diligent Co., Ltd.	-	100.00		
		Jennifer Liu				
Far Eastern New Diligent	Director	New Diligent Co., Ltd.	-	100.00		
Company Ltd.		T. Y. Yin				
	Director	New Diligent Co., Ltd.	-	100.00		
		Mike Lee				
	Chairman	Far EasTone Telecommunications Co., Ltd.	90,014,424	86.41		
		Magdalina Lin (Note 9)				
	Director	Far EasTone Telecommunications Co., Ltd.	90,014,424	86.41		
		Sherman Lee				
	Director	Far EasTone Telecommunications Co., Ltd.	90,014,424	86.41		
Yuanshi Digital Technology		Olivia Chew				
Co., Ltd.	Director	Far EasTone Telecommunications Co., Ltd.	90,014,424	86.41		
		Philby Lee				
	Director	Far EasTone Telecommunications Co., Ltd.	90,014,424	86.41		
		John Yeh				
	Supervisor	T. Y. Yin (Note 9)	-	-		
	President	Terrance Yang	-	-		
	Director	New Diligent Co., Ltd.	-	100.00		
New Diligent Hong Kong		Sherman Lee				
Co. Limited	Director	New Diligent Co., Ltd.	-	100.00		
		T. Y. Yin				
	Chairman	New Century InfoComm Tech Co., Ltd.	16,000,000	100.00		
		Philip Tseng				
	Director	New Century InfoComm Tech Co., Ltd.	16,000,000	100.00		
		Eric Li				
Prime Ecopower Co., Ltd.	Director	New Century InfoComm Tech Co., Ltd.	16,000,000	100.00		
		Andy Kuo				
	Supervisor	New Century InfoComm Tech Co., Ltd.	16,000,000	100.00		
		Sherman Lee				
	President	Oliver Liu	_	_		

- Note 1 : Chee Ching succeeded as president of Far EasTone Telecommunications Co., Ltd. since Jan $7^{\text{th}}, 2019.$
- Note 2: Chee Ching succeeded as chairman and president of Far Eastern Info Service (Holding) Ltd. British Bermuda Islands since Jan 31th, 2019. Andrea Shen and Andy Kuo succeeded as direcors of Far Eastern Info Service (Holding) Ltd. British Bermuda Islands since
- Note 3: Leon Li succeeded as director of KGEx since Feb. 26th, 2019.
- Note 4: Andy Kuo succeeded as director of Yuan Cing Co., Ltd. since Feb 1st, 2019 and as president Yuan Cing Co., Ltd. since April
- Note 5: Chee Ching succeeded as Chairman of ARCOA Communication Co., Ltd. since Mar 5th, 2019.
- Note 6: Chee Ching and Belinda Chen succeeded as directors of O-music since Feb 27th, 2019.
- Note 7: Chee Ching succeeded as president and director of New Century InfoComm Tech Co., Ltd. since Feb. 13th, 2019.
- Note 8: Eton Shu succeeded as director of Information Security Service Digital United since Feb 25th, 2019.
- Note 9: T.Y. Yin succeeded as chairman of Yuanshi Digital Technology Co., Ltd. since Feb 25th, 2019, and Sharon Lin succeeded as supervisorof Yuanshi Digital Technology Co., Ltd. since Feb 27th, 2019

(6) Operation overview of Far EasTone and affiliates:

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

Company	1	nmon Stock Issued	То	tal Assets	Total	Liabilities	Stoc	Total kholders' Equity	Total Operating Revenue	OĮ	perating me (Loss)	Ne	t Income (Loss)	Basic Ear Per Share	nings
Far EasTone Telecommunications Co., Ltd.	\$	32,585,008	\$	129,210,168	\$	55,892,670	\$	73,317,498	\$ 65,909,728	\$	9,977,652	\$	9,381,351	\$	2.88
Far Eastern Info Service (Holding) Ltd.	RMB	99,240	RMB	1,123,187		-	RMB	1,123,187	-		-	RMB	(8,442,808)	RMB	(7,036)
(British Bermuda Islands)	(US\$	12,000)							 						
KGEx.com Co., Ltd.		689,074		912,455		51,350		861,105	581,983		132,078		151,136		2.19
Far Eastern Tech-info Ltd. (Shanghai)	RMB	42,231,150	RMB	2,594,970		-	RMB	2,594,970	-	RMB	(28,823)	RMB	(20,268,193)		Note
Yuan Cing Co., Ltd.		20,000		47,763		12,520		35,243	80,908		15,824		12,833		6.42
ARCOA Communication Co., Ltd.		1,342,800		3,426,812		1,654,844		1,771,968	15,574,148		98,821		136,561		1.02
Q-ware Communications Co., Ltd. (Note 1)		-		-		-		-	52,379		(12,403)		(19,602)		Note
Omusic Co., Ltd.		50,000		91,911		70,793		21,118	168,275		2,486		2,187		0.44
DataExpress Infotech Co., Ltd.		183,805		1,312,056		1,015,707		296,349	4,904,458		30,865		84,693		4.61
Linkwell Technology Ltd.		45,804		140,838		89,087		51,751	647,809		11,489		10,075		Note
Home Master Technology Ltd.		12,725		399,882		351,151		48,731	1,679,846		58,931		50,105		Note
New Century InfoComm Tech. Co., Ltd.		21,000,000		27,256,280		2,880,801		24,375,479	11,152,520		2,403,506		1,964,654		0.94
New Diligent Co., Ltd		540,000		87,082		100		86,982	-		(112)		(52,408)		(0.97)
Sino Lead Enterprise Limited		125		17,587		17,346		241	109,806		9		16		0.53
-	(HK\$	30,000)													
New Diligent Hong Kong Co. Limited		3,051		3,196		260		2,936	72		(38)		70		Note
	(US\$	100,000)													
Information Security Service Digital United Inc.		102,490		259,828		140,870		118,958	385,096		14,569		14,868		1.45
Digital United (Cayman) Ltd.	RMB	74,630,969	RMB	44,335,023	RMB	15,397	RMB	44,319,626	-	RMB	(79,193)	RMB	51,161	RMB	0.01
	(US\$	10,320,000)	ĺ												
Digital United Information Technologies (Shanghai)) RMB	23,552,583	RMB	471,003	RMB	49,966	RMB	421,037	-	RMB	(66,779)	RMB	(60,927)		Note
Ltd.															
Far Eastern New Diligent Company Ltd.	RMB	91,482,640	RMB	5,566,198	RMB	15,397	RMB	5,550,801	-	RMB	(55,296)	RMB	(11,890,450)		Note
	(US\$	14,300,000)							 						
Yuan Shi Digital Technology Co., Ltd.		1,041,675	1	263,376		732,067		(468,691)	2,584,036		(336,279)		(335,442)		(3.22)
Far Eastern New Century Information Technology	7	-	1	-		-		-	-	RMB	(224,563)	RMB	(224,563)		-
(Beijing) Limited. (Note 2)															
Prime Ecopower Co., Ltd.	!	160,000		157,964		2,648		155,316	-	1	(4,707)		(4,684)		(0.29)

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

Note 1: Far EasTone merged with Qware Communication Co., Ltd. on June 30, 2018. Far EasTone is the surviving company, and Qware Communication Co., Ltd. is the dissolved company.

Note 2: Dissolved on February 9, 2018 with the approval of the local government.



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

February 20, 2019

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, 2018 are the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as of and for the years ended December 31, 2018 and 2017, 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 subsidiary companies as of and for the years ended December 31, 2018 and 2017. Hence, we did not prepare a separate set of consolidated financial statements of affiliates for the year ended December 31, 2018.

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 2018 dated February 20, 2019 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, 2018 ("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 2018 Affiliation Report and the Criteria and the Notes for the year ended December 31, 2018.

March 28, 2019

By

Deloitte 8 Toucher

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 20, 2019

We hereby declare that the Affiliation Report of 2018 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, 2018.

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, 2018**

(Unit: Number of Charge 04)

				(Unit: Number of Shares, % Parent Company Appointed			
Parent Company	For the Control Reason	Parent Compa Info	ny's Sha rmation	reholding	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	11,306,686	Chairman Vice 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	-		-	
	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		-	

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FAR EASTONE TELECOMMUNICATIONS CO., LTD.

PURCHASE (SALE) OF GOODS BETWEEN THE SUBORDINATE COMPANY AND THE PARENT COMPANY FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

SCHEDULE B

Parent	Transaction Details				Transactions Between the Parent Company		Normal Transactions		Difference	Accounts Receivable or (Payable)		Overdue			
Company	Purchase (Sale)	Amount		Gross Profit				Payment Terms		Ending Balance		Amount	Action Taken	Allowance for Doubtful Accounts	
Far Eastern New Century Corporation	Sale	\$30	0.0002	-	The terms and conditions conformed to normal transactions		-	-	-	-	-	-	_	-	
Yuan Ding Co., Ltd.	Sale	86	0.0005	-	The terms conditions conformed normal transaction	l to	-	-	-	-	-	-	-	-	

SCHEDULE C

FAR EASTONE TELECOMMUNICATIONS CO., LTD. ASSET LEASING BETWEEN THE SUBORDINATE COMPANY AND THE PARENT COMPANY FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

		Target Asset					Comparison	D 4 16	041
Transaction	Name	Location Lease	Period	Туре	Rental Terms	Payment Method	with Ordinary Leasing Price Level	Rental for This Period	Other Special Stipulations
Far Eastern New Century Corporation									
Leasing	BTS0000 6744	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	\$ 276	None
Leasing	BTS0000 7807	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	234	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	2,980	None
Leasing	BTS0000 7979	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	681	None
Leasing	BTS0005 1486	2F., No.7, Gongye 4th Rd., Kuan-Ying, Industrial Area, Kuan-Yin District,Tao-YuanCity	2012.02.01- 2022.01.31	Operating	Same as normal leasing	Bank remittance monthly	Same	248	None
Total								<u>\$ 4,419</u>	
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	\$6,315	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- 2020.12.31	Operating	Same as normal leasing	Bank remittance monthly	Same	183	None
Leasing	BT00015 950	7F., No.89, Sec. W., Daxue Rd., East Dist., Tainan City		Operating	Same as normal leasing	Bank remittance monthly	Same	162	None

		Target Asset					Comparison	Rental for	Other
Transaction	Name	Location Lease	Period	Туре	Rental Terms	Payment Method	with Ordinary Leasing Price Level	This Period	Special Stipulations
Leasing	BT00026 122	23F., No.89, Sec. W., Daxue Rd., East Dist., Tainan City	2013.03.15- 2023.03.14	Operating	Same as normal leasing	Bank remittance monthly	Same	162	None
Leasing		B1., No.203, Sec. 2, Dunhua S. Rd., Taipei City	2013.09.01- 2023.08.31	Operating	Same as normal leasing	Bank remittance annually	Same	680	None
Leasing	BT00024 251	No.201, Sec. 2, Dunhua S. Rd., Taipei City	2013.09.01- 2022.08.31	Operating	Same as normal leasing	Bank remittance annually	Same	782	None
Leasing	BT00052 216	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	1,518	None
Leasing	BT00059 828	No.207, Sec. 2, Dunhua S. Rd., Taipei City	2016.11.01- 2019.10.31	Operating	Same as normal leasing	Bank remittance annually	Same	1,548	None
Total								<u>\$ 11,710</u>	

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. 2018 Audit Committee's Review Report
- 4. 2018 Independent Auditors' Report, Consolidated Financial Statements and Notes
- 5. 2018 Independent Auditors' Report, Standalone Financial Statements and Notes

1. Condensed Financial Statement for Recent 5 Years

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

1-1-1 Condensed Balance Sheet - by Standalone

	NT\$' 000

	Year		Financial Info	rmation In Rec	ent 5 years		2019/01/01 ~ 2019/03/31
Item		2014	2015	2016	2017	2018	2019/01/01 ~ 2019/03/31
Current Asse	ets	12,249,998	26,860,174	12,431,062	14,284,303	16,248,028	
Properties, P. Equipment	lants and	31,895,203	33,288,032	32,184,965	28,927,960	24,980,931	
Intangible as	sets	46,286,658	44,399,748	51,207,871	54,904,817	51,971,395	
Other Assets		32,749,617	34,063,071	32,217,848	32,167,690	36,009,814	
Total Assets		123,181,476	138,611,025	128,041,746	130,284,770	129,210,168	
Current	Before Distribution	23,745,078	24,926,487	27,599,086	29,247,064	29,255,380	
Liabilities	After Distribution	35,964,456	37,145,865	39,818,464	41,466,442	(Note 1)	
Non-current	Liabilities	26,688,748	41,778,173	29,436,642	31,279,294	26,637,290	
Total	Before Distribution	50,433,826	66,704,660	57,035,728	60,526,358	55,892,670	Not
Liabilities	After Distribution	62,653,204	78,924,038	69,255,106	72,745,736	(Note 1)	Applicable
Capital Stock	ks	32,585,008	32,585,008	32,585,008	32,585,008	32,585,008	
Capital	Before : Distribution	14,009,061	12,058,158	10,166,874	8,143,345	5,820,041	
Surplus	After Distribution	12,109,355	10,181,262	8,143,345	5,820,034	(Note 1)	
Retained	Before Distribution	26,292,678	27,388,411	28,387,615	29,011,927	34,881,092	
Earnings	After : Distribution	15,973,006	17,045,929	18,191,766	19,115,860	(Note 1)	
Other Equity		(139,097)	(125,212)	(133,479)	18,132	31,357	
Total Shareholders	Before Distribution	72,747,650	71,906,365	71,006,018	69,758,412	73,317,498	
Equity	After Distribution	60,528,272	59,686,987	58,786,640	57,539,034	(Note 1)	

Note 1: The appropriation of 2018 earning has not been approved by the Shareholders' Meeting.

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

2019/03/31; Unit: Except EPS is NT dollar; others are NT\$'000

				- I	,	13 arc 141 \$ 00
Year	Fi	nancial Informa	tion for Recen	t 5 Years		2019/01/01 ~
Item	2014	2015	2016	2017	2018	2019/03/31
Operating Revenues	78,403,544	80,765,722	78,838,895	72,945,992	65,909,728	
Gross Profit	32,804,061	32,716,019	32,611,252	31,270,345	23,224,778	
Operating Income	12,127,124	12,098,334	11,841,655	12,191,454	9,977,652	
Non-Operating Income and Expenses	1,715,125	1,742,522	956,619	563,596	1,388,966	
Income before Tax	13,842,249	13,840,856	12,798,274	12,755,050	11,366,618	Not
Net Income from Operating Business	11,482,985	11,485,695	11,391,303	10,856,682	9,381,351	
Net Income (Loss)	11,482,985	11,485,695	11,391,303	10,856,682	9,381,351	
Other Comprehensive Income Loss (Net of income tax)	12,634	(45,363)	(43,443)	170,637	78,546	
Total Comprehensive Income	11,495,619	11,440,332	11,347,860	11,027,319	9,459,897	
Earnings Per Share	3.52	3.52	3.50	3.33	2.88	

1-1-3 Condensed Balance Sheet-by Consolidated

2019/03/31; Unit: NT\$' 000

	Year		Financial Info	ormation In Recei	nt 5 years		2019/01/01 ~
Item	Tear	2014	2015	2016	2017	2018	2019/03/31 (Note1)
Current Assets		20,806,012	34,299,373	26,557,388	26,284,153	23,940,125	24,118,711
Properties, Plants	s and Equipment	50,938,477	52,045,655	49,849,572	46,233,707	41,843,053	39,683,909
Intangible assets		47,703,750	45,677,996	52,458,457	56,109,371	53,122,685	52,843,542
Other Assets		4,259,948	4,858,147	3,941,905	4,079,124	7,910,646	17,039,522
Total Assets		123,708,187	136,881,171	132,807,322	132,706,355	126,816,509	133,685,684
Current	Before Distribution	22,675,815	21,683,305	30,980,704	30,391,974	25,621,259	25,835,906
Liabilities	After Distribution	34,980,300	33,986,190	43,262,310	42,657,587	(Note 2)	(Note 2)
Non-current Liab	oilities	27,479,371	42,538,970	30,104,017	31,868,168	27,159,067	31,469,055
	Before Distribution	50,155,186	64,222,275	61,084,721	62,260,142	52,780,326	57,304,961
Total Liabilities	After Distribution	62,459,671	76,525,160	73,366,327	74,525,755	(Note 2)	(Note 2)
Equity Attributable to	Before Distribution	72,747,650	71,906,365	71,006,018	69,758,412	73,317,498	75,463,309
Owners of Far EasTone	After Distribution	60,528,272	59,686,987	58,786,640	57,539,034	(Note 2)	(Note 2)
Capital Stocks		32,585,008	32,585,008	32,585,008	32,585,008	32,585,008	32,585,008
0.110.1	Before Distribution	14,009,061	12,058,158	10,166,874	8,143,345	5,820,041	5,820,041
Capital Surplus	After Distribution	12,109,355	10,181,262	8,143,345	5,820,034	(Note 2)	(Note 2)
Retained	Before Distribution	26,292,678	27,388,411	28,387,615	29,011,927	34,881,092	37,057,849
Earnings	After Distribution	15,973,006	17,045,929	18,191,766	19,115,860	(Note 2)	(Note 2)
Other Equity		(139,097)	(125,212)	(133,479)	18,132	31,357	411
Non-controlling	Before Distribution	805,351	752,531	716,583	687,801	718,685	917,414
Interest	After Distribution	720,244	669,024	654,355	641,566	(Note 2)	(Note 2)
Total	Before Distribution	73,553,001	72,658,896	71,722,601	70,446,213	74,036,183	76,380,723
Shareholders' Equity	After Distribution	61,248,516	60,356,011	59,440,995	58,180,600	(Note 2)	(Note 2)

Note:1 The financial statements for the first quarter of 2019 have been reviewed by CPA.

Note:2 The distribution of the 2018 earnings has not been approved by the Shareholders' Meeting.

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

2019/03/31; Unit: Except EPS is NT dollar; others are NT\$'000

Year		Financial Info	ormation in Rece	ent 5 Years		2019/01/01 ~
Item	2014	2015	2016	2017	2018	2019/03/31 (Note1)
Operating Revenues	94,175,600	97,293,218	94,344,266	92,069,681	86,634,971	20,819,459
Gross Profit	38,022,308	38,509,786	38,151,119	35,762,919	28,002,420	6,667,772
Operating Income	15,052,589	15,393,037	15,024,350	14,216,298	12,373,173	3,068,215
Non-Operating Income and Expenses	(1,068,930)	(1,455,171)	(1,235,015)	(1,053,726)	(503,743)	(206,193)
Income before Tax	13,983,659	13,937,866	13,789,335	13,162,572	11,869,430	2,862,022
Net Income from Operating Business	11,565,631	11,534,251	11,410,675	10,853,643	9,424,776	2,250,997
Net Income (Loss)	11,565,631	11,534,251	11,410,675	10,853,643	9,424,776	2,250,997
Other Comprehensive Income Loss (Net of income tax)	12,734	(45,367)	(42,178)	171,098	79,024	(31,112)
Total Comprehensive Income	11,578,365	11,488,884	11,368,497	11,024,741	9,503,800	2,219,885
Net Income Attributable to Owners of Far EasTone	11,482,985	11,485,695	11,391,303	10,856,682	9,381,351	2,231,542
Net Income Attributable to Non-Controlling Interest	82,646	48,556	19,372	(3,039)	43,425	19,455
Comprehensive Income Attributable to Owners of Far EasTone	11,495,619	11,440,332	11,347,860	11,027,319	9,459,897	2,200,596
Comprehensive Income Attributable to Non-Controlling Interest	82,746	48,552	20,637	(2,578)	43,903	19,289
Earning Per Share	3.52	3.52	3.50	3.33	2.88	0.68

Note 1: The financial statements for the first quarter of 2019 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
2014	Deloitte and Touche Co.	Ching-Fu Chang, Cheng-Hung Kuo	Modified Unqualified opinion
2015	Deloitte and Touche Co.	An-Hwei Lin, Cheng-Hung Kuo	Unqualified opinion
2016	Deloitte and Touche Co	An-Hwei Lin, Cheng-Hung Kuo	Unqualified opinion
2017	Deloitte and Touche Co	An-Hwei Lin, Cheng-Hung Kuo	Unqualified opinion
2018	Deloitte and Touche Co	An-Hwei Lin, Cheng-Hung Kuo	Unqualified opinion

Reason of Auditor change: Due to the internal job adjustment and arrangement in Deloitte and Touche Co., the auditor Ching-Fu Chang was replaced by An-Hwei Lin in 2015.

2. Financial Analysis for Recent 5 Years

Financial Ratio Analysis -International Financial Reporting Standards

2-1. Financial Ratio Analysis- by Standalone

2019/03/31

	Year	Fir	nancial Ratio	Analysis for	r Recent 5 ye	ears	2042/04/04
Item	Tear	2014	2015	2016	2017	2018	2019/01/01 ~ 2019/03/31
	Debt to Asset Ratio	40.94	48.12	44.54	46.46	43.26	
Financial Structure (%)	Long-term Funds to Properties, Plants and Equipment Ratio	311.76	341.52	312.08	349.27	400.12	
	Current Ratio (%)	51.59	107.76	45.04	48.84	55.54	
Liquidity Analysis (%)	Quick Ratio (%)	40.81	91.80	36.67	34.37	43.46	
. J (,	Times Interest Earned (times)	38.47	30.34	28.22	27.97	26.49	
	Accounts Receivable Turnover (times)	11.22	11.47	11.09	10.21	9.59	
	Average Collection Days	32.53	31.82	32.91	35.74	38.06	- - -
	Inventory Turnover (times)	12.77	11.00	10.20	7.19	5.92	
Operating Performance	Accounts Payable Turnover (times)	11.44	13.70	16.40	11.96	12.46	Not
	Inventory Turnover Days	28.58	33.18	35.78	50.76	61.65	Applicable
	Properties, Plant and Equipment Turnover (times)	2.57	2.48	2.41	2.39	2.45	
	Total Assets Turnover (times)	0.65	0.62	0.59	0.56	0.51	
	Return on Assets (%)	9.72	9.07	8.84	8.71	7.51	
	Return on Equity (%)	15.71	15.88	15.94	15.43	13.11	- - -
Profitability Analysis	Income before Tax to Capital ratio	42.48	42.48	39.28	39.14	34.88	
	Net Income Ratio (%)	14.65	14.22	14.45	14.88	14.23	
	Earnings per share (NT\$)	3.52	3.52	3.50	3.33	2.88	
	Cash Flow Ratio (%)	93.95	72.27	90.41	80.93	71.07	
Cash flow	Cash Flow Equivalent Ratio	72.89	75.24	71.98	69.36	89.84	
	Cash Reinvestment Ratio (%)	4.88	2.82	6.68	7.57	5.68	
Leverage	Operating Leverage (times)	2.34	2.46	2.60	2.57	2.96	- - -
Ratio	Financial Leverage (times)	1.03	1.04	1.04	1.04	1.05]

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

- (1) Quick Ratio (%): The main reason for this variation is the increase in Current Assets due to recognition of contract assets under IFRS 15" Revenue from Contracts with Customers".
- (2) Inventory Turnover Days: The main reason for this variation is the decrease in Inventory Turnover compared to last year.
- (3) Cash Flow Equivalent Ratio (%): The main reason for this variation is the decrease in Capital Expenditure.
- Cash Reinvestment Ratio: The main reason for this variation is the decrease in net cash flow from operating activities compared to last year.

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

2019/03/31

	Year	F	inancial Rati	o Analysis for	Recent 5 year	rs	2019/01/01 ~
Item		2014	2015	2016	2017	2018	2019/03/31 (Note)
Financial	Debt to Asset Ratio	40.54	46.92	45.99	46.92	41.62	42.87
Structure (%)	Long-term Funds to Properties, Plants and Equipment Ratio	198.34	221.34	204.27	221.30	241.84	271.77
	Current Ratio (%)	91.75	158.18	85.72	86.48	93.44	93.35
Liquidity Analysis (%)	Quick Ratio (%)	73.40	131.59	73.85	67.94	74.87	81.57
	Times Interest Earned (times)	41.49	32.49	32.21	29.50	28.79	27.33
	Accounts Receivable Turnover (times)	11.23	11.67	11.26	10.43	9.74	9.78
	Average Collection Days	32.50	31.27	32.41	34.99	37.47	37.32
	Inventory Turnover (times)	7.59	7.97	7.56	7.27	6.96	9.44
Operating Performance	Accounts Payable Turnover (times)	10.85	12.06	12.94	10.52	10.64	11.76
	Inventory Turnover Days	48.08	45.79	48.28	50.20	52.44	38.66
	Properties, Plant and Equipment Turnover (times)	1.90	1.89	1.85	1.92	1.97	2.04
	Total Assets Turnover (times)	0.77	0.75	0.70	0.69	0.67	0.64
	Return on Assets (%)	9.72	9.13	8.73	8.46	7.53	7.18
	Return on Equity (%)	15.65	15.78	15.81	15.27	13.05	11.97
Profitability Analysis	Income before Tax to Capital ratio (%)	42.91	42.77	42.32	40.39	36.43	35.13
	Net Income Ratio (%)	12.28	11.86	12.09	11.79	10.88	10.81
	Earnings per share (NT\$)	3.52	3.52	3.50	3.33	2.88	0.68
	Cash Flow Ratio (%)	112.83	97.09	87.39	81.76	90.02	30.99
Cash flow	Cash Flow Equivalent Ratio (%)	85.04	79.19	75.75	71.86	92.38	96.66
	Cash Reinvestment Ratio (%)	5.74	3.78	6.79	7.02	6.06	4.30
Leverage	Operating Leverage	2.11	2.13	2.25	2.41	2.64	2.53
Ratio	Financial Leverage	1.02	1.03	1.03	1.03	1.04	1.04
	Financial Leverage	1.02	1.03	1.03	1.03	1.04	

Note: The financial statements for the first quarter of 2019 have been reviewed by CPA.

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

(1) Cash Flow Equivalent Ratio (%): The main reason for this variation is the decrease in Capital Expenditure.

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*

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- (* 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. 2018 Audit Committee's Review Report

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2018 Business Report, the Financial Statements and the Proposal for Profit Distribution. The CPAs of Deloitte & Touche, An-Hwei Lin and Cheng-Hung 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 4, 2019

Financial Information

INDEPENDENT AUDITORS' REPORT

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

Opinion

December 31, 2018 and 2017, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheets as of We have audited the consolidated financial statements of Far EasTone Telecommunications Co., 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, 2018 and 2017, 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

our audit of the consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a Key audit matters are those matters that, in our professional judgment, were of most significance in whole, and in forming our opinion thereon, and we do not provide a separate opinion on these

The description of the key audit matters of the consolidated financial statements for the year ended December 31, 2018 are as follows:

impairment Loss of Property, Plant and Equipment and Intangible Assets (Including Goodwill) and the Incremental Costs of Obtaining a Contract

amounts of the cash-generating units to which the assets belong, which in turn is used for the intangible assets and the incremental costs of obtaining a contract account for 76% of the Group's market competition, and technological development influence the operation of the Group and management's evaluation of and judgment on the expected economic benefits and recoverable As of December 31, 2018, the consolidated balances of property, plant and equipment and evaluation of such assets' impairment. Thus, the impairment of property, plant and equipment and total assets and are material for the consolidated financial statements as a whole. Economic trends, intangible assets and the incremental costs of obtaining a contract is considered a key audit matter. For the estimates and judgments related to property, plant and equipment and intangible assets as well as the incremental costs of obtaining a contract, refer to Note 5 to the accompanying consolidated financial statements. For other related disclosures, refer to Notes 15, 17 and 25. 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 the corresponding audit procedures which are as follows:

- We obtained the Group's asset impairment evaluation reports for each cash-generating unit.
- We evaluated 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 revenue recognition. Due to the complexity of revenue calculation and the inherent risk that accounts for 58% of the Group's total revenue for the year ended December 31, 2018. 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 calculation of revenue more complex and directly affect the accuracy and timing of statements; therefore, the recognition of mobile telecommunications service revenue is considered revenue could be manipulated to meet the expectation of users of the consolidated a key audit matter. For the accounting policies related to mobile telecommunications service revenue, refer to Note 4 to the accompanying consolidated financial statements.

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

- Reviewed the contracts of mobile subscribers to confirm the accuracy of the information in the billing system.
- Tested the accuracy of the billing calculation.

Tested the completeness and accuracy of the calculation and billing of monthly fees and

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial

Auditors' Responsibilities for the Audit of the 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

the aggregate, they could reasonably be expected to influence the economic decisions of users

taken on the basis of these consolidated financial statements.

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.

Obtain an understanding of internal control relevant to the audit in order to design audit

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misrepresentations, or the override of internal control.

as

from error,

The risk of not detecting a material misstatement resulting from fraud is higher than for one

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. fraud may involve collusion, forgery, intentional omissions,

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

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting

estimates and related disclosures made by management.

statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are

events or conditions may cause the Group to cease to continue as a going concern.

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 based on the audit evidence obtained up to the date of our auditors' report. However, future 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.

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

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We communicate with those charged with governance regarding, among other matters, the planned

group audit. We remain solely responsible for our audit opinion.

scope and timing of the audit and significant audit findings, including any significant deficiencies

in internal control that we identify during our audit.

Tested the completeness and accuracy of the calculation and billing of value-added service

In coordination with the IT specialists, we performed dialing tests to verify the accuracy and completeness of the traffic and information in the switch equipment.

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

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

In addition, we evaluated manual journal entries posted to revenue accounts, by sampling test of entries with specific risk, and compared details of these journal entries with the relevant underlying documentation to evaluate the reasonableness and accuracy of these selected entries.

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, 2018 and 2017 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 International Financial Reporting Standards (IFRS), International 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 Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Securities Issuers and

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 iquidate 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.

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

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.

that were of most significance in the audit of the consolidated financial statements for the year extremely rare circumstances, we determine that a matter should not be communicated in our report From the matters communicated with those charged with governance, we determine those matters ended December 31, 2018 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 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.

8 Touch Deloitte

Deloitte & Touche Republic of China Taipei, Taiwan

February 20, 2019

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

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, For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese the Chinese-language independent auditors' report and consolidated financial statements shall

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 35)	\$ 4,248,345	3	\$ 8,347,304	6
Financial assets at fair value through profit or loss - current (Notes 4, 34 and 35) Derivative financial assets for hedging - current (Notes 4, 34 and 35)	732,898	1	595,200 1,700	-
Financial assets at amortized cost - current (Notes 4, 8 and 35)	543,600	1	-	-
Financial assets for hedging - current (Notes 4, 34 and 35) Contract assets - current (Notes 3, 4 and 25)	1,868 3,762,170	3	-	-
Debt investments with no active market - current (Notes 4, 9 and 35)	5,702,170	-	658,765	1
Notes receivable, net (Notes 4 and 11) Accounts receivable, net (Notes 4 and 11)	42,717 7,747,548	6	70,321 7,706,352	6
Accounts receivable - related parties (Notes 4, 11 and 35)	259,108	-	251,910	-
Inventories (Notes 4 and 12) Prepaid expenses (Note 3)	3,760,419	3 1	4,776,547 859,512	4
Other financial assets - current (Notes 4, 35 and 36)	996,001 1,730,485	1	2,856,693	2
Other current assets (Note 35)	114,966		159,849	
Total current assets	23,940,125	19	26,284,153	20
NONCURRENT ASSETS Financial assets at fair value through other comprehensive income - noncurrent (Notes 4, 7 and 34)	432,111	_	-	_
Financial assets measured at cost (Notes 4 and 10)	- · · · · · · · · · · · · · · ·	-	263,308	-
Investments accounted for using the equity method (Notes 4, 14 and 35) Contract assets - noncurrent (Notes 3, 4 and 25)	1,353,441 1,535,757	1 1	1,205,015	1 -
Property, plant and equipment, net (Notes 3, 4, 15 and 35)	41,843,053	33	46,233,707	35
Investment properties (Notes 4 and 16) Concessions, net (Notes 1, 4 and 17)	992,546 38,688,253	1 30	1,082,453 41,820,510	1 31
Goodwill (Notes 4 and 17)	10,806,128	9	10,808,901	8
Other intangible assets (Notes 4 and 17) Deferred income tax assets (Notes 4 and 27)	3,628,304 854,022	3 1	3,479,960 759,909	3
Incremental costs of obtaining a contract - noncurrent (Notes 3, 4 and 25)	1,802,163	1	-	-
Other noncurrent assets (Notes 4, 11, 18, 23, 35 and 36)	940,606	1	768,439	1
Total noncurrent assets	102,876,384	81	106,422,202	80
TOTAL	<u>\$ 126,816,509</u>	100	<u>\$ 132,706,355</u>	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES	¢ 2.120.000	2	A 064,000	
Short-term borrowings (Notes 4 and 19) Short-term bills payable (Notes 4 and 19)	\$ 2,120,000 1,269,373	2	\$ 864,000 299,681	1 -
Contract liabilities - current (Notes 3, 4 and 25)	2,256,000	2	-	-
Notes payable Accounts payable (Note 35)	16,899 4,438,923	3	45,637 6,515,052	5
Other payables (Notes 3 and 21)	6,860,347	5	7,531,030	6
Current tax liabilities (Notes 3 and 4) Provisions - current (Notes 4 and 22)	3,362,323 169,739	3	2,033,857 227,536	1
Unearned revenue (Notes 3 and 4)	-	-	2,806,802	2
Current portion of long-term borrowings (Notes 4, 19 and 20) Guarantee deposits received - current	3,199,112 191,666	3	8,998,533 246,344	7
Other current liabilities (Notes 3, 21 and 35)	1,736,877	1	823,502	1
Total current liabilities	25,621,259	20	30,391,974	23
NONCURRENT LIABILITIES	209 272			
Contract liabilities - noncurrent (Notes 3, 4, 21 and 25) Bonds payable (Notes 4 and 20)	208,272 22,175,150	17	20,373,820	15
Long-term borrowings (Notes 4 and 19)	700,000	1	7,600,000	6
Provisions - noncurrent (Notes 4 and 22) Deferred income tax liabilities (Notes 4 and 27)	911,333 2,172,598	2	887,441 1,730,452	1 1
Deferred revenue - noncurrent (Notes 3 and 21)	-	-	185,766	-
Net defined benefit liabilities - noncurrent (Notes 4 and 23) Guarantee deposits received - noncurrent	661,240 283,214	1	728,162 296,738	1
Other noncurrent liabilities (Notes 3 and 4)	47,260		65,789	
Total noncurrent liabilities	27,159,067	22	31,868,168	24
Total liabilities	52,780,326	42	62,260,142	47
EQUITY ATTRIBUTABLE TO OWNERS OF FAR EASTONE Capital stock				
Common stock	32,585,008	26	32,585,008	25
Capital surplus	5,820,041	5	8,143,345	6
Retained earnings Legal reserve	18,487,851	15	17,405,561	13
Special reserve Unappropriated earnings	626,328 15,766,913	12	783,467 10,822,899	1 8
Total retained earnings	34,881,092	27	29,011,927	22
Other equity	31,357		18,132	
Total equity attributable to owners of Far EasTone	73,317,498	58	69,758,412	53
NONCONTROLLING INTERESTS	718,685		687,801	
Total equity	74,036,183	58	70,446,213	53
TOTAL	<u>\$ 126,816,509</u>	<u>100</u>	<u>\$ 132,706,355</u>	<u>100</u>

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

Financial Information

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

2018 ANNUAL REPORT

2018 2017	% Amon	s 4, 25 and 35) \$ 86,634,971 100 \$ 92,069,681 100	12, 26 and 35)	$28.002,420 \qquad 32 \qquad 35.762,919 \qquad 39$	ss 4, 26 and 35) 9,708,640 11 15,663,463 17 5,717,816 7 5,883,158 7	$\frac{15,629,247}{2} 18 21,546,621 24$	<u>12,373,173</u> <u>14</u> <u>14,216,298</u> <u>15</u>	ND EXPENSES 96,169 - 98,094 -		(427,081) - (921,446 -	(+7,7,7)	(359,574) $ (756,192)$ (1)	ne and expenses (503,743) (1,053,726) (1)	AX 11,869,430 14 13,162,572 14	2,444,654 3 2,308,929 2	9,424,776 11 10,853,643 12	COME (LOSS) ied subsequently to 53,887 - 19,430 -	tents in equity at fair value through 12,704	ve income of
		OPERATING REVENUE (Notes 4, 25 and 35)	OPERATING COSTS (Notes 4, 12, 26 and 35)	GROSS PROFIT	OPER ATING EXPENSES (Notes 4, 26 and 35) Marketing General and administrative Expected credit losses	Total operating expenses	OPERATING INCOME	NONOPERATING INCOME AND EXPENSES Other income (Notes 4, 26 and 35)	Other gains and losses (Notes 4, 16, 17, 26, 34 and 35)	Financial costs (Notes 4, 26 and 35) Share of the gains (losses) of associates (Note 4)	Losses on disposal of property, plant, equipment and	intangible assets (Note 4)	Total nonoperating income and expenses	INCOME BEFORE INCOME TAX	INCOME TAX (Notes 4 and 27)	NET INCOME	OTHER COMPREHENSIVE INCOME (LOSS) Items that will not be reclassified subsequently to profit or loss: Remeasurement of defined benefit plans (Note 4)	Unrealized gains on investments in equity instruments designated as at fair value through other comprehensive income (Note 4)	Share of other comprehensive income of associates accounted for using the equity

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss: Exchange differences on translating the financial statements of foreign operations (Notes 4				
and 24)	\$ 39	•	\$ (491)	,
Unrealized gains on available-for-sale financial assets (Notes 4 and 24) Cash flow hedges (Notes 4, 24 and 34)		1 1	45,872 24,698	1 1
Share of other comprehensive income of associates accounted for using the equity method (Note 4)	12,38 <u>6</u> 12,42 <u>5</u>	" "	81,589	"
Total other comprehensive income, net of income tax	79,024	1	171,098	1
TOTAL COMPREHENSIVE INCOME	\$ 9,503,800	11	\$ 11,024,741	12
NET INCOME (LOSS) ATTRIBUTABLE TO: Owners of Far EasTone Noncontrolling interests	\$ 9,381,351 43,42 <u>5</u>	Ξ '	\$ 10,856,682 (3,03 <u>9)</u>	12
	\$ 9,424,776	1	\$ 10,853,643	12
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO: Owners of Far EasTone Noncontrolling interests	\$ 9,459,897	11	\$ 11,027,319 (2,578)	12
	\$ 9,503,800	Ξ	\$ 11,024,741	12
EARNINGS PER SHARE, NEW TAIWAN DOLLARS (Note 28) Basic Diluted	\$ 2.88		\$ 333	
The accompanying notes are an integral part of the consolidated financial statements.	lidated financial sta	tements.	(Cor	(Concluded)

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FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

					Equity Attrib	Equity Attributable to Owners of Far EasTone	Far EasTone						
	Capital Stock (Note 24)	Capital Surplus (Note 24)	Legal Reserve (Note 24)	Retained Earnings Special Reserve (Note 24)	Unappropriated Earnings (Notes 24 and 29)	Exchange Differences on Translating the Financial Statements of Foreign Operations (Note 24)	Unrealized (Losses) Gains on Available-for- sake Financial Assets (Notes 4 and 24)	Other Equity Unrealized (Losses) Gains on Financial Assets at Fair Value Through Other Comprehensive Income (Notes 4 and 24)	Cash Flow Hedges (Notes 4 and 24)	Gains on Hedging Instruments (Notes 4 and 24)	Total	Noncontrolling Interests (Note 24)	Total Equity
BALANCE AT JANUARY 1, 2017	\$ 32,585,008	\$ 10,166,874	\$ 16,270,878	\$ 769,907	\$ 11,346,830	\$ 4,638	\$ (45,872)	- 	\$ (92,245)	•	\$ 71,006,018	\$ 716,583	\$ 71,722,601
Appropriation of the 2016 earnings Legal reserve Special reserve Cash dividends - NT53.129 per share	1 1 1	1 1 1	1,134,683	13,560	(1,134,683) (13,560) (10,195,849)						- - (10,195,849)		- (10,195,849)
Cash dividends from capital surplus - NT\$0.621 per share	•	(2,023,529)	•	٠	•	•		•	•	٠	(2,023,529)	•	(2,023,529)
Changes in equity from investments in associates accounted for using the equity method	•	•	1	•	(5,182)	,	•	,	•	•	(5,182)	•	(5,182)
Cash capital reduction by subsidiaries	•	•	•			•		•			•	(15)	(15)
Difference between the price and carrying amount for acquisition or disposal of subsidiaries	,	,	,	,	(144)	,	,	,	•	,	(144)	4,726	4,582
Changes in ownership interests of subsidiaries	•	•	,		(50,221)	•		•			(50,221)	31,313	(18,908)
Cash dividends distributed by subsidiaries			,									(62,228)	(62,228)
Net income for the year ended December 31, 2017	1	1	•		10,856,682	•				1	10,856,682	(3,039)	10,853,643
Other comprehensive income (loss) for the year ended December 31, 2017	1		1		19,026	(516)	45,872	1	106,255	1	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
Effects of retrospective application and retrospective restatement			1		6,364,273			(11,733)	(14,010)	14,010	6,352,540		6,352,540
BALANCE AT JANUARY 1, 2018 AS RESTATED	32,585,008	8,143,345	17,405,561	783,467	17,187,172	4,122		(11,733)		14,010	76,110,952	687,801	76,798,753
Appropriation of the 2017 earnings Legal reserve Special reserve Cash dividends - NTS3.037 per share	1 1 1	1 1 1	1,082,290	(157,139)	(1,082,290) 157,139 (9,896,067)				1 1 1		- (9,896,067)	1 1 1	- (790,896,067)
Cash dividends from capital surplus - NT\$0.713 per share	•	(2,323,311)	•		•	•		,			(2,323,311)	,	(2,323,311)
Changes in equity from investments in associates accounted for using the equity method	•	7	•	•	(9)	•	•	,			1	•	-
Changes in ownership interests of subsidiaries	•				(33,974)						(33,974)	33,576	(398)
Return of cash capital due to subsidiary's liquidation	•	•	,									(360)	(360)
Cash dividends distributed by subsidiaries	•	•	,									(46,235)	(46,235)
Net income for the year ended December 31, 2018	,	•	,		9,381,351						9,381,351	43,425	9,424,776
Other comprehensive income for the year ended December 31, 2018					53,588	75		12,541		12,342	78,546	478	79,024
BALANCE AT DECEMBER 31, 2018	\$ 32,585,008	\$ 5,820,041	\$ 18,487,851	\$ 626,328	\$ 15,766,913	\$ 4,197	· •	\$ 808	- -	\$ 26,352	\$ 73,317,498	\$ 718,685	\$ 74,036,183
The accompanying notes are an integral part of the consolidated financial statements.	financial statements.												

Financial Information

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

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CASH FLOWS FROM OPER ATING ACTIVITIES	2018	2017	
All compare form	\$ 11,869,430	\$ 13,162,572	
ijasinens 101. Americaion Americaios	10,265,135	10,032,639	
Amortization of concessions	3,132,257	3,078,021	
Expected credit losses	202,791		
Allowance for doubtful accounts Net loss on fair value changes of financial assets at fair value	•	486,145	
through profit or loss	12.302	3,400	
Financial costs	427,081	461,784	
Interest income	(62,262)	(61,789)	
Dividend income	(2,863)	(2,056)	
Share of the (gains) losses of associates Loss on disnosal of property plant equipment and intangible assets	359 574	756 192	
Transfer of property, plant and equipment to expenses		132	
Loss (gain) on disposal of associate or financial assets	2,486	(52,270)	
Impairment loss on nonfinancial assets	2,773		
Reversal of write-down of inventories	(21,639)	(22,329)	
Loss on change in fair value of investment properties	23,262	24,677	
Deferred gain on derivative assets for hedging	1	37,362	
Net changes in operating assets and liabilities Financial assets held for trading	,	(009 865)	
Financial assets at fair value through profit or loss	(150,000)	(000,000)	
Derivative financial assets for hedging	` '	(1,700)	
Financial assets for hedging	(168)		
Contract assets	570,692		
Notes receivable	27,604	(2,960)	
Accounts receivable	(130,811)	(768,188)	
Accounts receivable - related parties	(7,198)	(46,485)	
Inventories	1,037,767	(2,260,164)	
Prepaid expenses	(136,489)	334,684	
Other current assets	6,531	187,571	
Incremental costs of obtaining a contract	(235,973)	•	
Contract liabilities	(376,840)	1 6	
Notes payable	(28,738)	30,212	
Accounts payable	(2,076,129)	2,111,440	
Other payables	(8/0,338)	(860,579)	
Provisions	(114,198)	(42,177)	
Orearned revenue Ottos	- 017 634	19,578	
Outer current naturales Not defined benefit lishilities	712,034	(12.055)	
Cash generated from operations	25.521.605	27.252.634	
Interest received	65,177	57,860	
Dividends received	2,863	2,056	
		(Continued)	

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
Interest paid Income taxes paid	\$ (401,764) (2,124,394)	\$ (337,893) (2,125,391)
Net cash generated from operating activities	23,063,487	24,849,266
CASH FLOWS FROM INVESTING ACTIVITIES Acquisition of financial assets at fair value through other commetensive income	(229,770)	1
Remittance of cash due to capital reduction of financial assets at fair	002 13	
varue un organ organ comprenensive meome Proceeds from the disposal of financial assets at amortized cost	115,165	
Proceeds from the disposal of available-for-sale financial assets	1	651,425
Proceeds from the disposal of debt investments with no active market	1	251,631
Acquisition of mancial assets measured at cost Proceeds from the disposal of financial assets measured at cost		(45,000) 945
Acquisition of investments accounted for using the equity method	(123,220)	(274,497)
Acquisition of property, plant and equipment	(6,039,383)	(7,732,052)
Proceeds from the disposal of property, plant and equipment Increase in refundable denosits	147,057	76,351
Decrease in refundable deposits	271,131)	281,198
Acquisition of intangible assets	(1,064,076)	(7,538,693)
Cash received through a merger	•	236,615
Decrease in other financial assets	1,126,208	238,587
Net cash used in investing activities	(6,145,848)	(14,158,138)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	1,256,000	(1,936,000)
Increase (decrease) in short-term bills payable	69,695	(2,849,490)
Proceeds from the issuance of bond payables	4,993,390	14,675,877
Repayment of bonds payable	(6,500,000)	(6,200,000)
Proceeds from long-term borrowings	700,000	8,900,057
Repayment or long-term borrowings	(10,100,000)	(12,848,402)
increase in guarantee deposits received Decrease in guarantee denosits received	(143,632)	78,603
Decrease in deferred revenue	(700,011)	(7.422)
Cash dividends paid	(12,265,613)	(12,281,606)
Net changes in noncontrolling interests	(86/)	(18,924)
Net cash used in financing activities	(21,015,491)	(12,602,055)
EFFECT OF EXCHANGE RATE CHANGES	(1,107)	(512) (Continued)

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FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
DECREASE IN CASH AND CASH EQUIVALENTS	\$ (4,098,959) \$ (1,911,439)	\$ (1,911,439)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	8,347,304	10,258,743
CASH AND CASH EQUIVALENTS, END OF THE YEAR	\$ 4,248,345	\$ 8,347,304

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

1. ORGANIZATION AND OPERATIONS

(ROC) on April 11, 1997 and began commercial operations on January 20, 1998. Far EasTone's stock was initially listed and commenced trading on the over-the-counter (OTC) securities exchange (known as the Faipei Exchange, TPEx) of the ROC on December 10, 2001, but later ceased trading on the TPEx and transferred listing of its stock on the Taiwan Stock Exchange (the TWSE) on August 24, 2005. Far EasTone 38.28% of Far EasTone's stock. Since Far Eastern New Century and its subsidiaries have the power to cast control over Far EasTone's finances, operations and personnel affairs. Thus, Far Eastern New Century is Far EasTone Telecommunications Co., Ltd. (Far EasTone) was incorporated in the Republic of China provides wireless communications, leased circuit, Internet and international simple resale (ISR) services and also sells cellular phone equipment and accessories. As of December 31, 2018 and 2017, Far Eastern New Century Corporation (Far Eastern New Century) and its affiliates directly and indirectly owned the majority of votes at the meeting of Far EasTone's board of directors, Far Eastern New Century has the ultimate parent company of Far EasTone.

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. However, 2G wireless communications services Far EasTone provides second-generation (2G) wireless communications services under type I licenses 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 2021 and a license to provide local/domestic long-distance land cable leased circuit services from January 2003 until December 2017. Through the completion of the merger with Yuan-Ze Telecommunications Co., Ltd. on May 2, 2005, Far EasTone acquired a third-generation (3G) wireless communications license, which was issued by the DGT and is valid through December 31, 2018.

communications), valid through December 31, 2030. On December 7, 2015 and November 15, 2017, Far EasTone bid for fourth-generation (4G) wireless communications licenses GSM 2600 and GSM 2100, On October 30, 2013, Far EasTone bid for two 4G (fourth-generation wireless communications services) wireless communications licenses, GSM700 and GSM1800 (GSM means global system for mobile respectively, both of which are valid through December 31, 2033. 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 20, 2019

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

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

1) IFRS 9 "Financial Instruments" and related amendments

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

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

Classification, measurement and impairment of financial assets

performed an assessment of the classification of recognized financial assets and has elected not to On the basis of the facts and circumstances that existed as of January 1, 2018, the Group has restate prior reporting periods. The following table shows the original measurement categories and carrying amounts under IAS 39 and the new measurement categories and carrying amounts under IFRS 9 for each class of the Group's financial assets and financial liabilities as of January 1, 2018.

	Measn	Measurement Category	Carrying Amount	Amount	
Financial Assets	IAS 39	IFRS 9	IAS 39	IFRS 9	Remark
Cash and cash equivalents Derivatives	Loans and receivables Hedging derivative financial	Amortized cost Hedging financial instruments	\$ 8,347,304 1,700	\$ 8,347,304 1,700	
Equity securities	instruments Available-for-sale	Fair value through other comprehensive income (i.e.	263,308	251,575	a)
Mutual funds Certificates of deposits	Held-for-trading Loans and receivables	FVTOCI) - equity instruments Mandatorily at FVTPL Amortized cost	595,200 658,765	595,200 658,765	c 6
of more than 3 months Notes receivable, accounts receivable and	Loans and receivables	Amortized cost	8,109,341	8,109,341	θ
other receivables Refundable deposits	Loans and receivables	Amortized cost	712,567	712,567	

Remark		a)		c)		
Other Equity Effect on January 1, 2018		(11,733)	(11,733)			\$ (11,733)
IFRS 9 Carrying Amount as of January 1, 2018	· •	251,575	251,575	658,765	658,765	\$ 910,340
Remeasure- ments	· •	(11,733)	(11,733)	•		\$ (11,733)
Reclassific- ations	•	263,308	263,308	658,765	658,765	\$ 922,073
IAS 39 Carrying Amount as of January 1, 2018		1				· •
	Financial assets at fair value through other comprehensive income - equity instruments	Add: Reclassification from financial assets measured at cost (IAS 39)	Financial assets at amortized cost	Add: Reclassification from debt investments	with no active market (175 57)	

- as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, a decrease of Investments in unlisted shares previously measured at cost under IAS 39 have been designated \$11,733 thousand was recognized in both financial assets at FVTOCI and other equity unrealized gain (loss) on financial assets at FVTOCI on January 1, 2018. a)
- b) Mutual funds previously classified as available-for-sale under IAS 39 were classified mandatorily as at FVTPL under IFRS 9, because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity
- at amortized cost under IAS 39 were classified as measured at amortized cost with an Debt investments previously classified as debt investments with no active market and measured cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual ઇ
- loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9. d) Notes receivable, accounts receivable and other receivables that were previously classified as

Hedge accounting

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

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Operational Highlights

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

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

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

4,006,717

S

4,006,717

S

S

Contract assets - current Noncurrent assets

Current assets

Restated

Application

Arising from Initial

As Originally Stated

Impact on assets, liabilities and equity

Adjustments

1,997,827

1,997,827

Contract assets - noncurrent

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 Under IFRS 15, the Group allocates the transaction price to each performance obligation identified in the contract on a relative stand-alone selling price basis. Prior to the application of IFRS 15, the Group enters into transactions that involve the bundling of the service of air time with goods, limited to the amount for which customers pay. Incremental costs of obtaining a contract are recognized as assets to the extent that the Group expects to recover those costs. Such assets are amortized on a basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. Prior to the application of IFRS 15, related costs were recognized as expenses immediately.

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

Under IFRS 15, the Group obtains control of the specified goods or services before they are transferred to the customers and, therefore, is acting as a principal in the transaction. Prior to the exposure to the significant risks and rewards of the goods or services and considered itself a application of IFRS 15, the Group determined whether it was a principal or an agent based on its principal in the transaction. Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Prior to the application of IFRS 15, receivables were recognized or deferred revenue was reduced when revenue was recognized for the contract under IAS 18. The Group elected to recognize the cumulative effect of retrospectively applying IFRS 15 on retained earnings on January 1, 2018. For all contract modifications that occurred on or before December 31, 2017, the Group did not apply the requirements in IFRS 15 individually to each of the modifications. Instead, the Group identified the performance obligations, determined and allocated the transaction price in the manner that reflected the aggregate effect of all modifications that occurred before December 31, 2017. This reduced the complexity and cost of retrospective application, and resulted in financial information that closely aligns with the financial information that would be available under IFRS 15 without the - 18

incremental costs of obtaining a contract - noncurrent Total assets	132,706,355	1,566,190 7,570,734	1,566,190 140,277,089
Current liabilities			
Contract liabilities - current Current tax liabilities Unearned revenue	2,033,857 2,806,802	2,655,346 1,357,917 (2,806,802)	2,655,346 3,391,774
Noncurrent liabilities			
Deferred revenue - noncurrent Contract liabilities - noncurrent Total liabilities	185,766 - 62,260,142	(185,766) 185,766 1,206,461	- 185,766 63,466,603
Equity			
Retained earnings Total equity	29,011,927 70,446,213	6,364,273 6,364,273	35,376,200 76,810,486
The impact of applying the pervious standards (IAS 18 "Revenue") as of December 31, 2018 and for the year ended December 31, 2018 is summarized below:	ls (IAS 18 "Revenue narized below:	e") as of Decemb	er 31, 2018 and
Impact on assets, liabilities and equity for the current year	current year		
			December 31, 2018
Decrease in contract assets - current Decrease in contract assets - noncurrent Decrease in incremental costs of obtaining a contract - noncurrent	ontract - noncurrent		\$ (3,762,170) (1,535,757) (1,802,163)
Decrease in assets			\$ (7,100,090) (Continued)

Special Notes

Financial Information

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	December 31, 2018
Decrease in contract liabilities - current Increase in unearred revenue Decrease in contract liabilities - noncurrent Increase in deferred revenue - noncurrent Decrease in deferred raviabilities	\$ (2,256,000) 2,454,191 (208,272) 208,272 (1,271,016)
Decrease in liabilities	\$ (1,072,825)
Decrease in retained earnings	\$ (6,027,265)
Decrease in equity	\$ (6,027,265) (Concluded)
Impact on total comprehensive income for the current year	
	For the Year Ended December 31, 2018
Increase in operating revenue Increase in operating expenses Increase in income tax expense Increase in net profit for the year	\$ 3,996,556 3,572,647 86,901 337,008
Increase in total comprehensive income for the year	\$ 337,008
Increase in net profit attributable to: Owners of Far EasTone	\$ 337,008
Increase in total comprehensive income attributable to: Owners of Far EasTone	\$ 337,008
Impact on earnings per share: Increase in basic earnings per share	\$0.1

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs endorsed by the FSC for application starting from 2019

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle Amendments to IFRS 9 "Prepayment Features with Negative	January 1, 2019 January 1, 2019 (Note 2)
Compensation IFRS 16 "Leases" Amendment to IAS 19 "Plan Amendment, Curtailment or	January 1, 2019 January 1, 2019 (Note 3)
Settlement Ameniest American Interests in Associates and Joint	January 1, 2019
ventures 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.

The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019. Note 3:

IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17, IFRIC 4, and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Group will reassess whether a contract is, or contains, a lease in accordance with the definition of a lease under IFRS 16. Contracts that are reassessed as containing a lease will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows. Leased assets and Upon initial application of IFRS 16, the Group will recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets, except for those whose payments under low-value asset finance lease payables are recognized for contracts classified as finance leases. The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be

with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining Right-of-use assets will be measured at their carrying amount as if IFRS 16 had been applied since the Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases commencement date, but discounted using the aforementioned incremental borrowing rate. The Group lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. will apply IAS 36 to all right-of-use assets. For leases currently classified as finance leases under IAS 17, the carrying amount of right-of-use assets and lease liabilities on January 1, 2019 will be determined as at the carrying amount of the leased assets and finance lease payables as of December 31, 2018.

The Group as lessor

The Group will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

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Anticipated impact on assets, liabilities and equity

The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2:

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

The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Current assets			
Prepaid expenses	\$ 996,001	\$ (395,319)	\$ 600,682
Noncurrent assets			
Property, plant and equipment, net Right-of-use assets Total assets	41,843,053 - 126,816,509	(218,668) 8,598,278 7,984,291	41,624,385 8,598,278 134,800,800
Current liabilities			
Other payables Current tax liabilities Lease liabilities - current Other current liabilities	6,860,347 3,362,323 - 1,736,877	(24,996) (13,398) 2,906,806 (49,585)	6,835,351 3,348,925 2,906,806 1,687,292
Noncurrent liabilities			
Lease liabilities - noncurrent Other noncurrent liabilities Total liabilities	- 47,260 52,780,326	5,265,789 (47,260) 8,037,356	5,265,789
Equity			
Retained earnings Noncontrolling interests Total equity	34,881,092 718,685 74,036,183	(52,505) (560) (53,065)	34,828,587 718,125 73,983,118

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

impact when the assessment is completed.

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 consolidated financial statements have been prepared on the historical cost basis except for financial

Basis of Presentation

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:

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

Classification of Current and Noncurrent Assets and Liabilities c. Level 3 inputs are unobservable inputs for the asset or liability.

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

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group assesses that application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will not have any material impact on the Group's financial position and financial performance.

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

Effective Date

New IFRSs	Announced by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business" Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	January 1, 2020 (Note 2) To be determined by IASB
IFRS 17 "Insurance Contracts" Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2021 January 1, 2020 (Note 3)

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:

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

a. Assets held primarily for the purpose of trading;

Current assets include:

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

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

a. Liabilities held primarily for the purpose of trading;

Company Profile Corporate Governance Fund Utilization Status

Operational Highlights

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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.

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

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 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

See Note 13, Schedule G and Schedule H 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.

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 Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any

Foreign Currencies

the entity's functional currency (i. e. foreign currencies) are recognized at the rates of exchange prevailing In preparing the financial statements of each individual group entity, transactions in currencies other than at the dates of the transactions.

translation are recognized in profit or loss in the period in which they arise except for exchange difference 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 on transactions entered into in order to hedge against certain foreign currency risks.

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.

from the ones used by Far EasTone) are translated into New Taiwan dollars using the 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 foreign operations (including subsidiaries in other countries or subsidiaries that use currencies different For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's (attributed to the owners of Far EasTone and noncontrolling interests as appropriate).

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. On the disposal of a foreign operation or a disposal involving loss of control over a subsidiary that includes

In relation to a partial disposal of a subsidiary that does not result in the Group losing control over the 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 subsidiary, the proportionate share of accumulated exchange differences is reattributed to noncontrolling reclassified to profit or loss.

Inventories

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 Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item,

Investments 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 investments 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.

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Financial Information

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 When the Group subscribes for additional new stock of the associate, at a percentage different from its amount of the gains or losses previously recognized in other comprehensive income in relation to that 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 the associate, the proportionate 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 using the equity method is insufficient, the shortage is debited to retained earnings.

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

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, which 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 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 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 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 (including assets held under finance leases) 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. Each and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in significant part is depreciated separately. If the lease term of an item of property, plant and equipment is shorter than its useful life, it is depreciated over its lease term. The estimated useful lives, residual values Depreciation on property, plant and equipment is recognized using the straight-line method. estimate accounted for on a prospective basis.

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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.

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

Investment Properties

Investment properties are properties held to earn rental 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 Investment properties are measured initially at cost, 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 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.

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

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

unit, the goodwill associated with the operation disposed of is included in the carrying amount of the goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that 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

Intangible assets acquired separately

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 Intangible assets with finite useful lives that are acquired separately are initially measured at cost and Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and subsequently measured at cost less accumulated amortization and accumulated impairment 1 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.

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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.

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Derecognition of intangible assets ပ

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

Assets Related to Contract Costs

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

Impairment of Tangible and Intangible Assets (Other Than Goodwill) and Assets Related to Contract Costs

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 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 At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible consistent basis of allocation. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. Before the Group recognizes an impairment loss from assets related to contract costs, any impairment loss on incremental costs of obtaining a contract applicable under IFRS 15 shall be recognized in accordance with applicable standards. The impairment loss from the assets related to the contract costs is then The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit. When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

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

a. Financial assets

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

1) Measurement category

2018

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

a) Financial assets at FVTPL

A financial asset is classified as at FVTPL when the financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include mutual funds held by Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 34.

Financial assets at amortized cost **P**

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

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- ii The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

- is of Purchased or originated credit-impaired financial assets, for which interest income calculated by applying the credit-adjusted effective interest rate to the amortized cost such financial assets; and
- Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods. :=

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

Investments in equity instruments at FVTOCI ઇ

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

and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income loss on disposal of the equity investments; instead, it will be transferred to retained earnings. Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

Financial assets are classified into the following categories: Financial assets at FVTPL, available-for-sale financial assets and loans and receivables.

a) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are held for trading.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest eamed on such a financial asset. Fair value is determined in the manner described in Note 34.

b) Available-for-sale financial assets

as Available-for-sale financial assets are non-derivatives that are either designated available-for-sale or are not classified as loans and receivables or financial assets at FVTPL.

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

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

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

c) Loans and receivables

investments with no active market and other financial assets) are measured using the effective interest method at amortized cost less any impairment, except for short-term receivables when and receivables (including accounts receivable, cash and cash equivalents, debt the effect of discounting is immaterial. Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

Impairment of financial assets and contract assets

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

contract assets. For all other financial instruments, the Group recognizes lifetime ECLs when there The Group always recognizes lifetime expected credit losses (i.e. ECLs) for accounts receivable and has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs. Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

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

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

For a financial asset 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 on which the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

interest or principal payments, it becoming probable that the borrower will enter bankruptcy or difficulty of the issuer or counterparty, breach of contract such as a default or delinquency in financial reorganization, or the disappearance of an active market for those financial assets because For all other financial assets, objective evidence of impairment could include significant financial of financial difficulties. When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period. In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to impairment is recognized in other comprehensive income. For a financial asset measured at cost, the amount of the impairment loss is measured as the difference between such an asset's carrying amount and the present value of its estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods. The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets, with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When accounts receivable and other receivables 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 the allowance account are recognized in profit or loss except for uncollectible accounts receivable that are written off against the allowance account.

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.

carrying amount and the sum of the consideration received and receivable and the cumulative gain From 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's or loss which had been recognized in other comprehensive income is recognized in profit or loss. transferred directly to retained earnings, without recycling through profit or loss.

Equity instruments þ.

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

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.

Financial liabilities

1) Subsequent measurement

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

Derecognition of financial liabilities

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

Derivative financial instruments d.

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.

on the nature of the hedge relationship. When the fair value of the derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of the derivative financial instrument is negative, the derivative is recognized as a financial liability. Derivatives are initially recognized at fair value at the date on which 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

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Hedge Accounting

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

a. Fair value hedges

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

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

Cash flow hedges ь.

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 gains or losses relating to the ineffective portion are recognized immediately in profit or loss.

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

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

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 Provisions are measured at the best estimate of the discounted cash flows of the consideration required to present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Decommissioning, restoration and similar liabilities a.

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

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

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

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; and

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

Warranties

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

Revenue Recognition

2018

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

Revenue from the sale of goods

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

Revenue from the rendering of services

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

when services are rendered at the amount allocated from the transaction price of the related contracts on Other telecommunication revenue is recognized as follows: (a) monthly fees are recognized as income a relative stand-alone selling price basis, and (b) prepaid and recharge services are recognized income based upon actual usage by customers. As the Group provides telecommunication value-added services, the customer simultaneously receives and consumes the benefits provided by the Group's performance. Consequently, related revenue is recognized when services are rendered. The effort of technical personnel is required to perform enterprise project services, and therefore, the Group measures progress on the basis of costs incurred relative to the total expected costs. The Group recognizes revenue over time based on the progress of the project. Payments for enterprise project services are made at several time points specified in the service contract. A contract asset is recognized over the period in which the enterprise project services are performed and is reclassified to accounts receivable when each milestone payment is due.

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of services and the sale of goods are accounted for as distinct performance obligations. The Group allocates the transaction price to each performance obligation identified in a bundle sale contract on a relative stand-alone selling price basis and recognizes sales and service revenue in accordance with the A bundle sale contract consists of the rendering of air time services and the sale of goods. The rendering aforesaid principles of revenue recognition. Under the Group's Customer Loyalty Program, the Group offers award credits when customers purchase goods or services. The award credits provide a material right to customers. The transaction price allocated to the award credits is recognized as a contract liability when collected and will be recognized as revenue when the award credits are redeemed or have expired.

values are not recalculated using the pro forma interest rate method. Revenue is recognized when the earnings process is completed or virtually completed and the revenue is realizable and measurable. The costs of providing services are recognized as incurred. Related revenue is recognized as follows: revenue resulting from receivables within one year approximate the fair values of these receivables, the fair 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

Services revenue ä.

from other telecommunications companies and carriers are billed in arrears and are recognized based on Usage revenue from fixed network services, cellular services and interconnection and call transfer fees minutes of traffic processed when the services are provided in accordance with contract terms. Other revenue is recognized as follows: (a) monthly fees are accrued every month, and (b) prepaid and recharge services are recognized as income based upon actual usage by customers.

Sale of goods Ъ.

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:

- Far EasTone has transferred to the buyer the significant risks and rewards of ownership of the
- Far EasTone retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. 5
- The amount of revenue can be measured reliably.
- 4) It is probable that the economic benefits associated with the transaction will flow to Far EasTone.
- 5) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

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.

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. Interest income from a financial asset is recognized when it is probable that the economic benefits will

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.

The Group as a lessor

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

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 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

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 that 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 attached to them and that the grants will be received.

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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.

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

Employee Benefits

Short-term employee benefits a.

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.

Retirement benefits Ъ.

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

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. gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive 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

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.

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

Taxation

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

Current tax a.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses), as well as tax adjustments of prior years' tax liabilities. According to the Income Tax Law, an additional tax of unappropriated earnings is provided for as income tax in the year the stockholders approve to retain earnings.

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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.

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 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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in 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 are only recognized to the extent that it is probable that there will be sufficient taxable profits against which subsidiaries and associates, except where the Group is able to control the reversal of the temporary to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable

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 The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced 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

Current and deferred taxes for the year

recognized in other comprehensive income or directly in equity, in which case, the current and deferred Current and deferred taxes are recognized in profit or loss, except when they relate to items that are 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 a business combination, the tax effect is included in the accounting for the business combination.

CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY 'n

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.

Financial Information

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

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Estimated impairment of accounts receivable - 2017 Ъ.

measured as the difference between such an asset's carrying amounts and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the estimation of the future cash flows of such receivables. The amount of the impairment loss is When there is objective evidence of impairment loss of receivables, the Group takes into consideration the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. Impairment of property, plant and equipment, intangible assets (other than goodwill) and incremental costs of obtaining a contract ٠.

judgment, utilized asset mode, and telecommunications industry characteristics. Any changes in 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 national and local economic conditions or the Group's strategy may cause significant impairment loss.

Impairment of goodwill ф

cash-generating units to which goodwill has been allocated. The calculation of the value in use 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 Determining whether goodwill is impaired requires an estimation of the value in use of the flows are less than expected, a material impairment loss may arise.

Income tax e.

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 depends on whether sufficient future profits or taxable temporary differences will be available. In cases As of December 31, 2018 and 2017, the realizability of the deferred tax assets (liabilities) mainly reversal takes place.

6. CASH AND CASH EQUIVALENTS

	December 31	iber 31	
	2018	2017	
Cash on hand	\$ 11,212	\$ 18,029	
Checking and demand deposits	2,619,064	6,701,223	
Cash equivalents			
Commercial paper purchased under resale agreements	953,606	1,544,093	
Certificates of deposits	664,463	83,959	
	\$ 4,248,345	\$ 8,347,304	

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

December 31, 2018

Noncurrent

Investments in equity instruments at FVTOCI

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

8. FINANCIAL ASSETS AT AMORTIZED COST - 2018

December 31,

Current

\$ 543,600 Certificates of deposits with original maturities of more than 3 months The certificates of deposits were classified as debt investments with no active market under IAS 39. Refer to Notes 3 and 9 for information relating to their reclassification and comparative information for 2017.

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET - 2017

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

10. FINANCIAL ASSETS MEASURED AT COST - 2017

	December 31, 2017
Noncurent	
Domestic unlisted common stock	\$ 263,308
Distinguished from measurement type	
Available-for-sale	\$ 263,308

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Operational Highlights

Management believed that the above unlisted equity investments held by the Group had fair values which cannot be reliably measured, because the range of reasonable fair value estimates was so significant. Therefore, they were measured at cost less impairment at the end of reporting period.

determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of notes receivable and accounts receivable at the end of the reporting period to ensure that adequate allowance is

made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk

was significantly reduced.

The Group applies the simplified approach to allowances for expected credit losses prescribed by IFRS 9, which permits the use of a lifetime expected loss allowance for all notes receivable and accounts receivable.

In order to minimize credit risk, the management of the Group has delegated a team responsible for

11. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

December 31

		December of
	2018	2017
<u>Notes receivable</u>		
At amortized cost Gross carrying amount Less: Allowance for impairment loss	\$ 42,717	\$ 70,321
	\$ 42,717	\$ 70,321
Notes receivable - operating	\$ 42,717	\$ 70,321
Accounts receivable (including other noncurrent assets and related parties)		
At amortized cost Gross carrying amount Less: Allowance for impairment loss Less: Unrealized interest income	\$ 8,719,407 (632,681) (5,210)	\$ 8,965,990 (952,244) (3,373)
	\$ 8,081,516	\$ 8,010,373

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

December 31	2018 2017	counts receivable \$ 92,104 \$ 64,068 income (5,210) (3,373)	\$ 86,894 \$ 60,695
		Gross amounts of accounts receivabl Unrealized interest income	

Accounts receivable expected to be recovered after one year are classified as noncurrent assets. The above mentioned accounts receivable are expected to be recovered before 2028.

Accounts Receivable

For the year ended December 31, 2018

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

The Group recognizes an allowance for impairment loss of 100% when there is information indicating that a debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery of the receivable, e.g. when the debtor has been placed under liquidation or when the accounts receivable is over 120 days past due, whichever occurs earlier. For notes receivable and accounts receivable that have been The expected credit losses on notes receivable and accounts receivable are estimated using an allowance matrix by reference to past default experience with the debtor and an analysis of the debtor's current financial position, adjusted for the general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the allowance for losses based on the past due status of The Group's expected credit loss rate ranges of receivables which were not overdue and receivables which The following table details the loss allowance of notes receivable and accounts receivable based on the written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. receivables is not further distinguished according to different segments of the Group's customer base. The movements of the loss allowance of notes receivable and accounts receivable were as follows: (161,280) \$ 132,401 293,681 60 Days or More (40,440)458,440 498,880 Less than 60 Days Where recoveries are made, these are recognized in profit or loss. were overdue were 0.05%-7.00% and 7.00%-100%, respectively. (430,961) Not Overdue \$ 7,964,353 \$ 7,533,392 Adjustment on initial application of IFRS 9 Balance at January 1, 2018 per IAS 39 Balance at January 1, 2018 per IFRS 9 Loss allowance (lifetime ECLs) Group's allowance matrix. Add: Amounts recovered Gross carrying amount December 31, 2018 Amortized cost

(632,681)\$ 8,756,914

Total

\$ 8,124,233

For the Year December 31,

Ended 2018

998,99 952,244

Add: Net remeasurement of loss allowance

Balance at December 31, 2018 Less: Amounts written off

249,875

\$ 952,244

(636,304)

\$ 632,681

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

Special Notes

Financial Information

For the year ended December 31, 2017

The Group applied the same credit policy in 2018 and 2017. When deciding the recoverability of notes receivable and accounts receivable, the Group considers any change in the credit quality from the date credit was initially granted up to the end of the reporting period. The Group has recognized an allowance for doubtful accounts of 100% against all receivables past due beyond 120 days because historical experience has been that receivables that are past due beyond 120 days are not recoverable. Allowance for doubtful accounts is recognized against notes receivable and accounts receivable which are past due for 120 days or less based on estimated irrecoverable amounts determined with reference to past default experience with the respective counterparties and an analysis of their current financial positions.

The aging of receivables was as follows:

Lot overdue	7107
Overdue 0-60 days	414.342
61 days or more	242,143

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

The Group does not have notes receivable and accounts receivable that were 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 Add: Acquisition from business combination Add: Accounts recovered during the period Add: Impairment loss/bad debt (reversed) Less: Amounts written off during the period as uncollectible	\$ 1,554 - - (957)	\$ 898,023 151 233,931 487,102 (666,963)	\$ 899,577 151 233,931 486,145 (667,560)
Balance at December 31, 2017	\$	\$ 952,244	\$ 952,244

Sale of Overdue Accounts Receivable

Under agreements on sales of accounts receivable signed in the years ended December 31, 2018 and 2017, the Group sold to asset management companies the overdue accounts receivable that had been written off. Thus, as of December 31, 2018 and 2017, the Group was not under the risk of uncollectible receivables.

Related information as of December 31, 2018 and 2017 is as follows:

Counterparty	Amount of Accounts Receivable Sold	Proceeds from the Sale of Accounts Receivable
For the year ended December 31, 2018		
Good Management Consultant Co., Ltd.	\$ 1,523,228	\$ 111,429
For the year ended December $31,2017$		
E-Hao Management Consultant Co., Ltd.	\$ 1,499,625	\$ 97,143

12. INVENTORIES

	Decem	December 31
	2018	2017
Cellular phone equipment and accessories Others	\$ 3,315,350 445,069	\$ 4,180,175 596,372
	\$ 3,760,419	\$ 4,776,547

Costs of inventories sold were \$30,539,722 thousand and \$27,442,907 thousand for the years ended December 31, 2018 and 2017, respectively.

The reversal of inventory write-downs amounting to \$21,639 thousand and \$22,329 thousand were included in the cost of sales for the years ended December 31, 2018 and 2017, respectively.

13. SUBSIDIARIES

Entities Included in the Consolidated Financial Statements

Intercompany relationships and percentages of ownership are shown as follows:

		Note										Dissolved on June 30, 2018	due to the merger with Far EasTone		(Continued)
Percentage of Ownership (%)	ber 31	2017	100.00	61.63	66'66	86.41			100.00	100.00	50.00	81.46		41.67	
Percentage (9)	December 31	2018	100.00	61.63	66.66	86.41			100.00	100.00	50.00	,		41.67	
		Main Businesses and Products	Type I, II telecommunications services	Sales of communications products and office equipment	Type II telecommunications services	Electronic information services			Call center services	Investment	Electronic information services	Type II telecommunications services		Computer software, data processing and network information services	
		Investee Company	NCIC	ARCOA	KGEx.com	YSDT (formerly	known as Hiiir	Inc.)	Yuan Cing	FEIS	Omusic	Qware		FETI	
	Investor	Company	Far EasTone											FEIS	

	ı	Note										Dissolved on Enhancer o	2018 with the approval of the local government	Dissolved on February 9, 2018 with the approval of the local government	,			(Condingo)
	ber 31	2017	100.00	100.00	100.00	2.40	,	100.00	100.00	100.00	58.33	23 00	06.20	96:0	100:00	70.00	100.00	
(%)	December 31	2018	100.00	100.00	100.00	2.40	100.00	100.00	100.00	100.00	58.33			1	100.00	70.00	100.00	
		Main Businesses and Products	Security and monitoring service via Internet	Investment	Investment	Electronic information services	Energy technology services	Investment	Telecommunications services	Investment	Computer software, data processing and	Electronic information continue	Electronic information services	Electronic information services	Design, research, installment and maintenance of computer software and system	Sale of communications products Sale of communications products	Sale of communications products	
		Investee Company	ISSDU	DU (Cayman)	New Diligent	YSDT (formerly known as Hiiir Inc.)	Prime Ecopower	FEND	Sino Lead	New Diligent Hong Kong	FЕTI	HENICH	FENCII	FENCIT	DUIT	DataExpress Linkwell	Home Master	
	Investor	Company	NCIC					New Diligent			FEND			FETI	DU (Cayman)	ARCOA DataExpress		

In order to simplify the Group's investment structure and to integrate wireless network services and mobile virtual network services, Far EasTone's board of directors resolved on May 4, 2018 that Far EasTone would proceed with a cash merger with Qware. Far EasTone became the surviving company, and Qware was dissolved after it merged with Far EasTone. The merger's total cash consideration is \$397 thousand. The record date of the merger is June 30, 2018.

2018 and FETI and FENCIT for the year ended December 31, 2017. The Group believes that had the All of the subsidiaries' financial statements as of and for the years ended December 31, 2018 and 2017 had been audited, except for those of immaterial subsidiaries, including FETI for the year ended December 31, financial statements of those subsidiaries been audited, any adjustments would have had no material effect on the Group's consolidated financial statements.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

December 31	2018 2017		924,758 \$ 816,685	428,683 388,330	\$ 1.353.441 \$ 1.205.015	a
		Material associate	Far Eastern Electronic Toll Collection Co., Ltd.	Associates that are not individually material		케

All of the investments in associates listed in the table above were accounted for using the equity method.

a. Material associates

Percentage of Ownership

Summarized financial information in respect of each of the Group'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 Group for equity accounting purposes.

Far Eastern Electronic Toll Collection Co., Ltd.

	December 31	ber 31
	2018	2017
Current assets Noncurrent assets Current liabilities Noncurrent liabilities	\$ 431,720 6,403,125 (893,567) (3,595,189)	\$ 665,666 6,223,855 (1,121,929) (3,692,708)
Equity	\$ 2,346,089	\$ 2,074,884
Proportion of the Group's ownership	39.42%	39.42%
Carrying amount	\$ 924,758	\$ 816,685
	For the Years Ended December 31 2018 2017	ars Ended ber 31 2017
Operating revenue	\$ 2,096,764	\$ 2,044,747
Net profit for the year Other comprehensive income	\$ 239,893 31,312	\$ 128,058 207,335
Total comprehensive income for the year	\$ 271,205	\$ 335,393
As of June 30, 2011, the usage rate of electronic toll collection (ETC) services had not reached the	ETC) services hac	i not reached the

Thus, Far Eastern Electronic Toll Collection Co., Ltd. (FETC) filed a lawsuit against Taiwan Area Court Civil Division in September 2015. FETC had accrued the related penalties, and on October 19, 2018, the Taipei District Court pronounced the judgment in FETC's favor. The TANFB filed an appeal requirement as stated in the contract of the Electronic Toll Collection BOT Project ("ETC Project"). National Freeway Bureau (TANFB), and the Supreme Court remanded this case to the Taipei District on November 9, 2018. As of

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 filed an appeal on May 31, 2016 and accrued related penalties.

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b. Aggregate information of associates that are not individually material

	For the Years Ended	ars Ended
	Decem	December 31
	2018	2017
The Group's share of:		
Net loss for the year	\$ (74,284)	\$ (129,525)
Other comprehensive income	52	32
Total comprehensive loss for the year	\$ (74,232)	\$ (129,493)

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

The calculation of investments accounted for using 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 Catalyst. 207 SPC-SP Tranche One in 2018 and Alliance Digital Technology Co., Ltd. and Yuan Hsin Digital Payment Co., Ltd. in 2018 and 2017. Management believes there would have been no material impact on the equity method of accounting or the calculation of the share of profit or loss and other comprehensive income had the financial statements of Catalyst. 207 SPC-SP Tranche One, Alliance Digital Technology Co., Ltd. and Yuan Hsin Digital Payment Co., Ltd. been audited.

On June 29, 2018, the stockholders of Alliance Digital Technology Co., Ltd. approved the liquidation of Alliance Digital Technology Co., Ltd. and the liquidation date was set on December 31, 2018. As of February 20, 2019, the liquidation procedures have not been completed.

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Operating Equipment	Computer Equipment	Other Equipment	Construction-in- progress	Total
Cost							
Balance at January 1, 2018 Additions Disposals Adjust ments and reclassification	\$ 5,250,776 - (19,841) 1,792,897	\$ 7,910,971 1,440 (50,499) 122,230	\$ 85,211,653 67,171 (8,906,155) 4,275,197	\$ 14,628,610 7,544 (642,584) 599,145	\$ 7,281,029 41,334 (659,908) 267,814	\$ 2,623,257 6,167,049 (21,572) (6,986,630)	\$ 122,906,296 6,284,538 (10,300,559) 70,653
Balance at December 31, 2018 Accumulated depreciation	\$ 7,023,832	\$ 7,984,142	\$ 80,647,866	\$ 14,592,715	\$ 6,930,269	\$ 1,782,104	\$ 118,960,928
and impairment							
Balance at January 1, 2018 Depreciation expense Disposals Adjust ments and reclassification	\$ (95,894)	\$ (3,905,177) (226,085) 42,658 (4,008)	\$ (53,948,462) (8,431,397) 8,512,689 176,436	\$ (12,499,174) (1,138,733) 642,222 (176,671)	\$ (6,223,882) (468,920) 626,288	es	\$ (76,672,589) (10,265,135) 9,823,857 (4,008)
Balance at December 31, 2018	\$ (95,894)	\$ (4.092.612)	\$ (53,690,734)	\$ (13,172,356)	\$ (6,066,279)	Ş	\$ (77,117,875)
Carrying amount at December 31, 2018	\$ 6,927,938	\$ 3,891,530	\$ 26,957,132	\$ 1,420,359	\$ 863,990	\$ 1,782,104	\$ 41,843,053
Cost							
Balance at January 1, 2017 Additions Disposals Acquisitions through business conditions	\$ 5,320,000	\$ 7,881,263 2,204 (20,831)	\$ 127,746,451 64,620 (47,991,698)	\$ 15,005,139 13,180 (1,409,551) 9.357	\$ 7,423,816 37,727 (449,097)	\$ 2,112,641 7,162,166 (24,470)	\$ 165,489,310 7,279,897 (49,899,147)
Effect of foreign currency exchange			2	100%	60,6197		Coctos
difference Adjustments and reclassification	(65,724)	48,335	5,328,148	(45)	245,687	(6,627,080)	(60,104)
Balance at December 31, 2017	\$ 5,250,776	7.910,971	\$ 85,211,653	\$ 14,628,610	\$ 7.281,029	\$ 2.623.257	(Continued)

	Freehold Land	d Buildings	Operating Equipment	Computer Equipment	Other Equipment	Construction-in- progress	Total
Accumulated depreciation and impairment							
Balance at January 1, 2017 Depreciation expense	\$ (96,55	(96,557) \$ (3,677,699) - (246,270)	\$ (93,153,282) (7,990,753)	\$ (12,648,310) (1,254,423)	\$ (6,063,890) (541,193)	49	\$ (115,639,738) (10,032,639)
Acquaintons through ousiness combinations Disposals	. 999	. 18,792	(35,316) 47,236,584	(3,826)	(4,755) 385,880		(43,897) 49,049,302
Effect of foreign currency exchange difference Adjustments and reclassification			(5,697)	59 (57)	18		(5,696)
Balance at December 31, 2017	\$ (95,894)	4) \$ (3,905,177)	\$ (53,948,462)	\$ (12,499,174)	\$ (6,223,882)	S	\$ (76,672,589)
Carrying amount at December 31, 2017	\$ 5.154.882	\$ 4,005,794	\$ 31,263,191	\$ 2,129,436	\$ 1.057,147	\$ 2.623.257	\$ 46233.707 Concluded)

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

	41-55 years	3-10 years	2-25 years	3-10 years	1-11 years
Buildings	Main buildings	Other building equipment	Operating equipment	Computer equipment	Other equipment

16. INVESTMENT PROPERTIES

	Completed Investment Properties
Balance at January 1, 2018 Reclassified to property, plant and equipment Loss on change in fair value of investment properties	\$ 1,082,453 (66,645) (23,262)
Balance at December 31, 2018	\$ 992,546
Balance at January 1, 2017 Reclassified from property, plant and equipment Loss on change in fair value of investment properties	\$ 1,041,406 65,724 (24,677)
Balance at December 31, 2017	\$ 1,082,453

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

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

ber 31	2017	\$ 24,745 64,141 1,486	\$ 90,372
Decem	2018 2017	\$ 21,566 47,564 75	\$ 69,205
	•		
		years	
		r d not later than 5	
		Not later than 1 year Later than 1 year and not later than 5 years Later than 5 years	

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

31	2017	1,082,453
December.	2018	992,546
		S

Independent valuation

carried out on January 4, 2019 and January 2, 2018, respectively, by independent qualified professional valuers, Ms. Hu, Chun-Chun and Mr. Tsai, Chia-ho, from DTZ Cushman & Wakefield, a member of The fair value of the investment properties as of December 31, 2018 and 2017 was based on the valuations certified ROC real estate appraisers.

The fair value of investment properties was estimated using level 3 unobservable inputs. 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 are stated below. An increase in estimated future net cash inflows or a decrease in discount rates would result in an increase in the fair value.

	Decem	December 31
	2018	2017
Expected future cash inflows Expected future cash outflows	\$ 1,598,541 \$ 1,756,230 (44,745)	\$ 1,756,230 (52,861)
Expected future cash inflows, net	\$ 1,553,796	\$ 1,703,369
Discount rate	2.00%-2.25%	2.00%-2.235%

The market rentals in the area where the investment property is located were between \$1 thousand and \$19 thousand per ping per month (i.e. 1 ping = 3.3 square meters). The market rentals for comparable properties were between \$1 thousand and \$16 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, 2018 and 2017 were \$24,224 thousand and \$25,518 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 values that are overly high or overly low, 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 the interest rate of 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, 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. maintenance costs, replacement allowance and depreciation.

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%. The discount rate was determined by reference to the local same class product, a reasonable rental income

17. INTANGIBLE ASSETS

	Concessions	Goodwill	Computer Software	Other Intangible Assets	Total
Cost					
Balance at January 1, 2018 Additions Disposals Impairment loss	\$ 57,129,000	\$ 10,883,789 - (57,615) (2,773)	\$ 17,173,627 1,064,076 (437,164)	\$ 871,368	\$ 86,057,784 1,064,076 (627,420) (2,773)
Balance at December 31, 2018	\$ 57,129,000	\$ 10,823,401	\$ 17,800,539	\$ 738,727	\$ 86,491,667
Accumulated amortization and impairment					
Balance at January 1, 2018 Amortization Disposals	\$(15,308,490) (3,132,257)	\$ (74,888)	\$(14,040,823) (871,481) 435,640	\$ (524,212) (42,727) 132,641	\$(29,948,413) (4,046,465) 625,896
Balance at December 31, 2018	\$(18,440,747)	\$ (17,273)	\$(14,476,664)	\$ (434,298)	\$(33,368,982)
Carrying amount at December 31, 2018	\$ 38,688,253	\$ 10,806,128	\$ 3,323,875	\$ 304,429	\$ 53,122,685
Cost					
Balance at January 1, 2017 Additions Disposals	\$ 50,614,000 6,515,000	\$ 10,883,789	\$ 16,304,182 1,023,693 (193,864)	\$ 1,180,722 - (303,601)	\$ 78,982,693 7,538,693 (497,465)
Acquistrions tinough business combinations	•	•	39,616		39,616
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 Amortization Disposals	\$(12,230,469) (3,078,021)	\$ (74,888)	\$(13,438,409) (788,317) 193,801	\$ (780,470) (53,040) 303,601	\$(26,524,236) (3,919,378) 497,402
Acquisitions through business combinations Adjustments and		•	(7,898)	1	(7,898)
reclassification				5,697	5,697
Balance at December 31, 2017	<u>\$(15,308,490)</u>	\$ (74,888)	\$(14,040,823)	\$ (524,212)	<u>\$(29.948,413)</u>
Carrying amount at December 31, 2017	\$ 41,820,510	\$ 10,808,901	\$ 3,132,804	\$ 347,156	\$ 56,109,371
Intangible assets were amortized on a straight-line basis over their estimated useful lives as follows:	mortized on a stra	ight-line basis ov	er their estimatec	l useful lives as f	ollows:

Other intangible assets Computer software Concessions

1 to 7 years 14 to 17.75 years 2 to 15.5 years

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In order to enhance the Group's operating effectiveness and integrate its telecommunications resources, the Group was divided into three identifiable cash-generating units which are the mobile telecommunications service business, telecommunications equipment business and integrated network business in 2018; and was divided into four identifiable cash-generating units which are the mobile telecommunications service business, telecommunications equipment business, Wifly business and integrated network business in 2017.

As of December 31, 2018, the carrying amount of the tangible and intangible assets and the incremental costs of obtaining a contract used by the Group was \$96,767,901 thousand; as of December 31, 2017, the carrying amount of the tangible and intangible assets used by the Group was \$102,343,078 thousand. The Group's management estimated the recoverable amounts of core assets at their expected useful lives and thus based the cash flow forecast on the following discount rates as of December 31, 2018 and 2017: Mobile telecommunications service business - 5.63% and 7.17%, respectively; telecommunications equipment business - 7.23% and 7.20%, respectively; integrated network business - 5.83% and 7.13%, respectively. As of December 31, 2017, the discount rate of the Wifly business was 6.96%. 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:

- Expected future growth rate of the telecommunications industry a.
- 1) Mobile voice service (MVS): The anticipated MVS is measured based on the actual effective customer base and minutes of usage of previous years, taking into account the market trend
- Mobile data service (MDS): The anticipated MDS is measured based on the proportion of MDS to the total telecommunications service revenue of previous years, taking into account the demands and changes of the market. 5
- Business of selling cellular phone units: The anticipated sales of cellular phones is based on the historical sales revenue and quantities of previous years, taking into account the market trend. 3
- Wifly business: The anticipated revenue from the Wifly business is based on the present operating experience and the demands of Wifly, taking into account the industry trend. 4
- Integrated network business (INB): The anticipated market growth of INB is measured based on the actual effective customer base and service revenue of previous years, taking into account the market 2
- 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 revenue, while the possible impact of revenue, cost and expense is taken into account individually. Ъ.

2017, there was no indication of impairment loss after comparing the recoverable amounts with the carrying amounts of the Group's operating assets and goodwill in accordance with the principal assumptions; for the year ended December 31, 2018, an impairment loss of \$2,773 thousand was The Group's management believes that any reasonable changes in the principal assumptions would not result in the carrying amounts exceeding the recoverable amounts. For the year ended December 31, recognized in other gains and losses for the mobile telecommunications service business.

18. OTHER NONCURRENT ASSETS

ber 31	2017	\$ 699,385 69,054	\$ 768,439
Decem	2018	\$ 851,895 \$ 699,385 88,711 69,054	\$ 940,606
		Refundable deposits Others	

19. BORROWINGS

Short-term borrowings

	December 31	oer 31
	2018	2017
Unsecured bank loans		
Credit loans	\$ 2,120,000	\$ 864,000
Interest rate	0.73%-2.20%	0.76%-1.80%
Short-term bills payable		
	December 31	oer 31
	2018	2017
Commercial paper Less: Unamortized discount	\$ 1,270,000	\$ 300,000
	\$ 1,269,373	\$ 299,681
Interest rate	0.818%-1.538%	1.15%-1.17%

The short-term commercial paper payables are treated as revolving credit facilities under contracts. The last repayment date is in October 2019.

c. Long-term borrowings

	December 31	oer 31
	2018	2017
Unsecured bank loans		
Credit Ioans Less: Current portion	\$ 700,000 \$ 10,100,000 - 2,500,000	\$ 10,100,000 2,500,000
Long-term borrowings	\$ 700,000	\$ 7,600,000
Interest rate	0.74%	0.72%-1.13%

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92,965 \$ 227,536

44,528 \$ 169,739

\$ 125,21

Dismantling obligation

Current

Product warranty

134,571

2017

2018

December 31

\$ 887,441

\$ 911,333

Dismantling obligation

Noncurrent

The credit loans are payable in New Taiwan dollars. Repayment of principal will be made in full on maturity together with interest payment. Under some contracts, loans are treated as revolving credit facilities, and the maturity dates of the loans are based on terms as specified in the contracts. The loans are all repayable by January 2020.

20. BONDS PAYABLE

	December 31	ber 31	
	2018	2017	
4th unsecured domestic bonds	\$ 2,498,040	\$ 4,996,723	
5th unsecured domestic bonds	•	3,998,855	
6th unsecured domestic bonds	3,199,112	3,198,205	
2016 1st unsecured domestic bonds	5,194,949	5,193,271	
2017 1st unsecured domestic bonds	4,495,159	4,493,701	
2017 2nd unsecured domestic bonds	1,997,120	1,996,612	
2017 3rd unsecured domestic bonds	2,995,805	2,994,986	
2018 1st unsecured domestic bonds	4,994,077		
	25,374,262	26,872,353	
Less: Current portion	3,199,112	6,498,533	
	\$ 22,175,150	\$ 20,373,820	

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, a par value of \$10,000 thousand and a coupon interest rate of 1.17%, with simple interest due annually. Repayment will be made in full at maturity

Far EasTone received a security deposit of \$791,867 thousand from Taiwan Mobile Co., Ltd., which was

included in temporary receipts since the court decision has not been declared

December 31

128,225 49,699

49,585

\$ 1,736,877

791,867 112,635 782,790

Temporary receipts due to litigation

Other current liabilities

Other payables - related parties

Lease liabilities

645,578 \$ 823.502

368,299 532.675

335,911

Employees' compensation and remuneration of directors

Acquisition of properties

Salary and bonus Maintenance fee

Other payables

Current

2,316,426 \$ 7,531,030

2,008,639 991,207

\$ 1,083,592 1,190,517 609,949 2,031,655 \$ 6,860,347

1,608,723

December 31

21. OTHER LIABILITIES

On April 26, 2017, Far EasTone issued the first five-year unsecured domestic bonds of 2017, with an aggregate principal amount of \$4,500,000 thousand, 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 second seven-year unsecured domestic bonds of 2017, with an aggregate principal amount of \$2,000,000 thousand, 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.

Cable and lease line service fees previously recognized in deferred revenue under IAS 18 were classified as contract liabilities - noncurrent under IFRS 15. As of December 31, 2018, cable and lease line service fees

were \$208,272 thousand.

22. PROVISIONS

Cable and lease line service fees

Deferred revenue

Noncurrent

On December 20, 2017, Far EasTone issued the third 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 simple interest due annually. Repayment will be made in full at maturity.

On May 7, 2018, Far EasTone issued the first unsecured domestic bonds of 2018, with an aggregate principal amount of \$5,000,000 thousand and a par value of \$10,000 thousand. The bond included five-year bonds and seven-year bonds, with principal amounts of \$1,500,000 thousand and \$3,500,000 thousand and with coupon interest rates of 0.85% and 1.01%, respectively, with simple interest due annually. Repayment will be made in full at maturity.

In 2018, Far EasTone repaid \$2,500,000 thousand of the 4th unsecured domestic bonds and \$4,000,000 thousand of the 5th unsecured domestic bonds which are due in 2018. In 2017, Far EasTone repaid \$1,000,000 thousand of the 5th unsecured domestic bonds and \$5,200,000 thousand of the 6th unsecured domestic bonds which are due in 2017.

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	Dismantling Obligation	Δ №	Product Warranty
Balance at January 1, 2017 Additional provisions recognized Reductions arising from payments	\$ 975,571 77,646 (31,205)	↔	103,937 40,805 (51,777)
Balance at December 31, 2017	\$ 1,022,012	8	92,965
Balance at January 1, 2018 Additional provisions recognized Reductions arising from payments	\$ 1,022,012 80,293 (65,761)	€	92,965 34,006 (82,443)
Balance at December 31, 2018	\$ 1,036,544	S	44,528

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23. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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 are registered in mainland China made contributions at a certain percentage of wages and salaries under the local government's regulations. The pension costs recognized in total comprehensive income under the defined contribution plan amounted to \$232,875 thousand and \$322,089 thousand for the years ended December 31, 2018 and 2017, respectively.

Defined benefit plan Ъ.

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 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 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 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 policy and strategy. The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	Decem	ner or	
	2018 2017	2017	
Net defined benefit liabilities Net defined benefit assets	\$ 661,240 \$ (13,851)	\$ 728,162 (16,94 <u>3</u>)	
	\$ 647,389	\$ 711,219 (Concluded)	

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, 2017	\$ 1,756,885	\$ (1,010,626)	\$ 746,259
Current service cost	10,995	•	10,995
Prior service cost	2,459	1	2,459
Net interest expense (income) Recognized in profit or loss	39,670	(15,294)	10,922
Remeasurement			
Return on plan assets (excluding amounts included in net interest)		\$ 455	5 455
Actuarial (gain) loss - changes in		,	,,
demographic assumptions	1,592	1	1,592
Actual (gain) 10ss - changes in imancial assumptions	(160)	ı	(160)
Actuarial (gain) loss - experience	(30,401)		(30.401)
Recognized in other comprehensive income	(28,969)	5,455	(23,401)
Contributions from the employer		(35,902)	(35,902)
Benefits paid	(36,717)	36,717	1
Balance at December 31, 2017	\$ 1,730,869	\$ (1,019,650)	\$ 711,219
Balance at January 1, 2018	\$ 1,730,869	\$ (1,019,650)	\$ 711,219
Service cost Current service cost	10.678	,	10.678
Prior service cost	4,217	ı	4,217
Net interest expense (income)	25,849	(15,452)	10,397
Recognized in profit or loss Remeasurement	40,744	(15,452)	25,292
Return on plan assets (excluding amounts			
included in net interest)	1	(25,725)	(25,725)
Actual (gain) 1058 - Changes III demographic assumptions	14,431	•	14,431
Actuarial (gain) 10ss - changes in tinancial assumptions	46,605	1	46,605
Actuarial (gain) loss - experience			
adjustments Recognized in other comprehensive income	(89,311)	(25,725)	(89,311) (54,000) (Continued)

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	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Contributions from the employer Benefits paid	\$ (47,942)	\$ (35,122) 47,942	\$ (35,122)
Balance at December 31, 2018	\$ 1,695,396	\$ (1,048,007)	\$ 647,389 (Concluded)

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

- 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. 1
- 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 6
- 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. 3

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

December 31

Discount rates Expected rates of salary increase	1.25%-1.375% 1.75%-2.75%	1.50%-1.625% 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:	umptions will o penefit obligatio	ccur and all other on would increase
	December 31	Der 31
	2018	2017
Discount rates		
0.25% increase	\$ (47,191)	\$ (56,180)
0.25% decrease	\$ 49,000	\$ 58,586
Expected rates of salary increase		
0.25% increase	\$ 48,617	\$ 58,272
0.25% decrease	\$ (47,060)	\$ (56,158)

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. The sensitivity analysis presented above may not be representative of the actual change in the present

	Decem	December 31
	2018	2017
The expected contributions to the plan for the next year	\$ 35,726	\$ 36,330
The average duration of the defined benefit obligation	11.4-15.1 years 13.4-15.6 years	13.4-15.6 years

24. EQUITY

- a. Capital stock
- 1) Common stock

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

Issued common stocks, which have a par value of NT\$10, are entitled to one vote per stock and a right to dividends

Global depositary receipts (GDRs)

Since 2004, part of Far EasTone's issued common stocks were listed and have been trading on the Luxemburg Stock Exchange in the form of GDRs. One GDR unit represents 15 shares of Far EasTone's common stocks. As of December 31, 2018 and 2017, there were 195 thousand and 419 thousand units of GDRs outstanding, representing 2,921 thousand and 6,283 thousand common stocks, respectively.

regarding the manner of exercise of GDR holders' rights, which shall be handled in accordance with the terms of the Depositary Agreements and the relevant laws and regulations of the ROC. Such The holders of GDRs have the same rights and obligations as the holders of common stock, except rights which shall be exercised through a depositary trust company include:

- a) The exercise of voting rights;
- b) Conversion of GDRs into common stocks; and
- c) The receipt of dividends and exercise of preemptive rights or other rights and interests.

Financial Information

Capital surplus ь.

	December 31	ber 31
	2018	2017
May be used to offset a deficit, distributed as cash dividends or transferred to capital stock*		
From business combination	\$ 5,820,034	\$ 8,143,345
May be used to offset a deficit only.		
Share of changes in equities of associates	7	
	\$ 5,820,041	\$ 8,143,345

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

should be resolved in the stockholders' meeting for the distribution of dividends and bonuses to stockholders. For the policies on the distribution of employees' compensation and remuneration of directors, refer to Note 26 (f) on employees' compensation and remuneration of directors. Under the dividend policy as set forth in the Articles, where Far EasTone made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses in previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a 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

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 requirements for any significant future capital expenditures or plans to improve the financial 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

"Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", Far Under Rule No. 1010012865 and Rule No. 1030006415 issued by the FSC and the directive titled EasTone should appropriate or reverse a special reserve. The appropriations of earnings of 2017 and 2016, which have been approved in the stockholders' meeting on June 14, 2018 and June 23, 2017, respectively, were as follows:

'	Appropriation o	f Earnings	Dividends Per	Share (NT\$)
	For the Years Ended	s Ended	For the Yea	For the Years Ended
	December	r 31	Decemb	er 31
	2017	2016	2017	2016
Legal reserve	\$ 1,082,290 \$	1,134,683		
Special reserve	(157,139)	13,560		
Cash dividends	9,896,067	10,195,849	\$3.037	\$3.129

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In addition to distributing cash dividends at NT\$3.037 and NT\$3.129 per share from the unappropriated earnings, Far EasTone's stockholders also approved to distribute cash of \$2,323,311 thousand and \$2,023,529 thousand, respectively, from the above-mentioned additional paid-in capital - stock issuance in excess of par value and from business combinations at NT\$0,713 and NT\$0.621 per share, respectively. Therefore, Far EasTone's stockholders received NT\$3.75 per share in both 2018 and 2017.

The appropriation of earnings for 2018 was proposed by Far EasTone's board of directors on February 20, 2019. The appropriations and dividends per share were as follows:

construction of the constr	Appropriation of Earnings	Dividends Per Share (NT\$)
serve	0 938,133	
Reversal of special reserve	(19,598)	
Cash dividends	12,219,378	\$3.75

The appropriation of earnings for 2018 is subject to the resolution of the stockholders in the stockholders' meeting which is to be held on June 18, 2019.

Special reserve

	For the Years Ended December 31	ars Ended ber 31
	2018	2017
Beginning balance	\$ 783,467	\$ 769,907
Application of the fair value method for investment properties (Reversal of) debit to other equity items	(23,659) (133,480)	5,293 8,267
Ending balance	\$ 626,328	\$ 783,467

Other equity items

Adjustments to other equity items for the years ended December 31, 2018 and 2017 are summarized as follows:

Total		\$ 18,132	(11,733)	6,399	12,564	12,394	\$ 31.357 (Continued)
Gains and Losses on Hedging Instruments		· •	14,010	14,010	,	12,342	\$ 26,352
Unrealized Gains and Losses on Cash Flow Hedges		\$ 14,010	(14,010)	•	•		
Unrealized Gains and Losses on Financial Assets at Fair Value through Other Comprehen- sive Income		· •	(11,733)	(11,733)	12,533	∞	\$ 808
Unrealized Gains and Losses on Available-for- sale Financial Assets		· •	'		•		∽
Exchange Differences on Translating the Financial Statements of Foreign Operations		\$ 4,122	"	4,122	31	44	\$ 4,197
	For the year ended December 31, 2018	Beginning balance (IAS 39)	application of IFRS 9	Beginning balance (IFRS 9) Recorded as adjustments to	stockholders' equity	income of associates	Ending balance

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	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gains and Losses on Available-for- sale Financial Assets	Unrealized Gains and Losses on Financial Assets at Fair Value through Other Comprehen- sive Income	Unrealized Gains and Losses on Cash Flow Hedges	Gains and Losses on Hedging Instruments	Total
For the year ended December 31, 2017						
Beginning balance Recorded as adjustments to	\$ 4,638	\$ (45,872)	· •	\$ (92,245)	- 	\$ (133,479)
stockholders' equity	(548)	44,233	,	40,738	•	84,423
Recorded as profit or loss Share of other comprehensive		1,639		(16,040)	,	(14,401)
income of associates	32			81,557		81,589
Ending balance	\$ 4,122	59	-	\$ 14,010	9	\$\frac{\\$18.132}{\\$Concluded}

f. Noncontrolling interests

	For the Years Ended December 31	ars Ended ber 31
	2018	2017
Beginning balance	\$ 687,801	\$ 716,583
Authoritable to nonconnolling meresis Share of profit	43,425	(3,039)
Exchange differences on translating the financial statements of foreign operations	7	57
Unrealized gain on financial assets at fair value through other comprehensive income	172	1
Remeasurement of defined benefit plans Subsidiaries' cash dividends	299 (46.235)	404 (62.228)
Remittance of cash due to capital reduction of subsidiary Remittance of cash due to liquidation of subsidiary	(360)	(15)
Equity transactions	33,576	36,039
Ending balance	\$ 718,685	\$ 687,801

25. REVENUE

For the Years Ended

	December 31	ber 31
	2018	2017
Contract revenue		
Sales of inventories	\$ 29,716,250	\$ 23,002,603
Telecommunications service revenue	50,580,903	63,590,599
	80,297,153	86,593,202
Other operating revenue	6,337,818	5,476,479
	\$ 86,634,971	\$ 92,069,681

a. Contract information

Refer to Note 4 - revenue recognition for information on revenue recognition for contracts.

b. Contract balances

	December 31, 2018
Contract assets Bundle sale of goods Less: Allowance for impairment loss	\$ 5,433,852 (135,925)
	\$ 5,297,927
Contract assets - current Contract assets - noncurrent	\$ 3,762,170 1,535,757
	\$ 5,297,927
Contract liabilities Goods Services	\$ 312,797 2,151,475
	\$ 2,464,272
Contract liabilities - current Contract liabilities - noncurrent	\$ 2,256,000 208,272
	\$ 2,464,272

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

The changes in the balance of contract assets and contract liabilities primarily resulted from the timing difference between the Group's performance of obligations and the respective customer's payment; other significant changes are as follows:

Tringa	December 31,	2018		\$ (4,244,776)
			Contract assets	Transfers of beginning balance to accounts receivable

For the Year

types of contracts. Therefore, the Group concluded that the expected loss rates for accounts receivable can be applied to the contract assets. As of December 31, 2018, the gross carrying amount of the contract assets was \$5,433,852 thousand, the expected credit loss rate was 0.79%-3%, and the allowance for impairment loss was \$135,925 thousand. The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of a lifetime expected loss provision for the contract assets. The contract assets will be transferred to accounts receivable when the corresponding invoice is billed to the client, and the contract assets have substantially the same risk characteristics as the accounts receivable for the same

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The movements of the loss allowance of contract assets are as follows:

For the Year Ended December 31, 2018		\$ 135,925
	Balance at January 1 per IAS 39 Adjustment on initial application of IFRS 9 Balance at January 1 per IFRS 9 Add: Net remeasurement of loss allowance	Balance at December 31

Revenue of the reporting period recognized from the beginning contract liabilities is as follows:

For the Year Ended December 31, 2018	\$ 567,914 1,643,416	\$ 2,211,330
	From the beginning contract liabilities Sale of inventories Services	Assets related to contract costs

c. Assets re

December 31, 2018		\$ 1,802,163	
	Noncurrent	Incremental costs of obtaining a contract	

The Group considered its past experience and believes the commission and subsidies paid for obtaining contracts are wholly recoverable. Total expense recognized for the year ended December 31, 2018 is \$1,886,908 thousand.

d. Disaggregation of revenue

Refer to Note 41 for information about the disaggregation of revenue.

e. Partially completed contracts

The transaction prices, excluding any estimated amounts of variable consideration that are constrained, allocated to the performance obligations that are not fully satisfied and the expected timing for recognition of revenue are as follows.

Telecommunication service contracts	December 31, 2018
Fulfillment in 2019 Fulfillment in 2020 and beyond	\$ 18,076,289 9,318,613
	\$ 27,394,902

The disclosure does not include revenue from contracts of which the timing of revenue recognition is not affected by price allocation.

26. CONSOLIDATED NET INCOME

The items included in consolidated net income are as follows:

a. Other income

For the Years Ended December 31 2018	\$ 62,262 \$ 61,789 30,690 33,403 3,217 2,902	\$ 96.169	For the Years Ended December 31 2018	\$ 73,345 \$ 36,065 91,952 109,615	<u>\$ 165,297</u> <u>\$ 145,680</u>	For the Years Ended December 31 2018 2017	10,265,135 \$ 914,208	\$ 11,179,343 \$ 10,873,996 \$ 9,164,493 \$ 8,792,782 1,100,642 1,239,857	\$ 10,265,135 \$ 10,032,639 \$ 280,525 \$ 290,191 148,709 120,967 484,974 430,199 \$ 914,208 \$ 841,357
	Interest income Rental income Others	b. Other gains and losses		Gain from property insurance claims Others	c. Depreciation and amortization		Property, plant and equipment Intangible assets	Depreciation expense categorized by function Operating costs Operating expenses	Amortization expense categorized by function Operating costs Marketing expenses General and administrative expenses

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d. Financial costs

For the Years Ended

December 31

\$ 370,033	55,890	35,861	\$ 461,784
\$ 357,144	45,602	24,335	\$ 427,081
Interest on financial liabilities measured at amortized cost	Interest expense on bank loans and commercial paper	Other financial costs	

e. Employee benefits expense

	For the Years Ended December 31	ars Ended ber 31
	2018	2017
Retirement benefits Defined contribution plans Defined benefit plans (Note 23)	\$ 232,875	\$ 322,089
Other employee benefits	7335 402	340,403
Satary Insurance	542,513	551,315
Others	356,588 7,234,50 <u>3</u>	357,721 7,083,847
	\$ 7,492,670	\$ 7,430,312
Categorized by function Operating costs	\$ 1,236,310	\$ 1,239,220
Operating expenses	\$ 7,492,670	\$ 7,430,312

f. Employees' compensation and remuneration of directors

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, 2018 and 2017, the employees' compensation and the remuneration of directors represented 2% and 0.72%, respectively, of Far EasTone decides the distribution of employees' compensation and remuneration of directors at the net profit before income tax, employees' compensation and remuneration of directors.

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

For the Years Ended

oer 31	2017	\$ 261,539 \$ 94,154
December	2018	\$ 233,689 \$ 84,128
		ation ctors
		Employees' compens Remuneration of dire

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, 2017 and 2016.

Information on employees' compensation and remuneration of directors resolved by Far EasTone's board of directors during 2019 and 2018 is available on the Market Observation Post System website of the Taiwan Stock Exchange.

27. INCOME TAX

a. Income tax recognized in profit or loss

The major components of tax expense (income) were as follows:

The reconciliation of accounting profit and income tax expense is as follows:

For the Years Ended December 31	2018 2017	<u>\$ 11.869.430</u> <u>\$ 13.162.572</u>	Income tax expense computed at the statutory tax rate \$ 2,761,286 \$ 2,578,036 Add (deduct) tax effects of:	Investments accounted for using the equity method (493,826) (300,989) Effect of tax rate changes -	its (257,363) (29,374)	Income tax expense recognized in profit or loss
			Income tax expense compute Add (deduct) tax effects of:	Investments accounted for Effect of tax rate changes	Prior year's adjustments	se rec

In 2017, the applicable corporate income tax rate used by the group entities in the ROC is 17%. However, the Income Tax Act in the ROC was amended in February 2018, and the corporate income applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. The applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax jurisdictions are based on the tax laws in those jurisdictions.

As the status of the 2019 appropriation of earnings is uncertain, the potential income tax consequences of the 2018 unappropriated earnings are not reliably determinable.

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b. Income tax recognized in other comprehensive income

	For the Years Ended December 31	ars Ended ber 31
	2018	2017
Deferred tax		
Effect of change in tax rate - remeasurement of defined benefit		
plan	\$ 10,790	· \$
Effect of change in tax rate - financial assets at fair value through		
other comprehensive income	1,604	
Current year:		
Financial assets at fair value through other comprehensive		
income	(20)	•
Unrealized losses on available-for-sale financial assets		(9,396)
Fair value changes of hedging instruments for cash flow		
hedges	•	(5,058)
Remeasurement of defined benefit plan	(10,903)	(4,084)
Income tax recognized in other comprehensive income	\$ 1,471	\$ (18,538)

c. Deferred income tax assets and liabilities

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

For the year ended December 31, 2018

Recognized in Other Comprehensive Income Closing Balance		- \$ 358,623 (113) 130,128 1,584 365,271	1,471 \$ 854,022	Recognized in Other Comprehensive Income Closing Balance		\$ 2,056,606 - 112,616 - 3,376	0000
Recognized Other Comprehen Income		€	8	Recognized Other Comprehen Income		€	6
Recognized in Profit or Loss		\$ 20,230 8,086 64,326	\$ 92,642	Recognized in Profit or Loss		\$ 442,961 (1,380) 565	241.046
Opening Balance		\$ 338,393 122,155 299,361	\$ 759,909	Opening Balance		\$ 1,613,645 113,996 2,811	1 120 452
	Deferred income tax assets	Allowance for impairment loss Defined benefit obligation Others			Deferred income tax liabilities	Amortization of goodwill Investment properties Others	

For the year ended December 31, 2017

Closing Balance		\$ 338,393 122,155 299,361	\$ 759,909	Closing Balance		\$ 1,613,645 113,996 2.811	\$ 1,730,452
Recognized in Other Comprehensive Income		\$ (4,084) (14,454)	\$ (18,538)	Recognized in Other Comprehensive Income		€	\$
Recognized in Profit or Loss		\$ 6,357 (2,293) (169,401)	\$ (165,337)	Recognized in Profit or Loss		\$ 134,470 209 535	\$ 135,214
Opening Balance		\$ 332,036 128,532 483,216	\$ 943,784	Opening Balance		\$ 1,479,175 113,787 2,276	\$ 1,595,238
	Deferred income tax assets	Allowance for doubtful accounts Defined benefit obligation Others			Deferred income tax liabilities	Amortization of goodwill Investment properties Others	

Deductible temporary differences and unused loss carryforwards for which no deferred income tax assets have been recognized in the consolidated balance sheets d.

	December 31	ber 31	
	2018	2017	
Loss carryforwards			
Expiry in 2017	· •	\$ 377,075	
Expiry in 2018	6,410	420,979	
Expiry in 2019	192,248	419,619	
Expiry in 2020	94,463	265,710	
Expiry in 2021	111,116	287,873	
Expiry in 2022	69,592	166,680	
Expiry in 2023	65,800	97,005	
Expiry in 2024	108,659	155,474	
Expiry in 2025	307,602	329,310	
Expiry in 2026	253,577	266,266	
Expiry in 2027	343,363	383,671	
Expiry in 2028	327,272	,	
	1,880,102	3,169,662	
Unrealized gains or losses on property, plant and equipment	433,406	504,859	
Investment gains or losses	1,138,238	1,004,824	
Others	96,910	59,984	
	\$ 3,548,656	\$ 4,739,329	

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e. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2018 comprised:

(In Thousands of Shares)

Weighted Average Number of Common Stock Outstanding

For the Years Ended December 31

Expiry Year	2018 2019 2020 2021 2022 2024 2024 2025 2025 2025 2025 2026	
Unused Amount	6,410 192,248 94,463 101,116 65,800 108,659 307,602 337,377 343,363 327,272	

Since Far EasTone offered to settle the compensation paid to employees in cash or stock, Far EasTone 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 is included in the calculation of diluted earnings per share until the number of stock to be distributed to employees is

4,014

3,587

3,258,501

3,258,501

Weighted average number of common stock used in the calculation

Effect of potentially dilutive common stock:

of basic earnings per share

3,262,515

3,262,088

Weighted average number of common stock used in the calculation

of diluted earnings per share

assumed the entire amount of the compensation would be settled in stock, and the resulting potential stock

\$ 1,880,102

Income tax assessments ÷

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

Income tax returns of KG Telecom (dissolved due to the merger with Far EasTone on January 1, 2010) through 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.

29. BUSINESS COMBINATIONS

Subsidiaries acquired

resolved in the following year.

Income tax returns of NCIC through 2014 and of 2016 have been assessed 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 of ARCOA, DataExpress, ISSDU, KGEx.com, Linkwell, Yuan Cing and Home Master through 2016 have been assessed by the tax authorities. Income tax returns of New Diligent, Oware, Omusic and Yuanshi through 2017 have been assessed by the tax authorities.

28. EARNINGS PER SHARE

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

Hiir issued 9,167,468 common stocks 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 stocks issued was

determined using the ratio of Hiiir's and FEEC's carrying amount of equity at the date of acquisition.

After the merger, Hiiir is the surviving company and was renamed Yuanshi Digital Technology Co.,

Ltd. (YSDT), while FEEC was dissolved.

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.

Considerations transferred

Consideration Transferred

Voting Equity Acquired (%) Interests

100

August 1, 2017 Acquisition Date of

> Electronic information Principal Activity

providing services

Commerce Co., Ltd. Far Eastern Electronic

Net Income for the Year

	For the Ye Decem	For the Years Ended December 31
	2018	2017
Net income attributable to Far Eas Tone Fffect of notonically dilutive common stock:	\$ 9,381,351	\$ 9,381,351 \$ 10,856,682
Employees' compensation		
Earnings used in the calculation of diluted earnings per share	\$ 9,381,351	\$ 9,381,351 \$ 10,856,682

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Assets acquired and liabilities assumed at the date of acquisition ပ

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

d. Noncontrolling interests

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

Impact of acquisitions on the results of the Group e.

From August 1, 2017, the acquisition date, to December 31, 2017, the revenue and net loss of FEEC 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 would be as follows:

	Ended December 31, 2017
Operating revenue	\$ 93,360,652
Operating costs	57,513,049
Operating expenses	21,769,221
Operating income	14,078,382
Nonoperating income and expenses	(1,024,681)
Income tax	2,308,929
Net income	10,744,772
Other comprehensive income	171,098
Total comprehensive income	\$ 10,915,870
Earnings per share Basic Diluted	83.30 83.30 83.30

This pro-forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that would actually have been achieved had the acquisition been completed on January 1, 2017, nor is it intended to be a projection of future results.

30. EQUITY TRANSACTIONS WITH NONCONTROLLING INTERESTS

The Group subscribed for new common stocks 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 stocks in July 2017 and increased its interest from 93.28% to

The Group subscribed for new common stocks of Qware in April 2018 and acquired noncontrolling interests' shares of Qware in cash in June 2018, and increased its interest from 81.63% to 100%.

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

	Hiiir	Qware
Cash consideration paid	\$ 368,909	\$ 5,398
The proportionate share of the carrying amount of the net assets of subsidiaries transferred (from) to noncontrolling interests	(318,688)	28,576
Difference arising from equity transactions	\$ 50,221	\$ 33,974
Line items adjusted for equity transactions		
Unappropriated earnings	\$ (50,221)	\$ (33,974)

31. NONCASH TRANSACTIONS

For the Year

Noncash Transactions Arising from Investing and Financing Activities

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

32. OPERATING LEASE ARRANGEMENTS

a. The Group as lessee

Operating leases relate to leases of retail stores, cell sites and office space with lease terms of between 1 and 20 years. All operating lease contracts over 5 years contain clauses for 5-year market rental

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

December 31	2017	\$ 2,933,278 5,276,485 42,440 \$ 8,252,203
Dece	2018	\$ 2,918,074 5,294,309 15,635 \$ 8,228,018
		Not later than 1 year Later than 1 year and not later than 5 years Later than 5 years
		Not later than 1 ye Later than 1 year a Later than 5 years

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The lease payments recognized as expenses were as follows:

irs Ended	er 31	2017
For the Years Ende	Decembe	2018

Minimum lease payments

\$ 3,750,434 \$ 3,666,801

b. The Group as lessor

For investment properties that are leased out under operating lease agreements, refer to Note 16.

33. CAPITAL MANAGEMENT

The Group 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 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

34. FINANCIAL INSTRUMENTS

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

	2017	Fair Value
ber 31	2	Carrying Amount
Decem	2018	Fair Value
	20	Carrying Amount

		2018	18			2017	17	
	O	Carrying Amount	Fa	Fair Value	7	Carrying Amount	Fa	Fair Value
Financial assets								
Refundable deposits	€	\$ 51,895 \$	↔	849,135	8	712,566 \$	\$	711,260
Financial liabilities								

Eair value hierarchy

Bonds payable

27,105,492

26,872,353

25,583,418

25,374,262

\$ 25,583,418 849,135 849,135 Level 3 December 31, 2018 Level 2 \$ 25,583,418 Level 1 Refundable deposits Financial liabilities Financial assets Bonds payable

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		December 31, 2017	r 31, 2017	
	Level 1	Level 2	Level 3	Total
Financial assets				
Refundable deposits	S	\$	\$ 711,260	\$ 711,260 \$ 711,260
Financial liabilities				
Bonds payable	\$ 27,105,492	\$	\$	\$ 27,105,492
The fair values of the financial assets included in the Level 3 category above have been determined	cial assets included	in the Level 3 cat	egory above have	been determined

in accordance with the discounted cash flow approach based on the discount rate of corporate bonds at the end of the reporting period in 2018, and based on the average discount rate of commercial papers in 2017, respectively. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

ь.

		December 31, 2018	r 31, 2018	
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Mutual funds	\$ 150,409	\$ 582,489	\$	\$ 732,898
Financial assets at fair value through other comprehensive income				
Domestic/foreign unlisted common stock	\$	€	\$ 432,111	\$ 432,111
Financial assets for hedging				
Fair value hedges - foreign exchange swap contracts	\$	\$	\$ 1,868	\$ 1,868
	T I	December 31, 2017	r 31, 2017	
Financial assets at fair value through profit or loss	Level 1	revel 2	Level 3	100a
Overseas mutual funds	-S	\$ 595,200	\$	\$ 595,200
Derivative financial assets for hedging				
Fair value hedges - foreign exchange swap contracts	\$	√	\$ 1,700	\$ 1,700

There were no transfers between Levels 1 and 2 for the years ended December 31, 2018 and 2017.

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

,	For the Yo	For the Year Ended December 31, 2018
	Hedging Financial Instruments	Financial Instruments at Fair Value Through Other Comprehensive Income
Beginning balance Additions Recognized in profit or loss (included in other gains and losses) Recognized in other comprehensive income Remittance of cash due to capital reduction Effect of exchange rate changes	1,700	\$ 251,575 229,770 - 11,120 (61,500) 1,146
Ending balance	\$ 1,868	\$ 432,111
		For the Year Ended December 31, 2017 Hedging Derivative Financial Instruments
Beginning balance Recognized in profit or loss (included in other gains and losses) Recognized in other comprehensive income		\$ (45,694) (17,625) 65,019
Ending balance		\$ 1,700

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

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

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

Financial Instrument		Valuation Techniques and Inputs
Domestic/foreign unlisted common stock	a)	a) Asset-based approach. Valuation based on the fair value of an investee, calculated through each investment of the investee using the income approach, market approach or a combination of the two approaches, while also taking the liquidity premium into consideration.
	P	b) Transaction method of market approach. The approach is a valuation strategy that looks at market ratios of companies with similar profitability at the end of the reporting period, while taking the liquidity premium into consideration.
Foreign exchange swap contracts	Cas	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	ber 31
	2018	2017
Financial assets		
Derivative financial assets for hedging Financial assets for hedging Loans and receivables (Note 1) Financial assets at fair value through profit or loss Available-for-sale financial assets (Note 2) Financial assets at amortized cost (Note 3) Financial assets at fair value through other comprehensive income	\$ 1,868 - 732,898 - 15,520,633 432,111	\$ 1,700 20,684,670 595,200 263,308
Financial liabilities		

Financial liabilities

Financial liabilities at amortized cost (Note 4)

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

53,014,548

41,464,164

The balances include the carrying amount of available-for-sale financial assets measured at Note 2:

The balances include financial assets at amortized cost, which comprise cash and cash equivalents, debt investments, notes receivable, accounts receivable (including related parties), other receivables (including related parties), refundable deposits and other financial assets. Note 3:

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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 The balances include financial liabilities at amortized cost, which comprise short-term deposits received. Note 4:

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, and 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 potential downside effects of market changes against the Group's financial performance. 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 which were approved by the board of directors, which provide written principles managing on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and nonderivative financial instruments, and the investment of excess liquidity. The compliance with policies and exposure limits are reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporate Treasury function is reviewed by the Group's board of directors in accordance with related rules and the 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

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

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

Sensitivity analysis

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

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

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 reasonably possible changes in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary in foreign currency rates. The positive number shown in the currency impact table below items, for which their translation at the end of the reporting period is adjusted for a 5% change indicates an increase in pre-tax profit where the NTD strengthened 5% against the U.S. dollar and EUR. For a 5% weakening of the NTD against the U.S. dollar and EUR, shown by the negative amount below, there was a decrease in pre-tax profit.

Impact	rs Ended	er 31	2017		\$ (21,348) \$ (138)	
USD/EUR	For the Ye	December 31	2018		\$ (28,245) \$ (13)	
				ige in profit or loss		
				ige in pro	,	

Hedge accounting

OSD

For the year ended December 31, 2018

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

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

December 31, 2018

Change in Value Used for Cakulating Hedge Ineffectiveness	· •	Accumulated Amount of Fair Value Hedge Adjustments for Hedged Items That Have Ceased to Be Adjusted for Hedging Gains And Losses
Carrying Amount sset Liability		Change in Change in Calculating Hedge Ineffectiveness
Carryin	\$ 1,868	
Line Item in Balance Sheet	Financial assets (liabilities) for hedging	Accumulated Amount of Fair Value Hedge Adjustments sset Liability
Forward Rate	\$30.770/	Acc Amount Hedge Asset
Maturity	2019.01.03-	Amount Liability
Notional Amount	US\$ 10,000 thousand	Carrying Amount Asset Liah Liah
Currency	US\$ to NT\$	l
Hedging Instruments	Fair value hedge Foreign exchange swap contracts	Hedged Items Fäir valte ledge

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

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

December 31,

Derivative financial assets under hedge accounting - current

\$ 1,700 Fair value hedges - foreign exchange swap contracts These contracts were negotiated in accordance with the contracts on hedged items. The outstanding contracts of the Group at December 31, 2017 were as follows:

Amount (In Thousands)	Maturity Date/Period	Currency
Amount (In	Maturity	
Contract		

December 31, 2017

US\$ 10,000 2018.02.26 US\$ to NT\$ Foreign exchange swap contracts

thousand for the year ended December 31, 2017. The losses related to the hedged items due to The foreign exchange swap contracts were used to manage the exposure to foreign currency exchange rate fluctuations. The gains related to foreign exchange swap contracts were \$1,700 the fluctuations of foreign currency exchange rates were \$1,700 thousand for the year ended December 31, 2017. The Group also signed forward exchange contracts to avoid exchange rate exposure to expected future purchase transactions. Those forward exchange contracts were designated as cash flow

For the year ended December 31, 2017, gains and losses of hedging instruments reclassified from equity to profit or loss were included in the following line items in the consolidated statements of comprehensive income:

December 31, For the Year Ended

2017

\$ 19,325

Other gains and losses

b) Interest rate risk

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

er 31	2017		\$ 5,252,519	36,794,604		7,269,264	2,000,000
December 31	2018		\$ 4,153,111	29,295,360		3,125,240	740,000
		Fair value risk	Financial assets	Financial liabilities	Cash flow risk	Financial assets	Financial liabilities

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 their fair values will change as the market interest rates change. For financial assets and financial liabilities with floating interest rates, their effective interest rates will change as the change in interest rates. For financial assets and financial liabilities with fixed interest rates, market interest rates change.

increased (decreased) by \$5,963 thousand and \$13,173 thousand, respectively, mainly affected the income before income tax for the years ended December 31, 2018 and 2017 would have Had interest rates been 25 basis points higher/lower and all other variables been held constant, by bank deposits and borrowings with floating interest rates.

Other price risks

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

Sensitivity analysis

The following sensitivity analysis was based on the exposure to equity price risks at the end of the reporting period. If equity prices had been 5% higher/lower, pre-tax profit for the year ended December 31, 2018 and 2017 would have increased/decreased by \$36,645 thousand and \$29,760 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the year ended December 31, 2018 would have increased/decreased by \$21,606 thousand, as a result of the changes in fair value of financial assets at FVTOCI.

Credit risk

in a 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 the failure to discharge Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting carrying amounts of the respective recognized financial assets as stated in the consolidated balance an obligation by the counterparties and financial guarantees provided by the Group arises from the

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.

35. TRANSACTIONS WITH RELATED PARTIES

The Group's related parties and their relationships

Related Party

collateral are also taken into consideration. All credit lines have expiration dates and are subject to The Group has a policy of dealing only with creditworthy counterparties. The credit lines 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 reexamination before any granting of extensions.

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

Subsidiary of FENC (dissolved after merging

Far Eastern Electronic Commerce Co., Ltd. (FEEC)

Ding Ding Integrated Marketing Service Co., Ltd.

(DDIM)

Far Eastern New Century Corporation (FENC) Far Eastern Electronic Toll Collection Co., Ltd.

Relationship with the Group

Ultimate parent company Subsidiary of FENC Subsidiary of FENC Other related party (Far EasTone's donation is over one third of the foundation's fund)

Telecommunication and Transportation Foundation

Far Eastern International Leasing Corp.

Subsidiary of FENC Subsidiary of FENC Subsidiary of FENC

Other related party (equity-method investee

of subsidiary of FENC)

with YSDT on August 1, 2017)

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 \$38,972,514 thousand and \$27,156,792 thousand, respectively. The table below summarizes the maturity profile of the Group's financial liabilities based on undiscounted contractual payments but does not include the financial liabilities with carrying amounts that approximated contractual cash flows:

	Carrying Amount	Contractual Cash Flows	Within 1 Year	1-5 Years	More than 5 Years
December 31, 2018					
Short-term borrowings Short-term bills payable Long-term borrowings Bonds payable	\$ 2,120,000 1,269,373 700,000 25,374,262	\$ 2,122,041 1,270,000 710,360 26,584,845	\$ 2,122,041 1,270,000 5,180 3,499,400	- 705,180 15,974,995	7,110,450
	\$ 29,463,635	\$ 30,687,246	\$ 6,896,621	\$ 16,680,175	\$ 7,110,450
December 31, 2017					
Short-term borrowings Short-term bills payable Long-term borrowings Bonds payable	\$ 864,000 299,681 10,100,000 26,872,353	\$ 866,963 300,000 10,246,970 28,121,395	\$ 866,963 300,000 2,587,455 6,847,750	5 7,659,515 16,187,020	5.086,625
	\$ 38,136,034	\$ 39,535,328	\$ 10,602,168	\$ 23,846,535	\$ 5,086,625

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Co., L	
Malls	
opping . o.	ĺ
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n Big (
Eastern Fastern	
Far I	

Far Eastern Resource Development Co., Ltd. (FERD)

Far Cheng Human Resources Consultant Corp.

Far Eastern Apparel Co., Ltd.

Pacific Sogo Department Stores Co., Ltd. (SOGO)

Other related party (same chairman as parent

Other related party (same chairman as parent Other related party (same chairman as parent Other related party (same chairman as parent Other related party (same chairman as parent

Other related party (subsidiary of SOGO)

company's)

Jtd.	u
partment Sto	u Dar 1 ransportation Corporation

Other related party (same chairman as parent Other related party (same chairman as parent

company's) company's)

Subsidiary of FENC

company's

Other related party (equity-method investee

Other related party (same chairman as Far Other related party (same chairman as Far Other related party (same chairman as Far Other related party (same chairman as Far

astern

EasTone's)

EasTone's)

Subsidiary of FENC

of FENC)

Yuan Ding Co., Ltd. (Yuan Ding)	Far Eastern Department Stores Co., Ltd. (Far E.	Department Stores)	Asia Cement Co., Ltd.
Yuan Di	Far East	Depai	Asia Ce

Oriental Union Chemical Corporation	fai Co., Ltd.
ıtal Union Chemic	Far Eastern Ai Mai Co., Ltd
Orien	Far E

Far Eastern Hospital

(Continued) Other related party (same chairman as Far

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Other related party (equity-method investee Other related party (equity-method investee Subsidiary of FENC of FENC) Fu Kwok Garment Manufacturing Co., Ltd. Oriental Petrochemical (Taiwan) Co., Ltd. Oriental Resources Development Limited Far Eastern Realty Management Co., Ltd. Far Eastern General Contractor Inc. Far Eastern Construction Co., Ltd. Air Liquide Far Eastern Co., Ltd. Far Eastern Fibertech Co., Ltd.

Ding & Ding Management Consultant Co., Ltd Yuan Hsin Digital Payment Co., Ltd. (YHDP) Far Eastern Polyclinic of Far Eastern Medical OPAS Fund Segregated Portfolio Company Alliance Digital Technology Co., Ltd. Far Eastern Memorial Foundation

Other related party (substantive related party)

Other related party (same chairman as Far

Subsidiary of FENC

EasTone's)

Subsidiary of FENC

Other related party (same chairman as Far

EasTone's)

Subsidiary of FENC

Associate

of FENC)

Deutsche Far Eastern Asset Management Co., Ltd. U-Ming Marine Transport (Singapore) Pte. Ltd. U-Ming Marine Transport (Hong Kong) Ltd. Kowloon Cement Corporation Limited Far Eastern Investment (Holding) Ltd. Far Eastern Polytex (Vietnam) Ltd. Asia Cement (Singapore) PTE. Ltd FETC International Co., Ltd. (DFEAMC)

Other related party (substantive related party)

Subsidiary of FENC

Other related party (substantive related party) Other related party (substantive related party) Other related party (substantive related party) Other related party (substantive related party)

Other related party (substantive related party)

Oriental Petrochemical (Yangzhou) Corporation Kaohsiung Rapid Transit Corporation Far Eastern Apparel (Vietnam) Ltd Jianxi Yadong Cement Co., Ltd

Other related party (substantive related party) Other related party (substantive related party)

Other related party (legal person director of Other related party (equity-method investee

Other related party (substantive related party)

Subsidiary of FENC

Catalyst_207 SPC-SP Tranche One

(Concluded)

b. Operating revenue

For the Years Ended

December 31	er 31	
2018	2017	201
\$ 45,178	↔	9
221,548	322,914	32
10		
245,405		241,793
\$ 512,141	€9	634.198

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

Operating costs and expenses ပ

	For the Years Ended December 31	ars Ended ber 31
	2018	2017
Costs of telecommunications services Subsidiaries of FENC Other related parties	\$ 23,191	\$ 42,834 12,924
	\$ 59,954	\$ 55,758
Rental (included in operating costs) FENC Subsidiaries of FENC Other related parties	\$ 1,439 8,822 22,43 <u>2</u>	\$ 1,534 9,079 21,482
	\$ 32,693	\$ 32,095
Rental (included in operating expenses) FENC Subsidiaries of FENC Other related parties	\$ 2,980 59,712 105,045	\$ 2,935 64,752 101,499
	\$ 167,737	\$ 169,186
Marketing expenses Subsidiaries of FENC Other related parties	\$ 34,480 12,830	\$ 47,178 16,723
	\$ 47,310	\$ 63,901

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	December 31	ber 31
	2018	2017
Service fees FENC	\$ 567	\$ 583
Subsidiaries of FENC FCHRC Others	152,912 2,907	145,389
Other related parties	185	145,389
	\$ 156,571	\$ 146,138
Other expenses FENC Subsidiaries of FENC Associates	\$ 120,319 13,324 1.048	\$ 116,144 20,218
Other related parties	12,046	24,490
	\$ 146,737	\$ 160,852

The above companies provided telecommunication related services to the Group. The terms and conditions conformed to normal business practices.

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

d. Property transactions

For the Years Ended December 31

For the Years Ended

. 8 500	<u>300</u>	- \$ 70	
- \$ SS	\$ 1500,00	S	
Acquisition of financial assets at fair value through profit or loss Other related parties Opas Company DEE AMC		Disposal of available-for-sale financial assets Other related parties - Opas Company	

009'8

8,600

14,725

The fund transaction between the Group and Opas Fund Segregated Portfolio Company ("Opas Company") was the acquisition and disposal of 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 a total carrying amount of \$598,600 thousand, and the Group disposed of funds with a total carrying amount of \$653,400 thousand. The disposal proceeds was \$704,725 thousand, and the gains on fund disposal was \$51,325 thousand. The Group subscribed for FEEC's new common stock issued for eash amounting to \$124,497 thousand in April 2017. After the subscription, the Group's ownership of the company increased to 20.69%

from subsidiaries of FENC (including DDIM and Yuan Ding) and other related parties (including The Group acquired FEEC's common stock with a consideration of \$4,471 thousand on August 1, 2017 SOGO and Far Eastern Department Stores). With the need for expansion of space for network equipment, the board of directors of NCIC (Far EasTone's 100% owned subsidiary) resolved on May 4, 2017 that NCIC will purchase part of the land from FERD, which is located in Taipei Far Eastern Telecom park, so as to build a new integrated building which will be utilized as an office and internet data center. The acquisition price paid which amounted to \$1,749,577 thousand was determined through price negotiations based on appraisal reports issued by independent qualified professional appraisers. The Group acquired a mutual fund of DFEAMC with a carrying amount of \$150,000 thousand in May

In December 2018, the Group acquired a partial interest in Catalyst_207 SPC-SP Tranche One for \$123,220 thousand. Bank deposits, financial assets at amortized cost, debt investments with no active market and other financial assets Ġ.

er 31	2017	CEL 8C9 8 8
December 31	2018	\$ 3 117 050

Other related parties

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

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f. Financial assets for hedging - current

17		
2017		S
2018		1,868
δi		S
	s	
	ted partie	
	Other related pa	FEIB

December 31

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

g. Derivative financial assets for hedging - current

December 31	2017		\$ 1,700
Decem	2018		- 8
		Other related parties	FEIB

NCIC entered into foreign exchange swap contracts with FEIB to hedge against the exchange gains or losses of its foreign currency denominated assets. The notional amounts were US\$10,000 thousand as of December 31, 2017. Related expenses were treated as financial costs.

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h. Receivables and payables - related parties

December 31

	2018	2017	
Accounts receivable - related parties FENC Subsidiaries of FENC Associates	\$ 7,486 55,377	\$ 4,600 37,290	4,600 87,290
Other related parties	196,235	210,020	20
	\$ 259,108	\$ 251,910	10
Other receivables - related parties (included in other current assets)			
Subsidiaries of FENC Associates	\$ 3,848	\$ 5,3	5,376
Other related parties	12,078	18,525	25
	\$ 22,075	\$ 23,901	01
Accounts payable - related parties (included in accounts payable) Subsidiaries of FENC Other related parties	\$ 1,115	\$ 1,1	1,156 5,160
	\$ 9,195	\$ 6,316	16

		December 31	ber 31		
		2018		2017	
Other payables - related parties (included in other current					
naomnes) FENC	S	23,204	↔	33,712	
Subsidiaries of FENC		84,809		84,887	
Other related parties		4,622		9,626	
	4	\$ 112,635	€.	128 225	

i. Refundable deposits

	December 31	ber 31
	2018	2017
Refundable deposits Subsidiaries of FENC Other related parties	\$ 69,003	\$ 74,360 1,46 <u>6</u>
	\$ 70,489	\$ 75,826
Others		
	For the Years Ended December 31	ars Ended ber 31
	2018	2017
Interest income Subsidiaries of FENC	\$ 22	\$ 35
Other related parties FEIB	34,271	29,978
Others	34,283	29,987
	\$ 34,305	\$ 30,022
Rental income Subsidiaries of FENC	\$ 248	\$ 284
Financial costs Subsidiaries of FENC Other related parties	\$ 7.953	\$ 9
	\$ 7,953	\$ 8,412

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

Special Notes Financial Information

Operational Highlights

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

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Special Notes

k. Compensation of key management personnel

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

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

36. 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	r 31
	2018 2017	2017
Other financial assets - current Other noncurrent assets	\$ 641,094 \$	\$ 1,764,065 2,300
	\$ 641,094	\$ 1,766,365

37. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

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

December 31	2018 2017	\$ 4,879,774 \$ 7,841,219 1,245,097 2,809,176	\$ 3,634,677	\$10,855,083 \$14,004,339 5,495,652 5,233,512	\$ 5,359,431
а.		Acquisition of property, plant and equipment under contracts Less: Payments for acquisition of property, plant and equipment		Acquisition of inventories under contracts Less: Payments for acquisition of inventories	

The Group provided a \$100,000 thousand bank guarantee for its purchases as of both December 31, 2018 and 2017. ь.

38. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

In order to provide cross-industry financial services and deploy online banking, Far EasTone's board of directors resolved on February 20, 2019 that Far EasTone would acquire a 5% stake in Line Financial Corporation for NT\$500 million. Far EasTone has remitted 20% of the investment amount (NT\$100 million), but if Line Financial Corporation is unsuccessful in its application for an online banking license, it will return the paid investment amounts to Far EasTone.

39. 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:

December 31, 2018		(In Thousands, Except Exchange Rate)	Exchange Rate)
Financial assets	Foreign Currency	Exchange Rate	Carrying Amount
Monetary items USD EUR	\$ 26,682	30.715 (USD:NTD) 35.20 (EUR:NTD)	\$ 819,552 1,687
Nonmonetary trems USD USD	23,976 5,000	30.715 (USD:NTD) 6.868 (USD:RMB)	736,424 153,575
Financial liabilities			
Monetary items USD EUR	8,291 41	30.715 (USD:NTD) 35.20 (EUR:NTD)	254,660 1,428
December 31, 2017			
Financial assets	Foreign Currency	Exchange Rate	Carrying Amount
Monetary items USD EUR	\$ 24,531	29.76 (USD:NTD) 35.57 (EUR:NTD)	\$ 730,041 4,250
Nonmonetary items USD	20,000	29.76 (USD:NTD)	595,200
Financial liabilities			
Monetary items USD EUR	10,184 42	29.76 (USD:NTD) 35.57 (EUR:NTD)	303,089 1,499

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Financial Information

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 The Group is mainly exposed to the U.S. dollar and Euro. The following information is aggregated by the

		Net Foreign Exchange Gains	(Losses)	\$ (9,870) (1,758)	\$ (11,628)
ded December 31	2017		Exchange Rate	1 (NTD:NTD) 4.507 (RMB:NTD)	
For the Years Ended December 31		Net Foreign Exchange Gains	(Losses)	\$ 6,716 1,427	\$ 8,143
	2018		Exchange Rate	1 (NTD:NTD) 4.560 (RMB:NTD)	
		Foreign	Currency	NTD RMB	

40. SEPARATELY DISCLOSED ITEMS

- Information about significant transactions and investees: a.
- 1) Financing provided to others: Schedule A
- 2) Endorsements/guarantees provided: None
- 3) Marketable securities held (excluding investment in subsidiaries, associates and jointly 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: None
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: Schedule C
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital:
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Schedule D
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Schedule E
- 9) Trading in derivative transactions: Notes 34
- 10) Significant transactions between Far EasTone and its subsidiaries and among subsidiaries: Schedule
- 11) Information on investees: Schedule G

- Information on investments in mainland China þ.
- 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
- directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or Any of the following significant transactions with investee companies in mainland China, either 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.
- The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period **P**
- c) The amount of property transactions and the amount of the resultant gains or losses
- The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. p
- The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. е
- 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. Œ

41. SEGMENT INFORMATION

Products and services from which reportable segments derive revenues:

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 The information provided to the Group's chief operating decision maker in order to allocate resources

- 1) Mobile services business: Providing mobile telecommunications services
- 2) Fixed-line services business: Providing international direct dial, local network, long-distance network and broadband access services
- 3) Sales business: Selling cellular phones, computers and accessories

specifically attributable segment revenue, costs, expenses, interest revenue, other revenue, equity in investees' net income, financial costs, other expense and general and administrative expenses. The profits were the measures 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 Segment operating income represented the profit generated by each operating segment, which included the chief operating decision maker.

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Financial Information

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

		For the Ye	For the Year Ended December 31, 2018	r 31, 2018	
	Mobile Services	Fixed-line		Adjustment and	
	Business	Services Business	Sales Business	Elimination	Consolidation
Revenue generated from external customers	\$ 48,325,660	\$ 7,841,052	\$ 30,468,259		\$ 86,634,971
(Note)	384,231	2.919,774	19,379	(3,323,384)	
Total revenue	\$ 48,709,891	\$ 10,760,826	\$ 30,487,638	\$ (3,323,384)	\$ 86,634,971
Segment operating income	\$ 8,638,897	\$ 2,409,781	\$ 2,901,243	\$ (2,080,491)	\$ 11,869,430
		For the Ye	For the Year Ended December 31, 2017	r 31, 2017	
	Mobile Services Business	Fixed-line Services Business	Sales Business	Adjustment and Elimination	Consolidation
Revenue generated from external customers	\$ 60,011,969	\$ 8,160,163	\$ 23,897,549	ı 9	\$ 92,069,681
(Note)	600,636	2,918,194	36,748	(3,555,578)	
Total revenue	\$ 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

Note: Represents sales of goods and other income 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 that accounted for at least 10% of the Group's total operating revenue in both 2018 and 2017.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS FOR THE YEAR ENDED DECEMBER 31, 2018 (In Thousands of New Taiwan Dollars)

			Financial	Dolotod	Highest Polonee		A ofteo 1 Domouring			Business	Doccore for	Doctors for	[0]	Collateral	Financing Limit Aggregate	Aggregate
No.	Lender	Borrower	Statement Account	Party	Party for the Period	Ending Balance	Amount Interest Rate	nterest Rate	Financing	Transaction Amount	Short-term Financing Impairment Loss	Impairment Loss	Item	Value	for Each Borrower Financing Limits (Notes A and B) (Notes A and B)	Financing Limits (Notes A and B)
0	0 Far EasTone Telecommunications Co., Ltd.	Telecommunications Owere Communications Other receivables - Yes Co., Ltd. (Note C) related parties Co., Ltd.	Other receivables - related parties	Yes	\$ 250,000	· •	- 	,47%-1.58%	1.47%-1.58% Short-term financing		For business operations	· ••			\$ 7,331,750	\$ 36,658,749
-	New Century InfoComm Tech Co.,	ew Century Qware Communications Other receivables - InfoComm Tech Co., Ltd. (Note C) related parties	Other receivables - related parties	Yes	150,000		,	1.33%	Short-term financing		For business operations	,	,		8,531,418	12,187,740
	rig.	Far EasTone Telecommunications	Other receivables - related parties	Yes	2,500,000	2,500,000	2,500,000	0.83%	Transaction	3,052,994	,				3,052,994	12,187,740
		Co., Ltd. Far EasTone		Yes	7,500,000	7,500,000	2,000,000	0.83%	Short-term financing	1	For business operations	1		1	8,531,418	12,187,740
		Telecommunications Co., Ltd.	related parties													

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

Where New Century InfoComm Tech Co., Ltd. (NCIC) provides foans 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 refers to the estimated amount in the year the loan contract was signed or the priory year's actual transaction amount. B) For short-term financing needs, the individual loan amount refers to the estimated amount in the year the loan contract was signed or the priory year's actual transaction amount. B) For short-term financing needs, the individual loan amount should not exceed 35% of NCIC's net worth. Note B:

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Note C: Far EasTone merged with Qware Communications Co., Ltd. on June 30, 2018. Far EasTone is the surviving company, and Qware Communications Co., Ltd. is the discolved company.

Special Notes Financial Information

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

SCHEDULE B

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

					December 31, 2018	1, 2018			;
Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding	Financial Statement Account	Ę	Carrying	Percentage of	;	Note	Shares/Units
		Company		Shares	Amount	Ownership (%)	Fair Value		Held During the Year
Far EasTone Telecommunications Co., Ltd.	<u>Stock</u> App Works Fund II Co., Ltd.	,	Financial assets at fair value through other	8,850,000	\$ 101,245	11.11	\$ 101,245	В	15,000,000
	CDIB Capital Innovation Accelerator Limited	1	comprehensive moone - noncurrent Financial assets at fair value through other comprehensive income - noncurrent	9,000,000	90,000	11.32	90,000	В	9,000,000
ARCOA Communication Co., Ltd.	<u>Stock</u> THI consultants		Financial assets at fair value through other	1,213,594	12,190	18.32	12,190	В	1,213,594
	Web Point Co., Ltd.	1	comprehensive income - noncurrent Financial assets at fair value through other comprehensive income - noncurrent	160,627	1,618	0.63	1,618	В	160,627
New Century InfoComm Tech Co., Ltd.	Stock Kaohsiung Rapid Transit Corporation	Other related party	Financial assets at fair value through other	8,858,191	38,268	3.18	38,268	В	8,858,191
	Bank Pro E-service Technology Co., Ltd.		Comprehensive monte - noncurrent Financial assets at fair value through other comprehensive income - noncurrent	450,000	4,500	3.33	4,500	В	450,000
	Stock certificate Changing.ai Inc.	1	Financial assets at fair value through other comprehensive income - noncurrent	500,000	30,715	2.50	30,715	В	200,000
	Open-end mutual fund DFE DWS Taiwan Money Market Fund	Other related party	Financial assets at fair value through profit or loss - current	12,877,231.400	150,409	1	150,409	∢	12,877,231.400
	Overseas funds Opas Fund Segregated Portfolio Tranche A	Other related party	Financial asset at fair value through profit	13,491.781	437,363	1	437,363	∢	13,491.781
	Opas Fund Segregated Portfolio Tranche B	Other related party	Financial asset at fair value through profit or loss - current	5,000.000	145,126	1	145,126	Ą	5,000.000
Digital United (Cayman) Ltd.	Stock certificate TBCASoft, Inc.	1	Financial assets at fair value through other comprehensive income - noncurrent	980,435	153,575	6.77	153,575	В	980,435

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

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

Financial Information

SCHEDULE C

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, 2018 (In Thousands of New Taiwan Dollars)

Other	Terms	None
Purpose of	Acquisition	The purpose was to None accommodate Banqiao offices and provide spaces for switch room expansion.
o de constante de	rricing Neterence	Subsidiaries of Far Eastern New Ultimate parent FENC Century Company (FENC) Corporation (FENC) Company Company off from FENC WICk's board of a frectors was with the land determined through asset. Solution FENC Area of FERD was spun of from FENC off from FENC with the land directors was being a spin-off determined through asset. Solution FENC of FENC board of directors was being a spin-off determined through asset. Solution FENC of FENC board of directors was being a spin-off determined through asset. Solution FENC of FENC board of directors was being a spin-off determined through asset.
Information on Previous Title Transfer If Counterparty Is A Related Party	Amount	FERD was spun off from FENC with the land being a spin-off asset.
ransfer If C Party	Transaction Date	2003.9.2
Previous Title Transfo Related Party	Relationship	Ultimate parent Company
	Property Owner Relationship Transaction Date	f Far Eastern New Century Corporation (FENC)
Deleting His	Netauousinp	Subsidiaries of FENC
	Counterparty Netauousinp	in in
Transaction Payment	Status	2017.5.4 \$ 1,749,577 The transaction Far Eastern amount was Resource paid Developme (\$712,183 Co., Ltd. was paid in (FERD) 2018).
Transaction	Amount	\$ 1,749,577
E.cout Dots	Event Date	2017.5.4
1	rroperty	Land
Q.	buyer	New Century InfoComm Land Tech Co., Ltd.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

SCHEDULE D

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, 2018 (In Thousands of New Taiwan Dollars)

			Transa	Transaction Details			Abnormal Transaction	tion	Notes/Accounts Receivable (Payable)	le (Payable)	
Purchaser (Seller) of Goods	Related Party	Relationship	Purchase/Sale	Amount To	% to Total	Payment Terms	Unit Price Paymen	Payment Terms	Ending Balance		% to Total
Far EasTone Telecommunications Co., ARCOA Communication Co., Ltd.	ARCOA Communication Co., Ltd.	Subsidiary	Costs of telecommunications services, marketing expenses and cost of sales	\$ 8,657,375	17 Bi	Based on agreement		- V	Accounts payable and souther payables	(642,766)	(4)
	New Century InfoComm Tech Co., Ltd.	Subsidiary	Operating revenue Operating revenue Costs of telecommunications services and	(299,337) (306,678) 2,746,316	<u> </u>	Based on agreement Based on agreement Based on agreement	1 1 1		Accounts receivable Accounts payable and	127,983 700 (604,199)	2 - (4)
	DataExpress Infotech Co., Ltd.	Subsidiary of ARCOA Communication Co., Ltd.	Cost of sales Operating revenue	(179,648)	<u>Ř</u>	Based on agreement	1	1	ouer payables (vote A) Accounts receivable	1	•
	Omusic Co., Ltd. Yuanshi Digital Technology Co., Ltd. Far Cheng Human Resources Consultant Corp.	Subsidiary Subsidiary Same ultimate parent company	Costs of telecommunications services Operating revenue Service fees	160,320 (372,622) 111,924	- (E) -	Based on agreement Based on agreement Based on agreement	1 1 1	4 4 0	Accounts payable Accounts receivable Other payables	(28,817) 9,330 (10,196)	£''
New Century InfoComm Tech Co., Ltd.	New Century InfoComm Tech Co., Ltd. Far EasTone Telecommunications Co., Ltd. Parent company KGEx. com. Co., Ltd. Same parent company Sino Lead Enterprise Limited Subsidiary	Parent company Same parent company Subsidiary	Operating revenue Costs of telecommunications services Costs of telecommunications services and rental Costs of telecommunications services	(2,746,316) 306,678 144,738 109,806	(25) 4 BB B 2 BB BB	Based on agreement Based on agreement Based on agreement Based on agreement	1.1.1.1	1 1 1 1	Accounts receivable (Note B) Accounts payable Accounts payable and other payables Accounts payables	604,199 (700) (20,248) (1,270)	38 (2)
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd. Parent company Home Master Technology Ltd. Subsidiary of DataExpress Inforech Co., Ltd.	Parent company Subsidiary of DataExpress Infotech Co., Ltd.	Operating revenue Operating costs Operating revenue	(8,657,375) 299,337 (760,687)	(56) B.B.B.B.B.B.B.B.B.B.B.B.B.B.B.B.B.B.B.	Based on agreement Based on agreement Based on agreement		4 4 d	Accounts receivable Accounts receivable Accounts receivable	642,766 (127,983) 292,689	44 (0) 20 (20)
KGEx. com. Co., Ltd.	New Century InfoComm Tech Co., Ltd.	Same parent company	Telecommunications service revenue	(144,738)	(25) Bi	Based on agreement		-	Accounts receivable	20,248	23
Omusic Co., Ltd.	Far EasTone Telecommunications Co., Ltd. Parent company	Parent company	Operating revenue			Based on agreement	•	-	Accounts receivable	28,817	66
Sino Lead Enterprise Limited	New Century InfoComm Tech Co., Ltd.	Parent company	Operating revenue	(109,806)	(100) Bi	Based on agreement	1	-	Accounts receivable	1,270	15
DataExpress Infotech Co., Ltd.	Far EasTone Telecommunications Co., Ltd. Parent company Linkwell Tech, Ltd. Subsidiary Home Master Technology Ltd. Subsidiary	Parent company Subsidiary Subsidiary	Operating costs Cost of sales Sales of inventories	179,648 137,960 (791,458)	4 3 BB (16)	Based on agreement Based on agreement Based on agreement	1 1 1		Accounts payable Accounts payable Accounts receivable	(1) (10,804) 18,783	(3)
Yuanshi Digital Technology Co., Ltd.	Far EasTone Telecommunications Co., Ltd. Parent company	Parent company	Operating costs	372,622	16 B:	Based on agreement	1	-	Accounts payable	(9,330)	(5)
Linkwell Tech. Ltd.	DataExpress Infotech Co., Ltd.	Parent company	Sales of inventories	(137,960)	(21) Bi	Based on agreement	1	-	Accounts receivable	10,804	53
Home Master Technology Ltd.	ARCOA Communication Co., Ltd. DataExpress Infotech Co., Ltd.	Parent company Parent company	Operating costs Cost of sales	760,687	46 Bi	Based on agreement Based on agreement	1 1	4 -	Accounts payable Accounts payable	(292,689) (18,783)	(94)

Note A: All interconnection revenue, costs and collection of international direct dial revenue between Far Eas Tone 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.

Special Notes Financial Information

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

2018 ANNUAL REPORT

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL DECEMBER 31, 2018 (In Thousands of New Taiwan Dollars)

						Overdue	Amounts	A 11 c 60
Company Name	Related Party	Relationship	Inding Balance	Ending Balance Turnover Rate	Amount	Action Taken	Received in Subsequent Period	Allowance for Impairment Loss
Far EasTone Telecommunications Co., Ltd. ARCOA Communication Co., Ltd.	ARCOA Communication Co., Ltd.	Subsidiary	\$ 129,585	13.61	- \$	ı	\$ 103,161	
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	8,170,542	(Note)	1	1	332,709	1
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd. Home Master Technology Ltd.	Parent company Subsidiary of DataExpress Infotech Co., Ltd.	642,766 292,930	7.80	1 1		642,766 168,906	1 1

All interconnection revenue, costs and collection of international direct dial revenue 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. Note:

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

SCHEDULEF

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS FOR THE YEAR ENDED DECEMBER 31, 2018 (In Thousands of New Taiwan Dollars)

				Transa	Transaction Details		
Number (Note A)	Сотрапу Name	Counterparty	Flow of Transactions (Note B)	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.	-	Other receivables - related parties	\$ 11,413	Note E	1
				Refundable deposits	3,532	Note E	
				Accounts payable - related parties	26,525	Note E	
				Other payables - related parties	8,144,017	Note E	9
				Contracts liabilities	4,826	Note E	
				Telecommunications service revenue	306,482	Note E	1
				Costs of telecommunications services	2,746,262	Note E	3
				Operating expenses	898,99	Note E	
				Nonoperating income and gains	70,211	Note E	
				Nonoperating expenses	47,144	Note E	
		ARCOA Communication Co., Ltd.	-	Accounts receivable - related parties	127,983	Note E	•
				Other receivables - related parties	1,602	Note E	
				Accounts payable - related parties	591,465	Note E	
				Other payables - related parties	51,301	Note E	
				Contracts liabilities	24,828	Note E	
				Sales of inventories	295,622	Note E	
				Telecommunications service revenue	3,715	Note E	
				Cost of sales	8,083,660	Note E	6
				Costs of telecommunications services	68,411	Note E	
				Operating expenses	530,447	Note E	1
				Nonoperating income and gains	1,482	Note E	
		KGEx.com Co., Ltd.	-	Accounts receivable - related parties	9,537	Note E	
				Other receivables - related parties	1,357	Note E	•
				Other payables - related parties	38,992	Note E	•
				Telecommunications service revenue	67,240	Note E	
				Costs of telecommunications services	16,200	Note E	
				Operating expenses	74,186	Note E	
				Nonoperating income and gains	1,269	Note E	
		Yuan Cing Co., Ltd.	-	Other receivables - related parties	3,067	Note E	
				Other payables - related parties	6,952	Note E	
				Operating expenses	33,673	Note E	
		Qware Communications Co., Ltd.	1	Telecommunications service revenue	1,643	Note E	
				Costs of telecommunications services	20,571	Note E	•
				Nonoperating income and gains	1,377	Note E	
							(Continued)

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_				Trans	Transaction Details		
Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Financial Statement Account	Amount (Note D)	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		DataExpress Infotech Co., Ltd.	1	Other receivables - related parties	\$ 2,248	Note E	1
			7	Accounts payable - related parties	1,434	Note E	ı
				Other payables - related parties	10,012	Note E	1
			<u>, []</u>	Sales of inveligations Telecommunications service revenue	1,124	Note E	1 1
				Cost of sales	30,766	Note E	,
			<u>J</u>	Costs of telecommunications services	7,924	Note E	1
			<u> </u>	Operating expenses	22,221	Note E	1
		Omusic Co., Ltd.	-	Accounts payable - related parties	28,817	Note E	ı
		Tinpurall Tack I td	-	Costs of telecommunications services	160,320	Note E	ı
		LINNEH ICCII. LAL.	1	Ottes payantes - terated parties Operating expenses	8358	Note E	
		Home Master Technology Ltd.	1	Orther payables - related parties	16.332	Note E	
		3	J 1	Sales of inventories	1,476	Note E	1
				Operating expenses	31,489	Note E	1
		Information Security Services Digital United Inc.	-	Other receivables - related parties	3,659	Note E	1
			~ `	Accounts payable - related parties	6,318	Note E	1
			- [Uner payables - related parties	0,102	Note E	
				Telecommunications service revenue	1,037	Note E	
				Costs of telecommunications services	7 161	Note E	
				Operating expenses	8 535	Note II	
		Ynanshi Digital Technology Co., Ltd.	-	Operating Systems Systems Systems Accounts receivable - related narries	9.330	Note E	1 1
				Other receivables - related parties	4,041	Note E	,
			4	Accounts payable - related parties	9,478	Note E	,
				Other payables - related parties	3,038	Note E	,
			<u>J1</u>	Sales of inventories	360,456	Note E	1
			<u> </u>	Telecommunications service revenue	12,166	Note E	
			<u> </u>	Operating expenses	13,994	Note E	,
		Sino Lead Enterprise Limited	-	Other payables - related parties	7,115	Note E	1
-	New Century InfoComm Tech Co., Ltd.	ARCOA Communication Co., Ltd.		Telecommunications service revenue	1,152	Note E	1
		KGEx.com Co., Ltd.	3	Accounts receivable - related parties	1,756	Note E	
			7	Accounts payable - related parties	11,339	Note E	1
				Other payables - related parties	8,909	Note E	1
				relecommunications service revenue	30,661	Note E	
				Costs of telecommunications services	83,881	Note E	,
				Operating expenses	60,857	Note E	1
		Qware Communications Co., Ltd.	e.	Telecommunications service revenue	5,291	Note E	1
			<i>-</i>	Costs of telecommunications services	4,666	Note E	
			,,,	Nonoperating income and gains	5/1/1	Note E	
		Omusic Co., Ltd.	<i>w a</i>	Nonoperating income and gains	1,491	Note E	ı
		Sino read rancipinse rannica		Accounts payable - related parties Costs of telecommunications services	109 806	Note E	
		Yuan Cing Co., Ltd.	3	Operating expenses	4,801	Note E	

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(Continued)

				Transa	Transaction Details		
Number (Note A)	Сотрапу Name	Counterparty	Flow of Transactions (Note B)	Financial Statement Account	Amount (Note D)	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		Information Security Services Digital United Inc.	ю	Other receivables - related parties Accounts payable - related parties Telecommunications service revenue Cost of sales	\$ 1,347 30,890 1,546 28,624	Note E Note E Note E Note E	1 1 1 1
		Yuanshi Digital Technology Co., Ltd.	ю	Other operating costs Operating expenses Nonoperating income and gains Accounts receivable - related parties Other receivables - related parties Telecommunications service revenue	39,881 1,373 5,354 1,169 1,840 6,866	Note E Note E Note E Note E Note E	
		DataExpress Infotech Co., Ltd.	е	Nonoperating income and gains Telecommunications service revenue Nonoperating income and gains	12,015 1,866 3,523	Note E Note E Note E	1 1 1
7	ARCOA Communication Co., Ltd.	KGEx.com Co., Ltd. Yuan Cing Co., Ltd. Yuanshi Digital Technology Co., Ltd. DataExpress Infotech Co., Ltd.	<i>ოოო ო</i>	Operating expenses Operating expenses Accounts receivable - related parties Sales of inventories Accounts receivable - related parties Other operating revenue	1,039 1,397 5,405 43,001 1,594 5,409	Note E	
		Home Master Technology Ltd.	ю	Cost of sales Accounts receivable - related parties Sales of inventories	1,042 292,689 759,816	Note E Note E Note E	
κ	Yuan Cing Co., Ltd.	Yuanshi Digital Technology Co., Ltd.	3	Accounts receivable - related parties Other operating revenue	3,219 22,278	Note E Note E	1 1
4	DataExpress Infotech Co., Ltd.	Linkwell Tech. Ltd. Home Master Technology Ltd.	m m	Accounts receivable - related parties Accounts payable - related parties Sales of inventories Cost of sales Nonoperating income and gains Accounts receivable - related parties Accounts payable - related parties Cost of sales Cost of sales	6,158 10,804 68,287 137,960 4,785 18,783 2,892 791,458 64,230	N N Ooke E E N N Ooke E E N N N Ooke E E N N Ooke E E N N Ooke E E N N N Ooke E E N N N O OOKE E E N N N O OOKE E E N N N N N N N N N N N N N N N N N	
w	Linkwell Tech. Ltd.	Yuanshi Digital Technology Co., Ltd. Home Master Technology Ltd.	ю m	Nonoperating income and gains Sales of inventories Accounts receivable - related parties Sales of inventories	4,023 2,112 4,002 25,157	Note E Note E Note E Note E	
9	Yuanshi Digital Technology Co., Ltd.	Information Security Services Digital United Inc.	33	Other payables - related parties Operating expenses	1,219	Note E Note E	1 1
							(Continued)

- "0" for Far EasTone Telecommunications Co., Ltd. ("Far EasTone").
 "1" onward for subsidiaries.

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

- From the parent company to its subsidiary.
 From a subsidiary to its parent company.
 Between subsidiaries.
- Note C: For assets and liabilities, amount is shown as a percentage of consolidated total assets as of December 31, 2018; while revenue, costs and expenses are shown as a percentage of consolidated total operating revenue for the year ended December 31, 2018.

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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)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

SCHEDULEG

INFORMATION ON INVESTEES FOR THE YEAR ENDED DECEMBER 31, 2018 (In Thousands of New Taiwan Dollars)

				Investment Amount	Amount	As of	As of December 31, 2018	2018				
Investor Company	Investee Company	Location	Main Businesses and Products	December 31, 2018 December 31, 2017	ecember 31, 2017	Shares	Percentage of Ownership (%)	Carrying Amount	Net Income (Loss) of the Investee	Share of Profit (Loss)	Note	Shares/Units Held During the Year
'ar EasTone Telecommunication Co., Ltd.	New Century InfoComm Tech Co., Ltd. ARCOA Communication Co., Ltd.	Taiwan Taiwan	Type I, II telecommunications services Sales, of communications products and	\$ 22,249,283 1,305,802	\$ 22,249,283 1,305,802	2,100,000,000 82,762,221	100.00	\$ 27,069,715	\$ 1,964,654 136,561	\$ 1,868,504 51,989	A and B A and B	2,100,000,000
	KGEx. com. Co., Ltd. Yuanshi Digital Technology Co., Ltd.	Taiwan Taiwan	office equipment Type II telecommunications services Electronic information services	2,340,472 886,169	2,340,472 886,169	68,897,234 90,014,424	99.99	863,666 (405,011)	151,136 (335,442)	151,114 (289,866)	A and B A and B	68,897,234 90,014,424
	(tormen') known as rhint inc.) Yuan Cing Co., Ltd. Far Eastern Info Service (Holding) Ltd. Omusic Co., Ltd.	Taiwan Bermuda Taiwan	Call center services Investment Electronic information services	- 92,616 25,000	92,616	2,000,000 1,200 2,500,000	100.00 100.00 50.00	35,243 5,023 10,559	12,833 (37,532) 2,187	12,833 52,429 1,093	A, B and G A and B A and B	2,000,000 1,200 2,500,000
	Qware Communication Co., Ltd. Tarwan Far Eastern Electronic Toll Collection Co., Taiwan Tardan	Taiwan Taiwan	Type II telecommunications services Electronic information services and	2,542,396	832,038 2,542,396	118,250,967	39.42	924,758	239,893	95,730	A and H B and C	33,982,812 118,250,967
	Ding Ding Integrated Marketing Service	Taiwan	Marketing	139,500	139,500	5,098,200	15.00	54,287	23,617	3,556	B and C	10,408,200
	Alliance Digital Technology Co., Ltd. Yuan Hsin Digital Payment Co., Ltd.	Taiwan Taiwan	Electronic information services Other financing and supporting services	000'009	000,000	6,000,000	14.40	233,080	(66,405) (243,950)	(5,816)	C, D and I C and D	6,000,000
ARCOA Communication Co., Ltd.	DataExpress Infotech Co., Ltd.	Taiwan	Sale of communications products	141,750	141,750	12,866,353	70.00	216,051	84,693	,	B and E	12,866,353
New Century InfoComm Tech Co., Ltd.	New Diligent Co., Ltd. Information Security Service Digital	Taiwan Taiwan	Investments Security and monitoring service via	540,000 148,777	540,000 148,777	54,000,000 10,249,047	100.00	86,982 118,958	(52,408) 14,868		B and E B and E	54,000,000 10,249,047
	Digital United (Cayman) Ltd. Yuanshi Digital Technology Co., Ltd.	Cayman Islands Taiwan	internet Investments Electronic information services	317,446 20,000	132,406 20,000	10,320,000 2,499,617	100.00	198,197 (11,247)	245 (335,442)	1 1	B and E A and B	10,320,000 2,499,617
	Ding Ding Integrated Marketing Service	Taiwan	Marketing	46,500	46,500	1,699,400	5.00	18,096	23,617	,	C and D	3,469,400
	Co., Ltd. Prime Ecopower Co., Ltd. Catalyst_207 SPC-SP Tranche One	Taiwan Cayman Islands	Energy technology services Investments	160,000		16,000,000 4,000	100.00	155,316 123,220	(4,684)		B and E D and E	16,000,000
dew Diligent Co., Ltd.	Sino Lead Enterprise Limited Far Eastern New Diligent Company Ltd. New Diligent Hong Kong Co., Ltd.	Hong Kong Telecommun British Virgin Islands Investments Hong Kong Investments	Telecommunication services Investments Investments	125 330,598 3,051	125 330,598 3,051	30,000	100.00	241 24,823 2,935	16 (52,865) 70	1 1 1	B and E B and E B and E	30,000
OataExpress Infotech Co., Ltd.	Linkwell Tech. Ltd. Home Master Technology Ltd.	Taiwan Taiwan	Sale of communications products Sale of communications products	10,000	10,000	1 1	100.00	51,751 48,731	10,075 50,105		B and E B and E	1 1

Note A: Subsidiary.

The calculation was based on the audited financial statements as of December 31, 2018. Note B:

Investee of Far EasTone accounted for using the equity method. Note C: The calculation was based on the unaudited financial statements as of December 31, 2018. Note D: Subsidiary of New Century InfoComm Tech Co., Ltd., New Diligent Co., Ltd., ARCOA Communication Co., Ltd. or DataExpress Infotech Co., Ltd. Note E:

Investments in mainland China are shown in Schedule H. Note F: Yuan Cing Co., Ltd. reduced capital and remitted cash which exceeded the original investment amount. Thus, the investment amount is \$0.

Far EasTone merged with Qware Communication Co., Ltd. on June 30, 2018. Far EasTone is the surviving company, and Qware Communication Co., Ltd. is the dissolved company.

Alliance Digital Technology Co., Ltd. dissolved on December 31, 2018. Therefore, Far EasTone discontinued the use of the equity method to account for the investment and recognized the expected remittance of cash due to the dissolution in other current assets. Note I:

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA FOR THE YEAR ENDED DECEMBER 31, 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Accommission	Carrying Amount Repartiation of as of December 31, Investment Income as of December 31, 2018	· ·	•	ı
	Carrying Amount Repartation of as of December 31, Investment Incom as of December 31 2018 2018	\$ 1,883 (RMB 421,000)	(Note B)	(90,103) 11,605 (Note C) (RMB 2,595,000) (Note C)
	Investment Gain (Loss)	\$ (274) \$ (RM)	(937) (Note B)	(90,103) (Note C)
	% Ownership of Direct or Indirect Investment	100.00	90.52 (Note B)	100.00 (Note C)
	Outward Remittance for metament from of the Investee Indirect or Taiwan as of the Investee Indirect coember 31, 2018	\$ (274)	(1,035)	(90,103)
Accumulated	Outward Remittance for Investment from Taiwan as of December 31, 2018	- \$ 95,217 (US\$ 3,100,000)	- 316,365 (US\$ 10,300,000)	200,119 (Note F)
Investment Flows	Inflow	€9		
Investme	Outflow	· ·	'	
Accumulated	Outward Remittance for Investment from Taiwan as of January 1, 2018	\$ 95,217 (US\$ 3,100,000)	316,365 (US\$ 10,300,000)	200,119 (Note F)
	Method of Investment (Note A)	2	2	2
	Method of Paid-in Capital Investment (Note A)	\$ 95,217 (US\$ 3,100,000)	353,223 (US\$ 11,500,000)	184,290 (US\$ 6,000,000)
	Main Businesses and Products	Design, research, installment and maintenance of computer software and system	Electronic information services	Computer software, data processing and provision of network information (US\$ 6,000,000)
	Investee Company	Digital United Information Technologies Design, research, installment and (Shanghai) Ltd. and system and system	Far Eastern New Century Information Electronic information services Technology (Beijing) Limited (Note G and H)	Far Eastern Tech-info Ltd. (Shanghai) (Note G)

Company Name	Accumulated Investments in Mainland China	Investment Amounts Authorized by the Investment Commission, MOEA	Limit on Investments (Note D)
Far EasTone Telecommunications Co., Ltd.	\$ 92,616	\$ 92,616	\$ 43,990,499
New Century InfoComm Tech Co., Ltd.	95,217 (US\$ 3,100,000)	95,217 (US\$ 3,100,000)	14,625,288
New Diligent Co., Ltd.	458,484 (US\$14,927,000) (Note E)	458,484 (US\$14,927,000) (Note E)	52,189

Investment type is as follows: Note A:

Far Eas Tone made the investment directly.
Far Eas Tone 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. Others.

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

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

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

The amount includes US\$1,127,000 from an investee company which was dissolved, but the registration of the investment amount had not been written off with the Investment Commission of the MOEA was remitted back to Taiwan and the same amount was written off on June 27, 2012. Note E:

The amount includes US\$3,500,000. Note F: Note G: The calculation was based on the unaudited financial statements as of December 31, 2018.

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

Special Notes Financial Information

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5. 2018 Independent Auditors' Report, Standalone Financial Statements and Notes

INDEPENDENT AUDITORS' REPORT

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

We have audited the financial statements of Far EasTone Telecommunications Co., Ltd. (the Company), which comprise the balance sheets as of December 31, 2018 and 2017, 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, 2018 and 2017, 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.

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, 2018. 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, 2018 are as follows: Impairment Loss of Property, Plant and Equipment and Intangible Assets (Including Goodwill) and the Incremental Costs of Obtaining a Contract As of December 31, 2018, the balances of property, plant and equipment and intangible assets and the incremental costs of obtaining a contract account for 61% of the Company's total assets and are material for the financial statements as a whole. Economic trends, market competition, and technological development influence the operation of the Company and management's evaluation 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

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assets' impairment. Thus, the impairment of property, plant and equipment and intangible assets and the incremental costs of obtaining a contract is considered a key audit matter. For estimates and judgments related to property, plant and equipment and intangible assets as well as the incremental costs of obtaining a contract, refer to Note 5 to the accompanying financial statements. For other related disclosures, refer to Notes 11, 13 and 20. 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 the corresponding audit procedures which are as follows:

- We obtained the Company's asset impairment evaluation reports for each cash-generating unit.
- We evaluated 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

Recognition of Mobile Telecommunications Service Revenue

Mobile telecommunications service revenue is the main source of the Company's revenue, and it revenue could be manipulated to meet the expectation of users of the financial statements; therefore, accounts for 66% of the Company's total revenue for the year ended December 31, 2018. 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 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. Due to the complexity of revenue calculation and the inherent risk that 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. conducting tests of controls, we obtained an understanding of the Company's recognition of We also engaged IT specialists to perform the corresponding audit procedures which are listed as mobile telecommunications service revenue and the design and implementation of related controls. follows. The IT specialists:

- Reviewed the contracts of mobile subscribers to confirm the accuracy of the information in the billing system.
- Tested the accuracy of the billing calculation.
- Tested the completeness and accuracy of the calculation and billing of monthly fees and
- Tested the completeness and accuracy of the calculation and billing of value-added service

In coordination with the IT specialists, we performed dialing tests to verify the accuracy and completeness of the traffic and information in the switch equipment.

Special Notes

Financial Information

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

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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 of the amounts.

In addition, we evaluated manual journal entries posted to revenue accounts, by sampling test of entries with specific risk, and compared details of these journal entries with the relevant underlying documentation to evaluate the reasonableness and accuracy of these selected entries.

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

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 Management is responsible for the preparation and fair presentation of the financial statements 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 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

- 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
- 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. 7

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

- 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 audit evidence obtained up to the date of our auditors' report. However, future events or 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 conditions may cause the Company to cease to continue as a going concern.
- 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. 5.
- 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 Obtain sufficient and appropriate audit evidence regarding the financial information of the 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.

that were of most significance in the audit of the financial statements for the year ended December 31, 2018 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 From the matters communicated with those charged with governance, we determine those matters penefits of such communication.

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

Deloitte

Deloitte & Touche Republic of China Taipei, Taiwan

February 20, 2019

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

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FAR EASTONE TELECOMMUNICATIONS CO., LTD.

BALANCE SHEETS DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

				-
	2018		2017	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 28)	\$ 1,251,405	1	\$ 1,093,018	1
Financial assets at amortized cost - current (Notes 4 and 28)	45,999	-	-	-
Contract assets - current (Notes 3, 4 and 20) Debt investments with no active market - current (Notes 4 and 28)	3,762,170	3	42,488	-
Notes receivable (Notes 4, 8 and 28)	21,848	-	35,465	-
Accounts receivable, net (Notes 4 and 8)	5,955,063	5	5,755,169	4
Accounts receivable - related parties (Notes 4, 8 and 28)	210,399	-	252,976	-
Other receivables - related parties (Note 28) Inventories (Notes 4 and 9)	42,253 2,692,121	2	261,960 3,550,840	3
Prepaid expenses (Note 3)	842,127	1	679,833	1
Other financial assets - current (Notes 4, 28 and 29)	1,409,962	1	2,575,508	2
Other current assets	14,681		37,046	
Total current assets	16,248,028	13	14,284,303	11
NONCURRENT ASSETS				
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4, 7 and 27)	191,245	-	105.000	-
Financial assets measured at cost (Note 4) Investments accounted for using the equity method (Notes 3, 4, 10 and 28)	30,191,630	23	195,000 30,093,290	23
Contract assets - noncurrent (Notes 3, 4 and 20)	1,535,757	1	50,075,270	-
Property, plant and equipment, net (Notes 3, 4, 11 and 28)	24,980,931	19	28,927,960	22
Investment properties (Notes 4 and 12)	739,771	1	761,492	1
Concessions, net (Notes 1, 4 and 13) Computer software, net (Notes 4 and 13)	38,688,253 3,000,111	30 2	41,820,510 2,801,276	32 2
Goodwill (Notes 4 and 13)	10,283,031	8	10,283,031	8
Deferred income tax assets (Notes 4 and 22)	701,459	1	675,336	1
Refundable deposits (Note 28)	543,268	-	442,572	-
Incremental costs of obtaining a contract - noncurrent (Notes 3, 4 and 20)	2,106,684	2		-
Total noncurrent assets	112,962,140	87	116,000,467	89
TOTAL	<u>\$ 129,210,168</u>	<u>100</u>	<u>\$ 130,284,770</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4 and 14)	\$ 1,500,000	1	\$ 400,000	-
Short-term bills payable (Notes 4 and 14)	999,720	1	-	-
Contract liabilities - current (Notes 3, 4 and 20)	2,075,984	2	12.056	-
Notes payable Accounts payable	11,530 1,895,115	1	12,056 2,661,505	2
Accounts payable - related parties (Note 28)	665,327	1	1,607,562	1
Other payables (Notes 3 and 16)	5,824,899	5	6,455,120	5
Other payables - related parties (Notes 3 and 28)	8,408,279	7	3,757,966	3
Current tax liabilities (Notes 4 and 22) Unearned revenue (Notes 3 and 4)	3,004,824	2	1,894,767 2,615,961	1 2
Current portion of long-term borrowings (Notes 4, 14 and 15)	3,199,112	2	8,998,533	7
Guarantee deposits received - current	146,250	-	200,885	-
Other current liabilities (Notes 3, 4, 16 and 17)	1,524,340	1	642,709	1
Total current liabilities	29,255,380	23	29,247,064	22
NONCURRENT LIABILITIES				
Bonds payable (Notes 4 and 15)	22,175,150	17	20,373,820	16
Long-term borrowings (Notes 4 and 14)	700,000	1	7,600,000	6
Provisions - noncurrent (Notes 4 and 17) Deferred income tax liabilities (Notes 4 and 22)	352,975 2,072,265	2	335,304 1,629,888	1
Net defined benefit liabilities - noncurrent (Notes 4 and 18)	660,374	-	727,479	1
Guarantee deposits received - noncurrent	224,255	-	246,199	-
Other noncurrent liabilities (Notes 3, 4, 10 and 16)	452,271		366,604	
Total noncurrent liabilities	26,637,290	20	31,279,294	24
Total liabilities	55,892,670	43	60,526,358	46
EQUITY				
Capital stock	22 505 000	25	22 505 000	25
Common stock Capital surplus	32,585,008 5,820,041	<u>25</u> 5	32,585,008 8,143,345	<u>25</u> 6
Retained earnings				
Legal reserve	18,487,851	14	17,405,561	14
Special reserve	626,328	1	783,467	1
				- 8
Total retained earnings Other equity	34,881,092		18,132	
Total equity	73,317,498	57	69,758,412	54
TOTAL	\$ 129,210,168	100	<u>\$ 130,284,770</u>	100
Special reserve Unappropriated earnings Total retained earnings Other equity Total equity	626,328 15,766,913 34,881,092 31,357 73,317,498	1 12 27 57	783,467 10,822,899 29,011,927 18,132 69,758,412	2.

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

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FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018 Amount	%	2017 Amount	
OPERATING REVENUE (Notes 3, 4, 20 and 28)	\$ 65,909,728	100	100 \$ 72,945,992	
OPERATING COSTS (Notes 4, 9, 21 and 28)	42,684,950	65	41,675,647	

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 3, 4, 20 and 28)	\$ 65,909,728	100	\$ 72,945,992	100
OPERATING COSTS (Notes 4, 9, 21 and 28)	42,684,950	9	41,675,647	57
GROSS PROFIT	23,224,778	35	31,270,345	43
OPERATING EXPENSES (Notes 3, 4, 20, 21 and 28) Marketing General and administrative Expected credit losses	8,357,627 4,692,036 197,463	13	14,369,608 4,709,283	20 6
Total operating expenses	13,247,126	20	19,078,891	26
OPERATING INCOME	9,977,652	15	12,191,454	17
NONOPERATING INCOME AND EXPENSES Other income (Notes 4, 21 and 28) Other gains and losses (Notes 4, 12, 21 and 27) Financial costs (Notes 4, 21 and 28)	126,947 177,926 (445,995)	· · (E)	132,434 83,295 (472,909)	1 1 1
(Notes 3 and 4)	1,850,848	8	1,459,098	2
Losses on disposal of property, plant, equipment and intangible assets (Note 4)	(320,760)	1	(638,322)	(1)
Total nonoperating income and expenses	1,388,966	2	563,596	
INCOME BEFORE INCOME TAX	11,366,618	17	12,755,050	18
INCOME TAX (Notes 3, 4 and 22)	1,985,267	3	1,898,368	3
NET INCOME	9,381,351	14	10,856,682	15
OTHER COMPREHENSIVE INCOME (LOSS) Items that will not be reclassified subsequently to profit or loss: Remeasurement of defined benefit plans (Notes 4 and 18) Unrealized gains on investments in equity instruments designated as at fair value through other comprehensive income (Notes 4, 19 and 27) Share of other comprehensive income of subsidiaries and associates (Notes 4 and 19)	53,621	1 1	18,887	
	66,129		19,02 <u>6</u> (Cor	(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

2017	% Amount %		(4)	- 31,670 -	- 119,945 - 151,611	- 170,637	14 \$ 11,027,319 15	8 8 3 33 8 8
2018	Amount 9,		\$ (105)	-	12,522	78,546	\$ 9,459,897	\$ 288
		Items that may be reclassified subsequently to profit or loss: Exchange differences on translating the financial	statements of foreign operations (Notes 4 and 19)	Cash flow hedges (Notes 4 and 19)	Share of other comprehensive income of subsidiaries and associates (Notes 4 and 19)	Total other comprehensive income, net of income tax	TOTAL COMPREHENSIVE INCOME	EARNINGS PER SHARE, NEW TAIWAN DOLLARS (Note 23) Basic Diluted

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

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FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

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									Other Equity Unrealized (Losses) Gains			
	Capital Sto	Capital Stock (Note 19)			Retained Earnings		Exchange Differences on Translating the Financial	Unrealized (Losses) Gains on	on Financial Assets at Fair Value Through Other			
	Number of Shares (In Thousands of Shares)	Amounts	Capital Surplus (Notes 4 and 19)	Legal Reserve (Note 19)	Special Reserve (Note 19)	Unappropriated Earnings Notes 3, 4 (and 19)	Statements of Foreign Operations (Notes 4 and 19)	Available-for- sale Financial Assets (Notes 4 and 19)	Comprehensive Income (Notes 3, 4 and 19)	Cash Flow Hedges (Notes 4 and 19)	Gains on Hedging Instruments	Total
BALANCE AT JANUARY 1, 2017	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 Special reserve Cash dividends - NT\$3.129 per share		1 1 1	1 1 1	1,134,683	13,560	(1,134,683) (13,560) (10,195,849)		1 1 1	1 1 1		1 1 1	. (10,195,849)
Cash dividends from capital surplus - NT\$0.621 per share	•	1	(2,023,529)	•		•	•		1		•	(2,023,529)
Changes in equity from investments in associates accounted for using the equity method	1	•	,	•	,	(5,182)	ı	•	•	ı	•	(5,182)
Difference between the price and carrying amount for the acquisition or disposal of subsidiaries	1	,	•	•	•	(144)		•	•			(144)
Changes in ownership interests of 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					1	19,026	(516)	45,872		106,255	1	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
Effects of retrospective application and retrospective restatement					•	6,364,273			(11,733)	(14,010)	14,010	6,352,540
BALANCE AT JANUARY 1, 2018 AS RESTARTED	3,258,501	32,585,008	8,143,345	17,405,561	783,467	17,187,172	4,122		(11,733)		14,010	76,110,952
Appropriation of the 2017 earnings Legal reserve Special reserve Cash dividends - NTS3.037 per share		1 1 1	1 1 1	1,082,290	- (157,139)	(1,082,290) 157,139 (9,896,067)	1 1 1	1 1 1	1 1 1			- (790,896,067)
Cash dividends from capital surplus - NT\$0.713 per share	•	•	(2,323,311)	•		•	•	•	•		•	(2,323,311)
Changes in equity from investments in associates accounted for using the equity method	1	,	7	•	•	(9)		•	•			-
Changes in ownership interests of subsidiaries	•	•		•		(33,974)	•	•	•		•	(33,974)
Net income for the year ended December 31, 2018	•	•				9,381,351	•					9,381,351
Other comprehensive income for the year ended December 31, 2018	1	1	1		1	53,588	75	1	12,541	1	12,342	78,546
BALANCE AT DECEMBER 31, 2018	3,258,501	\$ 32,585,008	\$ 5,820,041	\$ 18,487,851	\$ 626,328	\$ 15,766,913	\$ 4,197	59	808	9	\$ 26,352	\$ 73,317,498

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 11,366,618	\$ 12,755,050
Depreciation	8.101.870	7.798.274
Amortization	759,851	692,430
Amortization of concessions	3,132,257	3,078,021
Expected credit losses	197,463	
Allowance for doubtful accounts	•	481,907
Financial costs	445,995	472,909
Interest income	(33,131)	(27,284)
Share of the profit of subsidiaries and associates	(1,850,848)	(1,459,098)
Loss on disposal of property, plant, equipment and intangible assets	320,760	638,322
Loss on disposal of associate	2,486	•
Write-down (reversal of write-down) of inventories	24,065	(1,073)
Loss (gain) on change in fair value of investment properties	21,721	(7,464)
Net changes in operating assets and liabilities		
Contract assets	570,692	•
Notes receivable	13,617	(6,041)
Accounts receivable	(250,669)	(100,529)
Accounts receivable - related parties	42,577	49,686
Other receivables - related parties	223,694	(49,841)
Inventories	834,654	(2,287,915)
Prepaid expenses	(161,160)	368,553
Other current assets	(2,900)	(3,519)
Incremental costs of obtaining a contract	(274,941)	•
Contract liabilities	(386,783)	
Notes payable	(581)	2,443
Accounts payable	(767,956)	1,106,884
Accounts payable - related parties	(942,235)	482,743
Other payables	(888,747)	(812,117)
Other payables - related parties	(51,108)	(124,299)
Provisions	(70,101)	(36,896)
Unearned revenue	•	312,277
Other current liabilities	897,548	53,710
Net defined benefit liabilities	(13,566)	(13,489)
Cash generated from operations	21,261,142	23,363,644
Interest received	36,082	23,148
Dividends received	1,738,841	1,966,584
Interest paid	(427,652)	(355,809)
Income taxes paid	(1.816,791)	(1,328,761)
Net cash generated from operating activities	20,791,622	23,668,806
		(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES Acquisition of financial assets at fair value through other comprehensive income Remittance of cash due to capital reduction of financial assets at fair value through other comprehensive income Acquisition of financial assets at amortized cost Proceeds from the disposal of debt investments with no active market Acquisition of financial assets measured at cost Acquisition of financial assets measured at cost Acquisition of investments accounted for using the equity method Proceeds from capital reduction of investments accounted for using the equity method Acquisition of property, plant and equipment Increase in refundable deposits Decrease in refundable deposits Increase in financing provided by other receivables - related parties Acquisition of intangible assets Proceeds from the disposal of intangible assets Cash received through a merger Decrease in other financial assets	\$ (45,000) 61,500 (3,511) - - (4,264,224) 139,930 (245,017) 163,961 (951,970) - (951,970)	\$ - 5,710 (45,000) (590,620) (99,985 (5,686,247) (66,686 (112,130) 106,512 (130,000) (7,471,107) 3,750 - 125,368
Net cash used in investing activities	(3,975,024)	(13,627,093)
CASH FLOWS FROM FINANCING ACTIVITIES Increase (decrease) in short-term borrowings Increase (decrease) in short-term bills payable Proceeds from the issuance of bond payables Repayment of bonds payable Repayment of bonds payable Repayment of long-term borrowings Repayment of long-term borrowings Increase in guarantee deposits received Decrease in guarantee deposits received Increase in financing obtained from other payables - related parties Cash dividends paid Acquisition of partial interest of subsidiary	981,000 999,720 4,993,390 (6,500,000) 700,000 (10,100,000) 48,807 (126,352) 4,570,000 (12,219,378)	(2,000,000) (2,799,387) 14,675,877 (6,200,000) 8,000,057 (12,848,402) 72,819 (110,167) 2,800,000 (12,219,378)
Net cash used in financing activities	(16,658,211)	(9,728,581)
INCREASE IN CASH AND CASH EQUIVALENTS	158,387	313,132
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	1,093,018	779,886
CASH AND CASH EQUIVALENTS, END OF THE YEAR	\$ 1,251,405	\$ 1,093,018

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

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FAR EASTONE TELECOMMUNICATIONS CO., LTD.

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise) FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 NOTES TO FINANCIAL STATEMENTS

2018 ANNUAL REPORT

1. ORGANIZATION AND OPERATIONS

(ROC) on April 11, 1997 and began commercial operations on January 20, 1998. The Company's stock was 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 Far EasTone Telecommunications Co., Ltd. (the Company) was incorporated in the Republic of China initially listed and commenced trading on the over-the-counter (OTC) securities exchange (known as the Faipei Exchange, TPEx) of the ROC on December 10, 2001, but later ceased trading on the TPEx and transferred listing of its stock on the 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, 2018 and 2017, Far Eastern the 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 second-generation (2G) wireless communications services under type I licenses issued by the Directorate General of Telecommunications (DGT) of the ROC. These licenses allowed the Company to provide services for 15 years starting from 1997. The National Communications Commission (NCC) approved the renewal of the licenses when they were due. However, 2G wireless communication services were terminated on June 30, 2017. The DGT also issued the Company a type II license to provide Internet and ISR services until December 2021 and a license to provide local/domestic long-distance land cable leased circuit services from January 2003 until December 2017. Through the completion of the merger with Yuan-Ze Telecommunications Co., Ltd. on May 2, 2005, the Company acquired a third-generation (3G) wireless communications license which was issued by the DGT and is valid through December 31, 2018.

communications), valid through December 31, 2030. On December 7, 2015 and November 15, 2017, the Company bid for fourth-generation (4G) wireless communications licenses, GSM2600 and GSM2100, On October 30, 2013, the Company bid for two 4G (fourth-generation wireless communications services) wireless communications licenses, GSM700 and GSM1800 (GSM means global system for mobile respectively, both of which are valid through December 31, 2033.

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 20, 2019.

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

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 Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports

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

1) IFRS 9 'Financial Instruments' and related amendments

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

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

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as of January 1, 2018, the Company has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods. The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amounts under IFRS 9 for each class of the Company's financial assets and financial liabilities as of January 1, 2018.

	Measu	Measurement Category	Carrying Amount	Amount	
Financial Assets	IAS 39	IFRS 9	IAS 39	IFRS 9	Remark
Cash and cash equivalents Loans and receivables Equity securities Available-for-sale	Loans and receivables Available-for-sale	Amortized cost Fair value through other	\$ 1,093,018 195,000	\$ 1,093,018	a)
		comprehensive income (i.e. FVTOCI) - equity instruments			
Certificates of deposits	Loans and receivables	Amortized cost	42,488	42,488	p)
with original maturities					
of more than 5 months					
Notes receivable,	Loans and receivables Amortized cost	Amortized cost	6,305,570	6,305,570 c)	c)
accounts receivable and					
other receivables					
Refundable deposits	Loans and receivables Amortized cost	Amortized cost	442,572	442,572	

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Remark				Remark	
Other Equity Effect on January 1, 2018	- a)	(q -	<u>-</u>	Other Equity Effect on January 1, 2018	\$ (11,733) d)
IFRS 9 Carrying Amount as of e- January 1, 2018	- \$ -	42,488	= <u>\$ 237,488</u> Retained	Earnings Effect on January 1, 2018	
siff. Remeasure- ns ments	\$ -	- 42,488 42,488	***************************************	IFRS 9 Carrying Amount as of January 1, 2018	\$ 30,081,557
Carrying Carrying Amount as of January 1, Reclassifi- 2018 cations	\$ -	- 195. - 42.	- \$ 237,488 Adjustments	Arising from Initial Application	\$ (11,733)
Ca Ca AA Jan Jan	ugh other \$ y cial assets	investments	s 9	IAS 39 Carrying Amount as of January 1, 2018	\$ 30,093,290
	Financial assets at fair value through other comprehensive income - equity instruments Add: Reclassification from financial assets measured at cost (IAS 39)	Financial assets at amortized cost Add: Reclassification from debt investments with no active market (IAS 39)			Investments accounted for using the equity method

- a) Investments in unlisted shares previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were measured at fair value.
- Debt investments previously classified as debt investments with no active market and measured at amortized cost under IAS 39 were classified as measured at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash **P**
- Notes receivable, accounts receivable and other receivables that were previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9. ၁
- As a result of the retrospective application of IFRS 9 by a subsidiary, there was a decrease of \$11,733 thousand on January 1, 2018 in both investments accounted for using the equity method and other equity - unrealized gain (loss) on financial assets at FVTOCI Ŧ
- 2) IFRS 15 "Revenue from Contracts with Customers" and related amendments

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

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 In identifying performance obligations, IFRS 15 and the related amendments require that a good or

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Under IFRS 15, the Company allocates the transaction price to each performance obligation identified in the contract on a relative stand-alone selling price basis. Prior to the application of IFRS 15, the Company enters into transactions that involve the bundling of the service of air time with goods, resulting in the recognition of the revenue for service and goods based on the allocation of the total consideration received from customers using the relative fair values, and the sales of goods are limited to the amount for which customers pay.

transfer to the customer of the goods or services to which the assets relate. Prior to the application expects to recover those costs. Such assets are amortized on a basis that is consistent with the Incremental costs of obtaining a contract are recognized as assets to the extent that the Company of IFRS 15, related costs were recognized as expenses immediately.

IFRS 15, the transaction price of the aforementioned transaction was fully recognized as revenue 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 is recognized as revenue, and the related costs are recognized when the warranty service is performed. Prior to the application of when products were sold, and a corresponding provision was recognized for the expected warranty

transferred to the customers and, therefore, is acting as a principal in the transaction. Prior to the exposure to the significant risks and rewards of the goods or services and considered itself a Under IFRS 15, the Company obtains control of the specified goods or services before they are application of IFRS 15, the Company determined whether it was a principal or an agent based on its principal in the transaction. Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Prior to the application of IFRS 15, receivables were recognized or deferred revenue was reduced when revenue was recognized for the contract

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

dentified the performance obligations, determined and allocated the transaction price in the manner that reflected the aggregate effect of all modifications that occurred before December 31, 2017. This reduced the complexity and cost of retrospective application, and resulted in financial information hat closely aligns with the financial information that would be available under IFRS 15 without the For all contract modifications that occurred on or before December 31, 2017, the Company did not apply the requirements in IFRS 15 individually to each of the modifications. Instead, the Company

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December 31, 2018

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The impact on assets, liabilities and equity as of January 1, 2018 from the initial application of IFRS 15 is set out below:

Destated	Restated
Initial	Application
As Originally	Stated
	As Originally Initial

Impact on assets, liabilities and equity

Current assets				
Contract assets - current	· ·	\$ \$ 4,006,717	↔	\$ 4,006,717
Noncurrent assets				
Contract assets - noncurrent	1	1,997,827		1,997,827
Investments accounted for using the equity method	30,093,290	(265,553)		29,827,737
Incremental costs of obtaining a contract -				

1,831,743 137,855,504

1,831,743 7,570,734

130,284,770

Total assets

2,464,505 3,252,684 35,376,200 76,122,685 61,732,819 2,464,505 1,357,917 (2,615,961) 1,206,461 6,364,273 6,364,273 1,894,767 2,615,961 60,526,358 29,011,927 69,758,412 Contract liabilities - current Current tax liabilities Unearned revenue Total liabilities Retained earnings Current liabilities Total equity Equity

The impact of applying the pervious standards (IAS 18 "Revenue") as of December 31, 2018 and for the year ended December 31, 2018 is summarized below:

Impact on assets, liabilities and equity for the current year

Decrease in contract assets - current	2018 (3.762.170)
Increase in investments accounted for using the equity method Decrease in contract assets - noncurrent	304,521
Decrease in incremental costs of obtaining a contract - noncurrent	(2,106,684)
Decrease in assets	\$ (7,100,090) (Continued)

\$ (2,075,984) 2,274,175 (1,271,01 <u>6</u>)	\$ (1,072,825)	\$ (6,027,265)	<u>\$ (6,027,265)</u> (Concluded)		For the Year Ended December 31, 2018	\$ 3,996,556 3,611,615 38,968 86,901 337,008	\$ 337,008	\$0.1
Decrease in contract liabilities - current Increase in unearned revenue Decrease in current tax liabilities	Decrease in liabilities	Decrease in retained earnings	Decrease in equity	Impact on total comprehensive income for the current year		Increase in operating revenue Increase in operating expenses Increase in share of profit of associates Increase in income tax expense Increase in net profit for the year	Increase in total comprehensive income for the year	Impact on earnings per share: Increase in basic earnings per share

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs endorsed by the FSC for application starting from 2019

1)

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note
Annual Improvements to IFRSs 2015-2017 Cycle Amendments to IFRS 9 "Prepayment Features with Negative	January 1, 2019 January 1, 2019 (Note 2)
Compensation IFRS 16 "Leases" Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 January 1, 2019 (Note 3)
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: The Company shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

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Special Notes

IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17, IFRIC 4, and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Company will reassess whether a contract is, or contains, a lease in accordance with the definition of a lease under IFRS 16. Contracts that are reassessed as containing a lease will be accounted for in accordance with the transitional provisions under IFRS 16.

The Company as lessee

for all leases on the balance sheets, except for those whose payments under low-value asset and short-term leases will be recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Company will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the Upon initial application of IFRS 16, the Company will recognize right-of-use assets and lease liabilities effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases. The Company anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be

with the application of IAS I7. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at their carrying amount as if IFRS 16 had been applied since the Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases commencement date, but discounted using the aforementioned incremental borrowing rate. The Company will apply IAS 36 to all right-of-use assets. For leases currently classified as finance leases under IAS 17, the carrying amount of right-of-use assets and lease liabilities on January 1, 2019 will be determined as at the carrying amount of the leased assets and finance lease payables as of December 31, 2018.

The Company as lessor

The Company will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

Anticipated impact on assets, liabilities and equity

	Car Amou Decen 20	Carrying Amount as of December 31, 2018	Adj Aris I Apj	Adjustments Arising from Initial Application	A C Am Janu	Adjusted Carrying Amount as of January 1, 2019
Current assets						
Prepaid expenses	\$	842,127	↔	(383,172)	↔	458,955
Noncurrent assets						
Investments accounted for using the equity method Property, plant and equipment, net	30, 24,	30,191,630 24,980,931		(1,976)		30,189,654 24,790,118
Kignt-or-use assets Total assets	129,	129,210,168		8,171,386	Ξ	8,171,386 136,805,593
Current liabilities						
Other payables (including related parties) Current tax liabilities Lease liabilities - current	3, 4,	14,233,178 3,004,824		(51,836) (12,632) 2,751,976		14,181,342 2,992,192 2,751,976
Other current liabilities Noncurrent liabilities	,	1,524,340		(49,585)		1,474,755
Lease liabilities - noncurrent Other noncurrent liabilities Total liabilities	55,	- 452,271 55,892,670		5,057,267 (47,260) 7,647,930		5,057,267 405,011 63,540,600
Equity						
Retained eamings Total equity	34, 73,	34,881,092 73,317,498		(52,505) (52,505)	(., (.	34,828,587 73,264,993

Except for the above impacts, as of the date the financial statements were authorized for issue, the Company assesses that application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will not have any material impact on the Company's financial position and financial performance.

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

Effective Date Announced by IASB (Note 1)	January 1, 2020 (Note 2) To be determined by IASB January 1, 2021	January 1, 2020 (1908 3)	
New IFRSs	Amendments to IFRS 3 "Definition of a Business" Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" IFRS 17 "Insurance Contracts"	Amendments to IAS 1 and IAS 8 Definition of Material	

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

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- acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that The Company shall apply these amendments to business combinations for which the Note 2:
- The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020. Note 3:

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

4. SUMMARY OF 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 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:

- 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 the equity method to account for its investments in subsidiaries and associates. In order for the amounts of the net profit for the financial statements, adjustments arising from the differences in accounting treatment between the parent company only basis and the consolidated basis were made to investments accounted for using the 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 year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same as the amounts attributable to the owner of the Company in its consolidated

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

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

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 except for exchange difference on transactions entered into in order to hedge against certain foreign currency risks. 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.

operations (including subsidiaries in other countries or subsidiaries that use currencies different from the For the purposes of presenting financial statements, the assets and liabilities of the Company's foreign ones used by the Company) are translated into New Taiwan dollars using the 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.

a foreign operation, all of the exchange differences accumulated in equity in respect of that operation On the disposal of a foreign operation or a disposal involving loss of control over a subsidiary that includes 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

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 Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item,

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Investments in Subsidiaries

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

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

The Company also recognizes the changes in the Company's share of equity of associates

attributable to the Company.

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.

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

A subsidiary is an entity that is controlled by the Company

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

the Company's share of equity of associates. If the Company's ownership interest is reduced due to the

includes any carrying amount of the investment accounted for using 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

When the Company's share of losses of an associate equals or exceeds its interest in that associate (which

investments accounted for using the equity method is insufficient, the shortage is debited to retained

by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, which 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 entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset

on behalf of that associate.

an associate. Any retained investment is measured at fair value at that date and the fair value is regarded as 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 discontinues the use of the equity method from the date on which its investment ceases to be its fair value on initial recognition as a financial asset. The difference between the previous carrying amount 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

the Company continues to apply the equity method and does not remeasure the retained interest.

Property, plant and equipment (including assets held under finance leases) are measured at cost, less

accumulated depreciation and accumulated impairment 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 additional subscription of the new stock of the 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

> 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.

estimated recoverable amount as assessed based on the financial statements of the invested company as a whole. 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 The Company assesses its investment for any impairment by comparing the carrying amount with 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.

retained investment plus any consideration received and the carrying amount of previous investment at the 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 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.

subsidiaries are recognized in the parent company only financial statements only to the extent of interests in 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 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.

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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. Property, plant and equipment in the course of construction are carried at cost. Cost includes professional

Each significant part is depreciated separately. If the lease term of an item of property, plant and equipment is and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in shorter than its useful life, it is depreciated over its lease term. The estimated useful lives, residual values Depreciation on property, plant and equipment is recognized using the straight-line method. 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 rental 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.

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

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 If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that of the operation disposed of and the portion of the cash-generating unit retained.

Intangible Assets

Intangible assets acquired separately

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 subsequently measured at cost less accumulated amortization. Amortization is recognized on a Intangible assets with finite useful lives that are acquired separately are initially measured at cost and prospective basis.

Intangible assets acquired in a business combination þ.

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.

Derecognition of intangible assets ပ

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.

Assets related to contract costs

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

Impairment of Tangible and Intangible Assets (Other Than Goodwill) and Assets Related to Contract Costs

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 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 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 suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying impairment loss recognized in profit or loss.

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loss on incremental costs of obtaining a contract applicable under IFRS 15 shall be recognized in accordance with applicable standards. The impairment loss from the assets related to the contract costs is then recognized to the extent that the carrying amount of the assets exceeds the remaining amount of Before the Company recognizes an impairment loss from assets related to contract costs, any impairment consideration that the Company expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit. When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

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

1) Measurement category

2018

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

a) Financial assets at amortized cost

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

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding :**:**i

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

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

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

- is Purchased or originated credit-impaired financial assets, for which interest income calculated by applying the credit-adjusted effective interest rate to the amortized cost such financial assets; and
- not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent Financial assets that are reporting periods.

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

Investments in equity instruments at FVTOCI 9

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

gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or Investments in equity instruments at FVTOCI are subsequently measured at fair value with loss on disposal of the equity investments; instead, it will be transferred to retained earnings. Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

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

Impairment of financial assets and contract assets

2018

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable) and contract assets.

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Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2017

Financial assets 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 The Company was assessed for indicators of impairment at the end of each reporting period. cash flows of the investment have decreased. Financial assets at amortized cost, such as accounts receivable, 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 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 financial assets at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of its estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

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

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

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

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.

carrying amount and the sum of the consideration received and receivable and the cumulative gain From 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is the cumulative gain or loss which had been recognized in other comprehensive income is or loss which had been recognized in other comprehensive income is recognized in profit or loss. Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, transferred directly to retained earnings, without recycling through profit or loss.

Equity instruments Ъ.

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

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

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.

Derivative financial instruments

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

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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 the derivative financial instrument is 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 Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered positive, the derivative is recognized as a financial asset; when the fair value of the derivative financial instrument is negative, the derivative is recognized as a financial liability.

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

Warranties

Revenue Recognition

2018

obligation.

The Company identifies contracts with customers, allocates the transaction price to the performance

obligations, and recognizes revenue when performance obligations are satisfied.

Revenue from the sale of goods

a.

Revenue from the sale of goods comes from sales of mobile telecommunication devices and accessories. Sales of mobile telecommunication devices and accessories are recognized as revenue when the goods are shipped or delivered to the customer because that is the time when the customer has

full discretion over the manner of distribution and price to sell the goods, has primary responsibility for sales to future customers, and bears the risks of obsolescence. Accounts receivable are recognized Revenue from the rendering of services comes from telecommunications services, value-added services

Revenue from the rendering of services

and enterprise project services.

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.

Usage revenue from cellular services and call transfer fees from other telecommunications companies

Other telecommunication revenue is recognized as follows: (a) monthly fees are recognized as income when services are rendered at the amount allocated from the transaction price of the related contracts on a relative stand-alone selling price basis, and (b) prepaid and recharge services are recognized as revenue is recognized when services are rendered. The effort of technical personnel is required to perform enterprise project services, and therefore, the Company measures progress on the basis of costs incurred relative to the total expected costs. The Company recognizes revenue over time based on the progress of the project. Payments for enterprise project services are made at several time points specified in the service contract. A contract asset is recognized over the period in which the enterprise project services are performed and is reclassified to accounts receivable when each milestone payment

As the Company provides telecommunication value-added services, the customer simultaneously receives and consumes the benefits provided by the Company's performance. Consequently, related

income based upon actual usage by customers.

A bundle sale contract consists of the rendering of air time services and the sale of goods. The rendering allocates the transaction price to each performance obligation identified in a bundle sale contract on a relative stand-alone selling price basis and recognizes sales and service revenue in accordance with the

of services and the sale of goods are accounted for as distinct performance obligations. The Company

Under the Company's Customer Loyalty Program, the Company offers award credits when customers purchase goods or services. The award credits provide a material right to customers. The transaction price allocated to the award credits is recognized as a contract liability when collected and will be

aforesaid principles of revenue recognition.

recognized as revenue when the award credits are redeemed or have expired.

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Hedge Accounting

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

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss. The associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the line item relating to the hedged item in the same period when the hedged item affects profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed from equity and included in the initial cost of the non-financial asset or non-financial liability.

Before 2018, hedge accounting was discontinued prospectively when the Company revoked the designated 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 hedging relationship; when the hedging instrument expired or was sold, terminated, or exercised; or when the hedging instrument no longer met the criteria for hedge accounting. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period immediately in profit or loss.

Provisions

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

Decommissioning, restoration and similar liabilities

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

- Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; \Box
- 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; and 5
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. 3

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

Operational Highlights

Financial Information

2017

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 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 revenue resulting from receivables within one year approximate the fair values of these receivables, the fair costs of providing services are recognized as incurred. Related revenues are recognized as follows:

Services revenue

and carriers are billed in arrears and are recognized based on minutes of traffic processed when the Usage revenue from cellular services and call transfer fees from other telecommunications companies 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.

Sale of goods ь.

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
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. 6
- The amount of revenue can be measured reliably. 3)
- 4) It is probable that the economic benefits associated with the transaction will flow to the Company.
- 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, revenue for services and products are recognized based on the allocation of the total consideration received from customers using the relative fair values and the sales of products are limited to the amount that customers have paid for.

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. 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

Dividend and interest income ٠.

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.

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

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 that 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 attached 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.

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Employee Benefits

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 are recognized only to the extent that it is probable that there will be sufficient taxable profits against which 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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced

to use the benefits of the temporary differences and are expected to reverse in the foreseeable future.

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

taxable profit will allow the deferred tax asset to be recovered.

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

Current and deferred taxes for the year

Where current 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 the subsidiary.

taxes are also recognized in other comprehensive income or directly in equity, respectively.

estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent

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.

Estimated impairment of financial assets - 2018

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In the application of the Company's accounting policies, management is required to make judgments, from other sources. The estimates and associated assumptions are based on historical experience and other

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION

UNCERTAINTY

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.

Retirement benefits ь.

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

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. 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

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.

Termination benefits ပ

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.

Faxation

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

Current tax a.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses), as well as tax adjustments of prior years' tax liabilities. According to the Income Tax Law, an additional tax of unappropriated earnings is provided for as income tax in the year the stockholders approve to retain earnings.

Deferred tax Ъ.

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.

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 Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax

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conditions as well as forward looking estimates at the end of each reporting period. For details of the

expected, a material impairment loss may arise.

The provision for impairment of accounts receivable is based on assumptions about the risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs for the impairment calculation, based on the Company's historical experience, existing market key assumptions and inputs used, see Note 8. Where the actual future cash inflows are less than

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Special Notes

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

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Impairment of property, plant and equipment, intangible assets (other than goodwill) and incremental costs of obtaining a contract ပ

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 For impairment test of assets, the Company evaluates and decides on certain assets' independent cash national and local economic conditions or the Company's strategy may cause significant impairment

Impairment of goodwill ن

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 the value in use 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.

Income tax e.

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 depends on whether sufficient future profits or taxable temporary differences will be available. In cases As of December 31, 2018 and 2017, the realizability of the deferred tax assets (liabilities) mainly reversal takes place.

6. CASH AND CASH EQUIVALENTS

December 31	2018 2017	\$ 8,637 \$ 9,186 1,242,768 1,083,833	\$ 1,251,405
		Cash on hand Checking and demand deposits	

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

December 31,

\$ 191,245

Noncurrent

Investments in equity instruments at FVTOCI

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

8. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	December 31	ber 31
	2018	2017
Notes receivable		
At amortized cost Gross carrying amount Less: Allowance for impairment loss	\$ 21,848	\$ 35,465
	\$ 21,848	\$ 35,465
Notes receivable - operating	\$ 21,848	\$ 35,465
Accounts receivable (including related parties)		
At amortized cost Gross carrying amount Less: Allowance for impairment loss	\$ 6,764,254 (598,79 <u>2</u>)	\$ 6,924,761 (916,616)
	\$ 6,165,462	\$ 6,008,145

For the year ended December 31, 2018

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.

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

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

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Company Profile Corporate Governance Fund Utilization Status

December 31, 2017

The aging of receivables was as follows:

that a debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery of the receivable, e.g. when the debtor has been placed under liquidation or when the accounts receivable is over

120 days past due, whichever occurs earlier. For notes receivable and accounts receivable that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables The Company's expected credit loss rate ranges of receivables which were not overdue and receivables

which were overdue were 0.79%-7.00% and 9.84%-100%, respectively.

due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of notes receivable and accounts receivable based on the

Company's allowance matrix.

December 31, 2018

The Company recognizes an allowance for impairment loss of 100% when there is information indicating

165,762 82,833 \$ 5,795,015 61 days or more

Not overdue 0-60 days Overdue

\$ 6,043,610

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

The Company does not have notes receivable and accounts receivable that were past due but not impaired

Movements of the allowance for doubtful accounts were as follows:

(598,792)\$ 6,786,102

(150,067)192,650

(37,314)

(411,411)

Loss allowance (lifetime ECLs)

Amortized cost

Gross carrying amount

247,218

Total

60 Days or More Overdue

Less than Overdue 60 Days

> Not Overdue 6,346,234

\$ 6,187,310

42,583

209,904

\$ 5.934.823

For the Year December 31

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

Ended 2018

231,889 481,907 (662,524)\$ 916,616 865,344 Total Assessed for Impairment Collectively (662,349)\$ 864,947 231,889 482,129 \$ 916,616 (222)(175) Individually Assessed for **Impairment** 397 Less: Amounts written off during the period as Add: Accounts recovered during the period Add: Impairment loss/bad debt (reversed) Balance at December 31, 2017 Balance at January 1, 2017 uncollectible

Sale of Overdue Accounts Receivable

Under agreements on sales of accounts receivable signed in the years ended December 31, 2018 and 2017, the Company sold to asset management companies the overdue accounts receivable that had been written off. Thus, as of December 31, 2018 and 2017, the Company was not under the risk of uncollectible

Related information as of December 31, 2018 and 2017 is as follows:

247,842 61,538 (627,215)

Add: Acquisition through business combination Adjustment on initial application of IFRS 9

Balance at January 1, 2018 per IFRS 9

Balance at January 1, 2018 per IAS 39

Add: Net remeasurement of loss allowance

Less: Amounts written off

\$ 598,792

916,616 916,616 Proceeds from

Counterparty	Amount of Accounts Receivable Sold	the Sale of Accounts Receivable
<u>2018</u>		
Good Management Consultant Co., Ltd.	\$ 1,523,228	\$ 111,429
<u>2017</u>		
E-Hao Management Consultant Co., Ltd.	\$ 1,499,625	\$ 97,143

receivable and accounts receivable, the Company considers any change in the credit quality from the date

default experience with the respective counterparty and an analysis of their current financial positions.

The Company applied the same credit policy in 2018 and 2017. When deciding the recoverability of notes 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 beyond 120 days because historical experience has been that receivables that are past due beyond 120 days are not recoverable. Allowance for doubtful accounts is recognized against notes receivable and accounts receivable which are past due for 120 days or less based on estimated irrecoverable amounts determined with reference to past

For the year ended December 31, 2017

Balance at December 31, 2018

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

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9. INVENTORIES

	Decem	December 31
	2018	2017
ellular phone equipment and accessories others	\$ 2,554,959 \$ 137,162	\$ 3,330,361 220,479
	\$ 2,692,121	\$ 3,550,840

Costs of inventories sold for the years ended December 31, 2018 and 2017 were \$18,883,133 thousand and \$17,717,038 thousand, respectively.

The inventory write-downs and the reversal of write-downs amounting to \$24,065 thousand and \$(1,073) thousand were included in the cost of sales for the years ended December 31, 2018 and 2017, respectively.

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY-METHOD

	Decem	December 31
	2018	2017
Investments in subsidiaries Investments in associates	\$ 28,979,505 1,212,125	\$ 28,905,173 1,188,117
	\$ 30,191,630	\$ 30,093,290
a. Investments in subsidiaries		
	December 31	lber 31
	2018	2017
Unlisted companies		
New Century InfoComm Tech Co., Ltd.	\$ 27,069,715	\$ 26,809,796
ARCOA Communication Co., Ltd.	995,299	1,268,193
KGEx.com Co., Ltd.	863,666	783,448
Yuan Cing Co., Ltd.	35,243	34,270
Omusic Co., Ltd.	10,559	9,466
Far Eastern Info Service (Holding) Ltd.	5,023	(47,302)
Yuanshi Digital Technology Co., Ltd. (formerly known as		
Hiir Inc.)	(405,011)	(115,145)
Qware Communications Co., Ltd.		(138,368)
	28,574,494	28,604,358

	Proportion of	reportion of Ownership and
	Voting Rights	Rights
	December 31	ber 31
	2018	2017
New Century InfoComm Tech Co., Ltd.	100.00%	100.00%
ARCOA Communication Co., Ltd.	61.63%	61.63%
KGEx.com Co., Ltd.	%66.66	%66.66
Yuan Cing Co., Ltd.	100.00%	100.00%
Omusic Co., Ltd.	20.00%	20.00%
Far Eastern Info Service (Holding) Ltd.	100.00%	100.00%
Yuanshi Digital Technology Co., Ltd. (formerly known as Hiiir		
Inc.)	86.41%	86.41%
Oware Communications Co., Ltd.	1	81.46%

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

mobile virtual network services, the Company's board of directors resolved on May 4, 2018 that the Company would proceed with a cash merger with Qware. The Company became the surviving company, and Qware was dissolved after it merged with the Company. The merger's total cash In order to simplify the Company's investment structure and to integrate wireless network services and consideration is \$397 thousand. The record date of the merger is June 30, 2018. The investments of subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2018 and 2017 were based on the subsidiaries' financial statements audited by the auditors for the same year.

Investments in associates

	December 31	iber 31
	2018	2017
Material associates Far Eastern Electronic Toll Collection Co., Ltd. Associates that are not individually material	\$ 924,758 287,367 \$ 1,212,125	\$ 816,685 371,432 \$ 1,188,117

All of the investments in associates listed in the table above were accounted for using the equity

1) Material associates

300,815 \$ 28,905,173

Credit balance on carrying amounts of investments accounted for using the equity method reclassified to other liabilities

\$ 28,979,505 405,011

		Main	Interests and	Voting Rights
		Place of	December 31	ber 31
Name of Associate	Nature of Activities	Business	2018	2017
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	ber 31
	2018	2017
Current assets Noncurrent assets Current liabilities Noncurrent liabilities	\$ 431,720 6,403,125 (893,567) (3,595,189)	\$ 665,666 6,223,855 (1,121,929) (3,692,708)
Bquity	\$ 2,346,089	\$ 2,074,884
Proportion of the Company's ownership	39.42%	39.42%
Carrying amount	\$ 924,758	\$ 816,685
	For the Years Ended December 31 2018 2017	ars Ended ber 31 2017
Operating revenue	\$ 2,096,764	\$ 2,044,747
Net profit for the year Other comprehensive income	\$ 239,893 31,312	\$ 128,058 207,335
Total comprehensive income for the year	\$ 271,205	\$ 335,393

As of June 30, 2011, the usage rate of electronic toll collection (ETC) services had not reached the requirement as stated in the contract of the Electronic Toll Collection BOT Project ("ETC Project"). 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, and on October 19, 2018, the Taipei District Court pronounced the judgment in FETC's favor. The TANFB filed an appeal on November 9, 2018.

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 filed an appeal on FETC failed to complete the taximeter system infrastructure within a specified period under the May 31, 2016 and accrued related penalties.

Aggregate information of associates that are not individually material

The Company's share of: Net loss for the year Other comprehensive income	For the Years Ended December 31 2018 2017 \$ (75,469) \$ (121,3)	sr Ended 2017 \$ (121,896)
Total comprehensive loss for the year	\$ (75,430)	\$ (121,872)

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

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Digital Payment Co., Ltd. Management believes there would have been no material impact on the equity method of 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 audited financial statements except those of Alliance Digital Technology Co., Ltd. and Yuan Hsin The calculation of investments accounted for using 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' Yuan Hsin Digital Payment Co., Ltd. been audited. On June 29, 2018, the stockholders of Alliance Digital Technology Co., Ltd. approved the liquidation of Alliance Digital Technology Co., Ltd. and the liquidation date was set on December 31, 2018. As of February 20, 2019, the liquidation procedures have not been completed.

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Building	Operating Equipment	Computer Equipment	Other Equipment	Construction-in- progress	Total
Cost							
Balance at January 1, 2017 Additions Disposals Reclassification	\$ 1,170,687	\$ 2,272,009 (2,554) 9,204	\$ 101,905,334 44,565 (47,215,947) 4,672,388	\$ 10,757,969 (982,849) 909,344	\$ 4,380,418 658 (163,659) 206,765	\$ 1,828,485 5,212,964 (22,893) (5,797,701)	\$ 122,314,902 5,258,187 (48,387,902)
Balance at December 31, 2017	\$ 1,170,687	\$ 2,278,659	\$ 59,406,340	\$ 10,684,464	\$ 4,424,182	\$ 1,220,855	\$ 79,185,187
Accumulated depreciation and impairment							
Balance at January 1, 2017 Depreciation expense Disposals Reclassification	69	\$ (1,032,346) (74,470) 2,539	\$ (76,505,290) (6,439,112) 46,561,699	\$ (9,165,031) (910,267) 982,247	\$ (3,427,270) (374,425) 124,499	69	\$ (90,129,937) (7,798,274) 47,670,984
Balance at December 31, 2017	8	\$ (1,104,277)	\$ (36,382,703)	\$ (9,093,051)	\$ (3,677,196)	· ·	\$ (50,257,227)
Carrying amount at December 31, 2017	\$ 1.170.687	\$ 1.174.382	\$ 23,023,637	\$ 1.591.413	\$ 746,986	\$ 1,220,855	\$ 28,927,960
Cost							
Balance at January 1, 2018 Additions Disposals Acquisitions through marger Reclassification	\$ 1,170,687	\$ 2,278,659 (30,999)	\$ 59,406,340 51,226 (7,146,668) 3,608 3,943,079	\$ 10,684,464 (107,307) 224,714 297,994	\$ 4,424,182 161 (552,572) - 228,532	\$ 1,220,855 4,489,359 (23,458) - (4,479,735)	\$ 79,185,187 4,540,746 (7,881,169) 228,322
Balance at December 31, 2018	\$ 1,150,522	\$ 2,257,790	\$ 56,257,585	\$ 11,099,865	\$ 4,100,303	\$ 1,207,021	\$ 76,073,086
Accumulated depreciation and impairment							
Balance at January 1, 2018 Depreciation expense Disposals Acquisition through merger Reclassification	e2	\$ (1,104,277) (71,234) 23,824	\$ (36,382,703) (6,848,305) 6,793,080 (1,801)	\$ (9,093,051) (852,294) 107,188 (178,792)	\$ (3,677,196) (330,037) 523,443	69	\$ (50,257,227) (8,101,870) 7,447,535 (180,593)
Balance at December 31, 2018	Ş	\$ (1.151,687)	\$ (36,439,729)	\$ (10,016,949)	\$ (3,483,790)	\$	\$ (51,092,155)
Carrying amount at December 31, 2018	\$ 1,150,522	\$ 1,106,103	\$ 19,817,856	\$ 1.082,916	\$ 616,513	\$ 1.207.021	\$ 24,980,931

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings Main buildings Other building equipment	
Operating equipment Computer equipment Other equipment	

5-10 years 2-15 years 3-10 years 2-11 years

11-55 years

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12. INVESTMENT PROPERTIES

1107	\$ 761,492
0107	\$ 739,771
	Investment properties

December 31

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

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

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

December 31	2018 2017	\$ 13,113 \$ 14,126 30,591 41,036 - 1486	
		Not later than 1 year Later than 1 year and not later than 5 years Later than 5 years	

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

er 31	2017	\$ 761,492
Decem	2018	\$ 739,771
		Independent valuation

carried out on January 4, 2019 and January 2, 2018, respectively, by independent qualified professional valuer, Ms. Hu, Chun-Chun and Mr. Tasi, Chia-ho, from DTZ Cushman & Wakefield, a member of The fair value of the investment properties as of December 31, 2018 and 2017 were based on the valuations certified ROC real estate appraisers. The fair value of investment properties was estimated using level 3 unobservable inputs. 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 are stated below. An increase in estimated future net cash inflows or a decrease in discount rates would result in an increase in the fair value.

	December 31	ner 21
	2018	2017
Expected future cash inflows Expected future cash outflows	\$ 1,293,501 (32,23 <u>5</u>)	\$ 1,319,870 (33,733)
Expected future cash inflows, net	\$ 1,261,266	\$ 1,286,137
	2.00%-2.25%	2.00%-2.20%

The market rentals in the area where the investment property is located were between \$1 thousand and \$19 thousand per ping per month (i.e. 1 ping = 3.3 square meters). The market rentals for comparable properties were between \$1 thousand and \$16 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, 2018 and 2017 were \$16,352 thousand and \$16,112 thousand,

or overly low, taking into account the annual rental growth rate, loss on vacancy rate of space was using the direct capitalization method under the income approach. The expected future cash outflows on 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 extrapolated using the comparative market rentals covering 10 years, excluding values that are overly high extrapolated using the vacancy rates of the neighboring stores and factories, the interest income on rental for the one-year average deposit interest rate of five major banks, and the disposal value was determined investment property included expenditures such as land value taxes, house taxes, insurance premium, 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 deposits was extrapolated using the interest rate of 1.04%, the interest rate announced by the central bank 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, 2017 Additions Disposals	\$ 50,614,000 6,515,000	\$ 13,710,467 956,107 (147,551)	\$ 10,283,031	\$ 74,607,498 7,471,107 (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 Amortization Disposals	\$ (12,230,469) (3,078,021)	\$ (11,169,158) (692,430) 143,841	· · · · ·	\$ (23,399,627) (3,770,451) 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 (Continued)

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	Concessions	Computer Software	Goodwill	Total
Cost				
Balance at January 1, 2018 Additions Disposals Acquisition through merger	\$ 57,129,000	\$ 14,519,023 951,970 (408,709) 28,367	\$ 10,283,031	\$ 81,931,054 951,970 (408,709) 28,367
Balance at December 31, 2018	\$ 57,129,000	\$ 15,090,651	\$ 10,283,031	\$ 82,502,682
Accumulated amortization				
Balance at January 1, 2018 Amortization Disposals Acquisition through merger	\$ (15,308,490) (3,132,257)	\$ (11,717,747) (759,851) 408,104 (21,046)	€	\$ (27,026,237) (3,892,108) 408,104 (21,046)
Balance at December 31, 2018	\$ (18,440,747)	\$ (12,090,540)	\$	<u>\$ (30,531,287)</u>
Carrying amount at December 31, 2018	\$ 38,688,253	\$ 3,000,111	\$ 10,283,031	\$ 51.971.39 <u>5</u> (Concluded)

Intangible assets were amortized on a straight-line basis over their estimated useful lives as follows:

14 to 17.75 years	3 to 7 years
oncessions	omputer software

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

and thus based the cash flow forecast on the discount rates of 5.63% and 7.17% on December 31, 2018 and 2017, respectively. The operating revenue forecast was based on the expected future growth rate of the As of December 31, 2018, the carrying amount of the tangible and intangible assets and the incremental costs of obtaining a contract used by the Company was \$79,059,010 thousand; as of December 31, 2017, the carrying amount of the tangible and intangible assets used by the Company was \$83,832,777 thousand. The Company's management estimated the recoverable amounts of core assets at their expected useful lives 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:

- Expected future growth rate of the telecommunications industry a.
- 1) Mobile voice service (MVS): The anticipated MVS is measured based on the actual effective customer base and minutes of usage of previous years, taking into account the market trend.
- Mobile data service (MDS): The anticipated MDS is measured based on the proportion of MDS to the total telecommunications service revenue of previous years, taking into account the demands and changes of the market. 5

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 revenue, while the possible impact of revenue, cost and expense are taken into account þ.

Based on the key assumptions of each cash-generating unit, for the years ended December 31, 2018 and 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 the recoverable amounts.

14. BORROWINGS

a. Short-term borrowings

	December 31	ber 31	
	2018	2017	
Unsecured bank loans			
Credit Ioans	\$ 1,500,000	\$ 400,000	
Interest rate	0.73%-0.88%	0.76%	
Short-term bills payable			
	December 31 2018	ber 31 2017	
Commercial paper Less: Unamortized discount	\$ 1,000,000	· · · · · · · · · · · · · · · · · · ·	
	\$ 999,720	\$	
Interest rate	0.818%	1	

ь.

The short-term commercial paper payables are treated as revolving credit facilities under contracts. The last repayment date is in October 2019.

c. Long-term borrowings

	December 31	oer 31
Unsecured bank loans	2018	2017
Credit loans Less: Current portion	\$ 700,000	\$ 10,100,000 2,500,000
Long-term borrowings	\$ 700,000	\$ 7,600,000
Interest rate	0.74%	0.72%-1.13%

The credit loans are payable in New Taiwan dollars. Repayment of principal will be made in full on maturity together with interest payment. Under some contracts, loans are treated as revolving credit facilities, and the maturity dates of the loans are based on terms as specified in the contracts. The loans are all repayable by January 2020.

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

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15. BONDS PAYABLE

		December 31	ber 3	1	
	2018	8 1		2017	
4th unsecured domestic bonds	\$ 2,49	2,498,040	↔	4,996,723	
5th unsecured domestic bonds		,		3,998,855	
6th unsecured domestic bonds	3,19	3,199,112		3,198,205	
2016 1st unsecured domestic bonds	5,19	5,194,949		5,193,271	
2017 1st unsecured domestic bonds	4,4	4,495,159		4,493,701	
2017 2nd unsecured domestic bonds	1,99	1,997,120		1,996,612	
2017 3rd unsecured domestic bonds	2,99	2,995,805		2,994,986	
2018 1st unsecured domestic bonds	4,99	4,994,077		1	
	25,37	25,374,262	(4	26,872,353	
Less: Current portion	3,19	3,199,112	ļ	6,498,533	
	\$ 22,175,150	75,150	\$	\$ 20,373,820	

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, 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 first five-year unsecured domestic bonds of 2017, with an aggregate principal amount of \$4,500,000 thousand, 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 second seven-year unsecured domestic bonds of 2017, with an aggregate principal amount of \$2,000,000 thousand, 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 third 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 simple interest due annually. Repayment will be made in full at maturity. On May 7, 2018, the Company issued the first unsecured domestic bonds of 2018, with an aggregate principal amount of \$5,000,000 thousand and a par value of \$10,000 thousand. The bond included five-year bonds and seven-year bonds, with principal amounts of \$1,500,000 thousand and \$3,500,000 thousand and with coupon interest rates of 0.85% and 1.01%, respectively, with simple interest due annually. Repayment will be made in full at maturity. In 2018, the Company repaid \$2,500,000 thousand of the 4th unsecured domestic bonds and \$4,000,000 thousand of the 5th unsecured domestic bonds which are due in 2018. In 2017, the Company repaid \$1,000,000 thousand of the 5th unsecured domestic bonds and \$5,200,000 thousand of the 6th unsecured domestic bonds which are due in 2017.

16. OTHER LIABILITIES

	December 31	ber 31
	2018	2017
Current		
Other payables		
Commission	\$ 1,068,296	\$ 1,989,124
Salary and bonus	1,395,953	1,096,111
Acquisition of properties	950,573	704,894
Maintenance fee	424,953	335,044
Employees' compensation and remuneration of directors	317,817	355,693
Others	1,667,307	1,974,254
	\$ 5.824.899	\$ 6,455,120
Other current liabilities		
Temporary receipts due to litigation	\$ 791,867	· •
Lease liabilities	49,585	49,699
Provision	34,643	50,511
Others	648,245	542,499
	\$ 1,524,340	\$ 642,709

The Company received a security deposit of \$791,867 thousand from Taiwan Mobile Co., Ltd., which was included in temporary receipts since the court decision has not been declared

		December 31 2018 2	er 31	2017	
Noncurrent					
Credit balance on carrying amount of investments accounted for using the equity method Leases payable	÷ ÷	\$ 405,011 47,260 \$ 452,271	↔	\$ 300,815 65,789 \$ 366,604	

17. PROVISIONS

December 31	2018 2017		\$ 19,816 \$ 25,361 obligation 14,827 25,150	\$ 34.643 \$ 50.511		obligation \$ 352.975 \$ 335.304
		Current	Product warranty Dismantling obligation		Noncurrent	Dismantling obligation

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	Dismantling Obligation	Product Warranty
Balance at January 1, 2017 Additional provisions recognized Reductions arising from payments	\$ 335,371 52,017 (26,934)	\$ 35,323 25,428 (35,390)
Balance at December 31, 2017	\$ 360,454	\$ 25,361
Balance at January 1, 2018 Acquisitions through merger Additional provisions recognized Reductions arising from payments	\$ 360,454 13,370 58,534 (64,556)	\$ 25,361 - 23,830 (29,375)
Balance at December 31, 2018	\$ 367,802	\$ 19,816

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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 plan

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 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 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 influence the investment policy and strategy. The amounts included in the balance sheets in respect of the Company's defined benefit plans were as

	December 31	ber 31
	2018	2017
Present value of defined benefit obligation Fair value of plan assets	\$ 1,656,501 \$ (996,12 <u>7</u>)	\$ 1,691,073 (963,594)
Net defined benefit liabilities	\$ 660,374	\$ 727,479

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, 2017	\$ 1,715,688	\$ (951,965)	\$ 763,723
Service cost Current service cost	10,886	ı	10,886
Net interest expense (income) Recognized in profit or loss Remeasurement	25,604 36,490	(14,418)	11,186 22,072
Return on plan assets (excluding amounts included in net interest) Actuarial loss - changes in financial	1	5,136	5,136
assumptions	1	1	•
Actuarial gain - experience adjustments Recognized in other comprehensive income Contributions from the employer	(27,891)	5,136	(27,891) (22,755) (35,561)
Benefits paid	(33,214)	33,214	
Balance at December 31, 2017	\$ 1,691,073	\$ (963,594)	\$ 727,479
Balance at January 1, 2018 Service cost	\$ 1,691,073	\$ (963,594)	\$ 727,479
Current service cost	10,575	1	10,575
Net interest expense (income) Recognized in profit or loss Remeasurement	25,248 35,823	(14,605)	10,64 <u>3</u> 21,21 <u>8</u>
Return on plan assets (excluding amounts included in net interest)	,	(24.309)	(24 309)
Actuarial loss - changes in demographic			
assumptions Actuarial loss - changes in financial	14,293	ı	14,293
assumptions	45,763	•	45,763
Actuarial gain - experience adjustments Recognized in other comprehensive income	(89,286)	(24,309)	(89,286) (53,539)
Contributions from the employer Benefits paid	(41,165)	(34,784)	(34,784)
Balance at December 31, 2018	\$ 1,656,501	\$ (996,127)	\$ 660,374
Through the defined benefit plans under the Labor Standards Law. the Company is exposed to the	Labor Standards I	aw the Company	s exposed to the

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

- 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.

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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. 3

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

2018 2018 201	31
1.25%	
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:

	Decem	Der 31
	2018 2017	2017
Discount rate(s)		
0.25% increase	\$ (45,763)	\$ (54,672)
0.25% decrease	\$ 47,502	\$ 57,003
Expected rate(s) of salary increase		
0.25% increase	\$ 47,160	\$ 56,729
0.25% decrease	\$ (45,663)	\$ (54,681)

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

The expected contributions to the plan for the next year	\$ 35,392	\$ 36,000
The average duration of the defined benefit obligation	11.4 years	13.4 years

19. EQUITY

a. Capital stock

Common stock

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

December 31

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

2) Global depositary receipts (GDRs)

Since 2004, part of the Company's issued common stocks were listed and have been trading on the Luxemburg Stock Exchange in the form of GDRs. One GDR unit represents 15 shares of the Company's common stocks. As of December 31, 2018 and 2017, there were 195 thousand and 419 thousand units of GDRs outstanding, representing 2,921 thousand and 6,283 thousand common stocks, respectively.

The holders of GDRs have the same rights and obligations as the holders of common stock, except regarding the manner of exercise of GDR holders' rights, which shall be handled in accordance with the terms of the Depositary Agreements and the relevant laws and regulations of the ROC. Such rights which shall be exercised through a depositary trust company include:

- a) The exercise of voting rights;
- b) Conversion of GDRs into common stocks; and
- c) The receipt of dividends and exercise of preemptive rights or other rights and interests.
- b. Capital surplus

	December 31	ber 31
	2010	/107
May be used to offset a deficit, distributed as cash dividends or transferred to capital stock*		
From business combinations	\$ 5,820,034	\$ 8,143,345
May be used to offset a deficit only		
Share of changes in equities of associates	7	
	\$ 5,820,041	\$ 8,143,345

- such capital surplus may be distributed as cash dividends or may be transferred to capital stock once Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, a year within a certain percentage of the Company's capital surplus.
- Retained earnings and dividend policy

reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings should be resolved in the stockholders' meeting for the distribution of dividends and bonuses to stockholders. For the policies on the distribution of employees' compensation and remuneration of the profit shall be first utilized for paying taxes, offsetting losses in previous years, setting aside as legal shall be used by the Company's board of directors as the basis for proposing a distribution plan, which Under the dividend policy as set forth in the Articles, where the Company made profit in a fiscal year, directors, refer to Note 21(f) on employees' compensation and remuneration of directors.

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 requirements for any significant future capital expenditures or plans to improve the financial At least 50% of the balance of net income less accumulated deficit, legal reserve and special reserve

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Other equity items

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

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 a special reserve.

The appropriations of earnings of 2017 and 2016, which have been approved in the stockholders' meeting on June 14, 2018 and June 23, 2017, respectively, were as follows:

Adjustments to other equity items for the years ended December 31, 2018 and 2017 are summarized as

Unrealized Gains and

			Gains and	Losses on	Hedging
		Unrealized	Gains and	Losses on	Cash Flow
Losses on	Financial	Assets at Fair	Value through	Other	Comprehen-
	Unrealized	Gains and	Losses on	Available-for-	sale Financial
Exchange	Differences on	Translating	the Financial	Statements of	Foreign

Instruments Hedges sive Income Assets Operations

Total

(14,010) \$ 14,010 (11,733) 12,745 (204) 4,122

> Beginning balance (IAS 39) Seginning balance (IFRS 9)

For the year ended December 31, 2018

Dividends Per Share (NT\$)

Appropriation of Earnings

For the Years Ended December 31

For the Years Ended

December 31

2016

2016

application of IFRS 9

stockholders' equity Share of other compret

\$3.129

\$3.037

13,560 10,195,849 \$ 1,134,683

(157, 139)1,082,290 9,896,067

Special reserve

Legal reserve

Cash dividends

S

Ending balance

In addition to distributing cash dividends at NT\$3.037 and NT\$3.129 per share from the unappropriated earnings, the Company's stockholders also approved to distribute cash of \$2,323,311 thousand and \$2,023,529 thousand, respectively, from the above-mentioned additional paid-in capital - stock issuance in excess of par value and from business combinations at NT\$0.713 and NT\$0.621 per share, respectively. Therefore, the Company's stockholders received NT\$3.75 per share in both 2018 and

12,342 \$ 26,352 (92,245)28,199 3,471 \$ (45,872) 4,638 \$ 4,197

\$ (133,479)

\$ 18,132

119,941

\$ 31,357

12,213

74,585 14,010 For the year ended December 31, 2017

Recorded as adjustments to stockholders' equity
Recorded as profit or loss.
Share of other comprehensive income of subsidiaries and Beginning balance

The appropriation of earnings for 2018 was proposed by the Company's board of directors on February 20, 2019. The appropriations and dividends per share were as follows:

Ending balance

Dividends Per Share (NT\$)

Appropriation

of Earnings 938,135 \$ 3.75

(19,598)

Reversal of special reserve

Legal reserve

Cash dividends

d. Special reserve

20. REVENUE

\$ 4,122

For the Years Ended

\$ 12,701,589 \$ 17,313,730 43,778,006 61,091,736

Telecommunications service revenue

Sales of inventories

Contract revenue

The appropriation of earnings for 2018 is subject to the resolution of the stockholders in the stockholders' meeting which is to be held on June 18, 2019.

Other operating revenue

2017

2018

December 31

\$ 72,945,992 56,397,163 3,847,240 69,098,752 4,817,992

\$ 65,909,728

a. Contract information

769,907

\$ 783,467

2017

2018

For the Years Ended

December 31

5,293

(23,659)(133,480)

Application of the fair value model for investment properties

Beginning balance

(Reversal of) debit to other equity items (Reversal) appropriation in respect of

Ending balance

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\$ 783,467

\$ 626,328

Refer to Note 4 - revenue recognition for information on revenue recognition for contracts.

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Special Notes

balances	
Contract	
Ъ.	

December 31, 2018

Contract assets Bundle sale of goods Less: Allowance for impairment loss	\$ 5,433,852 (135,925)
	\$ 5,297,927
Contract assets - current Contract assets - noncurrent	\$ 3,762,170 1,535,757
	\$ 5,297,927
Contract liabilities Goods Services	\$ 303,951 1,772,033
	\$ 2,075,984
Contract liabilities - current	\$ 2,075,984

For details of notes receivable and accounts receivable, refer to Note 8.

The changes in the balance of contract assets and contract liabilities primarily resulted from the timing difference between the Company's performance of obligations and the respective customer's payment; other significant changes are as follows:

For the Year Ended December 31, 2018	\$ (4,244,776)
	ontract assets. Transfers of beginning balance to accounts receivable

Contract assets

receivable can be applied to the contract assets. As of December 31, 2018, the gross carrying amount of the contract assets was \$5,433,852 thousand, the expected credit loss rate was 0.79%-3%, and the allowance for impairment loss was \$135,925 thousand. The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of a lifetime expected loss provision for the contract assets. The contract and the contract assets have substantially the same risk characteristics as the accounts receivable for the same types of contracts. Therefore, the Company concluded that the expected loss rates for accounts assets will be transferred to accounts receivable when the corresponding invoice is billed to the client,

The movements of the loss allowance of contract assets are as follows:

s is	
For the End Decemb 200 Balance at January 1 per IAS 39 Adjustment on initial application of IFRS 9 Balance at January 1 per IFRS 9 Add: Net remeasurement of loss allowance Balance at December 31 Revenue of the reporting period recognized from the beginning contract liabilities is as follows: For the End December 30 From the beginning contract liabilities Sale of inventories Sale of inventories	Noncurrent

The Company considered its past experience and believes the commission and subsidies paid for obtaining contracts are wholly recoverable. Total expense recognized for the year ended December 31, 2018 is \$2,212,939 thousand.

Incremental costs of obtaining a contract

Disaggregation of revenue

Refer to Statements of Major Accounting Items No.10 for information about the disaggregation of revenue.

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\$ 6,510,720

\$ 898,124

\$ 4,769,533

\$ 843,063

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Depreciation and amortization

The transaction prices, excluding any estimated amounts of variable consideration that are constrained, allocated to the performance obligations that are not fully satisfied and the expected timing for recognition of revenue are as follows.

e. Partially completed contracts

For the Years Ended December 31

	2018	2017
Property, plant and equipment Intangible assets	\$ 8,101,870	\$ 7,798,274 692,430
	\$ 8,861,721	\$ 8,490,704

December 31, 2018

\$ 18,076,289 9,318,613 \$ 27,394,902

Felecommunication service contracts

Fulfillment in 2019
Fulfillment in 2020 and beyond

\$ 7,798,274 \$ 6,892,567 \$ 8,101,870 \$ 7,288,674 813,196 \$ 8,861,721 Depreciation expense categorized by function Operating costs

Operating expenses

The disclosure does not include revenue from contracts of which the timing of revenue recognition is not affected by price allocation.

The items included in net income are as follows:

21. NET INCOME

a. Other income

905,707

195,010 116,237

Amortization expense categorized by function General and administrative expenses Marketing expenses Operating costs

213,294 102,250 376,886 \$ 692,430 448,604 \$ 759,851

> Financial costs d.

44,538 \$ 410,600 2017 For the Years Ended December 31 \$ 404,289 34,058

Interest on financial liabilities measured at amortized cost Interest expense on bank loans and commercial paper

\$ 472,909 17,71 7,648 \$ 445,995

Employee benefits expense

Other financial costs

54,306 50,644 27,284

50,189

Management service revenue

Interest income Rental income

b. Other gains and losses

33,131

\$ 43,273

2017

For the Years Ended

December 31

\$ 132,434

\$ 126,947

		Fo	r the)	7ear Ended	Dece	For the Year Ended December 31, 2018	810	
					C	Costs or		
	ō	Operating Costs	O E	Operating Expenses	Đ Đ	Expenses Deduction		Total
Retirement benefits								
Defined contribution plans	S	33,252	↔	119,817	S	36,905	S	189,974
Defined benefit plans		4,609		16,609		•		21,218
Other employee benefits								
Salary		723,863	(4.)	3,970,941		770,987		5,465,791
Insurance		59,758		336,302		63,190		459,250
Remuneration of directors		•		92,447		•		92,447
Others		21,581		233,417		27,042		282,040

33,604 49,691

105,073

72,853

Gain from property insurance claims Others

2017

2018

For the Years Ended

December 31

\$ 83,295

\$ 177,926

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For the Year Ended December 31, 2017

			Costs or	
	Operating Costs	Operating Expenses	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	3,769,294	782,670	5,270,272
Insurance	60,321	343,849	62,858	467,028
Remuneration of directors				
and supervisors	•	101,989	•	101,989
Others	21,296	239,343	25,361	286,000
	\$ 841.792	\$ 4.672.717	\$ 911.544	\$ 6.426.053

method. The employee expenses were charged on the basis of agreed-upon terms and recorded as a The Company provided management services to certain subsidiaries accounted for using the equity reduction of operating costs or expenses There were 6,092 and 6,396 employees, both of which include 11 directors not serving concurrently as employees, in the Company as of December 31, 2018 and 2017, respectively

f. Employees' compensation and remuneration of directors

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, 2018 and 2017, the employees' compensation and the remuneration of directors represented 2% and 0.72%, respectively, of The Company decides the distribution of employees' compensation and remuneration of directors at the net profit before income tax, employees' compensation and remuneration of directors. The accrued employees' compensation and remuneration of directors for the years ended December 31, 2018 and 2017 were as follows:

ırs Ended oer 31	2017
For the Years Endec December 31	2018

December 31	2018 2017	\$ 233,689	\$ 84,128 \$ 94,154
		0.211	931

Employees' compensation Remuneration of directors 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.

Information on employees' compensation and the renuneration of directors resolved by the Company's board of directors during 2019 and 2018 is 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	2018 2017	\$ 1,568,931 \$ 1,620,322 416,336 278,046	<u>\$ 1,985,267</u>
		Current tax Deferred tax	Income tax expense recognized in profit or loss

The reconciliation of accounting profit and income tax expense is as follows:

	For the Years Ended December 31	ars Ended ber 31
	2018	2017
Profit before tax	\$ 11,366,618	\$ 12,755,050
Income tax expense computed at the statutory tax rate Add (deduct) tax effects of:	\$ 2,273,324	\$ 2,168,359
Investments accounted for using the equity method Effect of tax rate changes	(499,003) 411,068	(292,235)
Others	64,660	54,861
Prior year's adjustments	(264,782)	(32,617)
Income tax expense recognized in profit or loss	\$ 1,985,267	\$ 1,898,368

In 2017, the applicable corporate income tax rate used by the Company is 17%. However, the Income Tax Act in the ROC was amended in February 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

As the status of the 2019 appropriation of earnings is uncertain, the potential income tax consequences of the 2018 unappropriated earnings are not reliably determinable.

Income tax recognized in other comprehensive income

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c. Deferred income tax assets and liabilities

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

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred income tax assets				
Allowance for impairment loss Defined benefit obligation Others	\$ 333,490 122,334 219,512	\$ 21,783 8,085 (3,827)	- 88	\$ 355,273 130,501 215,685
	\$ 675,336	\$ 26,041	\$	\$ 701,459
Deferred income tax liabilities				
Amortization of goodwill Investment property	\$ 1,613,645 16,243	\$ 442,961 (584)	· · · · · · · · · · · · · · · · · · ·	\$ 2,056,606
	\$ 1,629,888	\$ 442,377	\$	\$ 2,072,265
For the year ended December 31	.31,2017			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Allowance for doubtful accounts Defined benefit obligation Others	\$ 331,689 128,495 369,640	\$ 1,801 (2,293) (143,642)	\$ - (3,868) (6,486)	\$ 333,490 122,334 219,512
	\$ 829,824	\$ (144,134)	\$ (10,354)	\$ 675,336
Deferred tax liabilities				
Amortization of goodwill Investment property	\$ 1,479,175 16,801	\$ 134,470 (558)	€	\$ 1,613,645 16,24 <u>3</u>
	\$ 1,495,976	\$ 133,912	\$	\$ 1,629,888

d. Income tax assessments

Income tax returns of the Company through 2015 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 earnings per share were as follows:

Net Income

	For the Ye Decen	For the Years Ended December 31
	2018	2017
Net income Effect of potentially dilutive common stock: Employees' compensation	\$ 9,381,351	\$ 10,856,682
Eamings used in the calculation of diluted eamings per share	\$ 9,381,351	\$ 10,856,682
Weighted Average Number of Common Stock Outstanding		
	(In Tho	(In Thousands of Shares)
	For the Ye Decen	For the Years Ended December 31
	2018	2017
Weighted average number of common stock used in the calculation of basic earnings per share	3,258,501	3,258,501
Effect of potentially dilutuve common stock: Employees' compensation	3,587	4,014
Weighted average number of common stock used in the calculation of diluted earnings per share	3,262,088	3,262,515
Cinca the Communications to eastly communication mail to compare in each on about the Communication	4000	olt the Comment

were included in the weighted average number of stock outstanding used in the calculation of diluted earnings per share, if the effect was dilutive. Such dilutive effect of the potential stock is included in the calculation of diluted earnings per share until the number of stock to be distributed to employees is resolved Since the Company offered 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 in the following year.

24. EQUITY TRANSACTIONS WITH NONCONTROLLING INTERESTS

The Company subscribed for new common stocks issued by Hiiir Inc. at a percentage different from the existing ownership percentage in June 2017, and the subsidiary of the Company bought stocks of Hiiir Inc. from noncontrolling interests in July 2017; therefore, the Company increased its interest in Hiiir Inc. The Company subscribed for new common stocks of Qware in April 2018 and acquired noncontrolling interests' shares of Qware in cash in June 2018, and increased its interest from 81.63% to 100%.

The above transaction was accounted for as an equity transaction, since the Company did not lose control of the subsidiary. Refer to Note 30 of the consolidated financial statements of the Company as of and for the year ended December 31, 2018 for related information.

Special Notes

Financial Information

25. OPERATING LEASE ARRANGEMENTS

The Company as lessee

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Operating leases relate to leases of retail stores, cell sites and office space with lease terms of between 1 and 20 years. All operating lease contracts over 5 years contain clauses for 5-year market rental

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

ber 31	2017	\$ 3,035,370 5,056,516 74,352 \$ 8,166,238
December 31	2018	\$ 3,054,092 5,059,255 13,856 \$ 8,127,203
		Not later than 1 year Later than 1 year and not later than 5 years Later than 5 years

The lease payments recognized as expenses were as follows:

For the Years Ended	mber 31	2017
For the Y	Decei	2018

\$ 3,580,311

\$ 3,549,321

b. The Company as lessor

Minimum lease payments

For the investment properties that are leased out under operating lease agreements, 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

- Fair value of financial instruments that are not measured at fair value
- Except as detailed in the following table, the Company considers that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair

		Decen	December 31	
	20	2018	20	2017
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Refundable deposits	\$ 543,268	\$ 542,564	\$ 442,572	\$ 441,724
Financial liabilities				
Bonds payable	25,374,262	25,583,418	26,872,353	27,105,492
2) Fair value hierarchy				
		Decembe	December 31, 2018	
	Level 1	Level 2	Level 3	Total
Financial assets				
Refundable deposits	S	S	\$ 542,564	\$ 542,564
Financial liabilities				
Bonds payable	\$ 25,583,418	\$	\$	\$ 25,583,418
		Decembe	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

The fair values of the financial assets included in the Level 3 category above have been determined in accordance with the discounted cash flow approach based on the discount rate of corporate bonds at the end of the reporting period in 2018, and based on the average discount rate of commercial papers in 2017, respectively.

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

Fair value hierarchy

		Decembe	December 31, 2018		
	Level 1	Level 2	Level 3	Total	
inancial assets measured at fair value through other comprehensive income					
Omestic unlisted common stock	\$	\$	\$ 191,245	\$ 191,245	

There were no transfers between Levels 1 and 2 for the years ended December 31, 2018 and 2017.

Domest

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

For the Years Ended

December 31	2018	Financial Instruments of	Fair Value	Through Other Comprehensive	Income Instruments	\$ 195,000	45,000	ided in other gains and		ve income 12,745	reduction (61,500)	\$ 191,245
						Beginning balance	Additions	Recognized in profit or loss (included in other gains and	losses)	Recognized in other comprehensive income	Remittance of cash due to capital reduction	Ending balance

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

Financial Instrument	Valuation Techniques and Inputs
Domestic unlisted common stock	a) Asset-based approach. Valuation based on the fair value
	of an investee, calculated through each investment of the
	investee using the income approach, market approach or
	a combination of the two approaches, while also taking
	the liquidity premium into consideration.

b) Transaction method of market approach. The approach is reporting period, while taking the liquidity premium into companies with similar profitability at the end of the a valuation strategy that looks at market ratios of

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Categories of financial instruments

	December 31	Jer 31
	2018	2017
Financial assets		
Loans and receivables (Note 1) Available-for-sale financial assets (Note 2) Financial assets at amortized cost (Note 3) Financial assets at fair value through other comprehensive income	9,480,416	\$ 10,485,826 195,000
Financial liabilities Financial liabilities at amortized cost (Note 4)	45,846,482	52,429,134

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

The balances include the carrying amount of available-for-sale financial assets measured at Note 2:

equivalents, debt investments, notes receivable, accounts receivable (including related parties), other receivables (including related parties), refundable deposits, and other financial The balances include financial assets at amortized cost, which comprise cash and cash Note 3:

(including current portion), long-term borrowings (including current portion), and guarantee The balances include financial liabilities at amortized cost, which comprise short-term borrowings, short-term bills payable, notes payable, accounts payable (including related parties), other payables (including related parties), financial lease payables, bonds payable Note 4:

d. Financial risk management objectives and policies

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 potential downside accounts payable, bonds payable and borrowings. The Company's Corporate Treasury function and monitors and manages financial risks relating to the operations of the Company through internal The Company's major financial instruments include equity and debt investments, accounts receivable, provides services to the business, coordinates access to domestic and international financial markets, risk reports which analyze exposures by degree and magnitude of risks. These risks include currency effects of market changes against the Company's financial performance. The Company seeks to minimize the effects of these risks by using derivative financial instruments to and the investment of excess liquidity. The compliance with policies and exposure limits are reviewed hedge risk exposures. The use of financial derivatives was governed by the Company's policies which were 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, 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.

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related rules and the 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. The Corporate Treasury function is reviewed by the Company's board of directors in accordance with

Market risk

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exchange rates (see (a) below) and interest rates (see (b) below). The Company managed the risk of The Company's activities exposed it primarily to the financial risks of changes in foreign currency change in the foreign currency exchange through forward exchange contracts.

a) Foreign currency risk

rate The Company undertakes transactions and expected future purchase denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange 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 Faiwan 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 reasonably possible changes in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, for which their translation at the end of the reporting period is adjusted for a 5% change in foreign currency rates. The positive number shown in the currency impact table below indicates an increase in pre-tax profit where the NTD strengthened 5% against the U.S. dollar and EUR. For a 5% weakening of the NTD against the U.S. dollar and EUR, shown by the negative amount below, there was a decrease in pre-tax profit.

Impact	rrs Ended	oer 31	2017
USD/EUR Impac	For the Years Endec	December 31	2018

5% change in profit or loss

\$ (18,013) \$ (24,601)

Hedge Accounting

As of December 31, 2017, the Company used forward exchange contracts to hedge against adverse cash flow fluctuations on expected future transactions. The contracts were negotiated in accordance with the contracts on the hedged items. As of December 31, 2018 and 2017, there was no outstanding contract. 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 Year December 31, Ended 2107

(33,975) Other gains and losses

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 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	ber 31
	2018	2017
Fair value interest rate risk		
Financial assets	\$ 1,558,122	\$ 2,628,013
Financial liabilities	28,541,332	35,934,924
Cash flow interest rate risk		
Financial assets	1,627,472	1,625,267
Financial liabilities	8,000,000	4,800,000

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 management personnel and represents management's assessment of the reasonably possible financial liabilities with floating interest rates, their effective interest rates will change as the decrease of 25 basis points is used when reporting interest rate risk internally to key their fair values will change as the market interest rates change. For financial assets and change in interest rates. For financial assets and financial liabilities with fixed interest rates, market interest rates change.

the income before income tax for the years ended December 31, 2018 and 2017 would have decreased/increased by \$15,931 thousand and \$7,937 thousand, respectively, mainly affected by Had interest rates been 25 basis points higher/lower and all other variables been held constant, bank deposits and borrowings with floating interest rates.

c) Other price risk

The Company was exposed to equity price risk through its investments in domestic unlisted equity securities. The Company manages the risk by maintaining a portfolio of investments with different risks.

Sensitivity analysis

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

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Operational Highlights

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ended December 31, 2018 would have increased/decreased by \$9,562 thousand, as a result of the changes in fair value of financial assets at FVTOCI. If equity prices had been 5% higher/lower, the pre-tax other comprehensive income for the year

Credit risk 6

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

those counterparties were granted through credit analysis and investigation based on the information The Company has a policy of dealing only with creditworthy counterparties. The credit lines of 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 transacts 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 \$35,951,338 thousand and \$25,039,480 thousand as of December 31, 2018 and 2017, respectively.

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

	Carrying Amount	Contract Cash Flows	Less than 1 Year	1-5 Years	More than 5 Years
December 31, 2018					
Short-term borrowings Short-term notes payable Other payables - related parties Long-term borrowings Bonds payable	\$ 1,500,000 999,720 7,500,000 700,000	\$ 1,500,898 1,000,000 7,541,102 710,360 26,584,845	\$ 1,500,898 1,000,000 7,541,102 5,180 3,499,400		7.110,450
	\$ 36,073,982	\$ 37,337,205	\$ 13,546,580	\$ 16,680,175	\$ 7,110,450
December 31, 2017					
Short-term borrowings Other payables - related parties Long-term borrowings Bonds payable	\$ 400,000 2,800,000 10,100,000 26,872,353	\$ 400,250 2,816,959 10,246,970 28,121,395	\$ 400,250 2,816,959 2,587,455 6,847,750	7,659,515 16,187,020	\$ - 5.086,625
	\$ 40,172,353	\$ 41,585,574	\$ 12,652,414	\$ 23,846,535	\$ 5,086,625

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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 Company
Far Eastern New Century Corporation (FENC) ARCOA Communication Co., Ltd. (ARCOA)	Ultimate parent company Subsidiary
DataExpress Infotech Co., Ltd. (DataExpress) Linkwell Tech, Ltd.	Subsidiary of ARCOA Subsidiary of DataExpress
Home Master Technology Ltd.	Subsidiary of DataExpress
Qware Communications Co., Ltd. (Qware)	Subsidiary (dissolved after merging with the Company on June 30, 2018)
Far Eastern Info Service (Holding) Ltd.	Subsidiary
KGEx.com Co., Ltd.	Subsidiary
Yuan Cing Co., Ltd. (Yuan Cing)	Subsidiary
ruansni Digital 1ecnnology Co., Ltd. (13D1) Far Eastern Tech-info Ltd. (Shanghai)	Subsidiary Subsidiary of FEIS
Omusic Co., Ltd.	Subsidiary
New Century InfoComm Tech Co., Ltd. (NCIC)	Subsidiary
Frince Ecopower Co., Ltd. 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 Dingent Company Ltd. (FEND) Far Eastern New Century Information Technology (Beijing)	Subsidiary of New Diligent Subsidiary of FEND
Limited Digital Hairod (Common) I +d (DH Common)	Olombia di como de MOIO
Digital United (Caylinati) Ltd. (DO Caylinati) Digital United Information Technologies (Shanghai) Co., Ltd.	Subsidiary of DU Cayman
Far Eastern Electronic Toll Collection Co., Ltd.	Subsidiary of FENC
Ding Ding Integrated Marketing Service Co., Ltd.	Subsidiary of FENC
FAI EASIEIII EICCHOINC COINNICICE CO., LIU. (FEEC.)	Substitute of FEAC (USSOIVED after merging with YSDT on August 1, 2017)
Far Eastern International Leasing Corp.	Other related party (equity-method
Telecommunication and Transportation Foundation	Other related party (the Company's
	donation is over one third of the
Far Eastern Apparel Co., Ltd.	Subsidiary of FENC
Far Cheng Human Resources Consultant Corp. (FCHRC)	Subsidiary of FENC
Far Eastern Resource Development Co., Ltd.	Subsidiary of FENC
racine sogo Department stores Co., Lita. (SOGO)	Outet retated party (same chamman as parent company's)
Far Eastern Big City Shopping Malls Co., Ltd.	Subsidiary of SOGO
Far Eastern Citysuper Co., Ltd.	Other related party (same chairman as
Ya Tung Department Store Co., Ltd.	parent company s) Other related party (same chairman as
	parent company's)
	(Continued)

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Related Party	Relationship with the Company	
Fu Dar Transportation Corporation	Other related party (same chairman as	Far Eas
Fu-Ming Transportation Co Ltd.	parent company's) Other related party (same chairman as	Kaohsi
YDT Technolosy International Co Ltd	parent company's) Subsidiary of FFNC	
Nan Hwa Cement Corporation	Other related party (same chairman as	b. Operat
Ya Tung Ready Mixed Concrete Co., Ltd.	parent company's) Other related party (same chairman as	
Oriental Sannificas Comparation I to	parent company's)	
Ottoma Scenines Corporation East.	outer reacted party (equity-incured investee of FENC)	
Yuan Ding Co., Ltd. Far Eastern Department Stores Co., Ltd.	Subsidiary of FENC Other related party (same chairman as the	FENC
Asia Cement Co., Ltd.	Company's) Other related party (same chairman as the	Subsid: Associ
Oriental Union Chemical Corporation	Company's) Other related party (same chairman as the	Other r
t c	Company's)	
Far Eastern Al Mal Co., Ltd.	Other related party (same chairman as the Company's)	Operat
Far Eastern Hospital	Other related party (same chairman as the	service
Oriental Institute of Technology	Other related party (same chairman as the	c. Operati
For Factorn Dlaya Hotal	Company's) Subsidiary of FENC	
r ar Eastern Flaza Hotel Y uan-Ze University	Other related party (same chairman as the	
U-Ming Marine Transport Corporation	Company's) Other related party (same chairman as the	
	Company's)	Costs
Chiahui Power Corporation	Other related party (same chairman as the Company's)	Subs
Far Eastern Medical Foundation	Other related party (same chairman as the	Ž
T T	Company's)	Ō
rar Eastern International Bank (FEIB)	Other related party (the Company's chairman is FEIB's vice chairman)	Othe
Far Eastern Construction Co., Ltd. En Kwok Garment Manufacturing Co. 1 td	Subsidiary of FENC Subsidiary of FENC	
Oriental Petrochemical (Taiwan) Co., Ltd.	Subsidiary of FENC	
Air Liquide Far Eastern Co., Ltd.	Other related party (equity-method investee of FFNC)	Purcha
Far Eastern General Contractor Inc.	Subsidiary of FENC	Sonc A
Oriental Resources Development Limited	Subsidiary of FENC	Ō
Far Eastern Fibertech Co., Ltd.	Subsidiary of FENC	
rat Eastern Rearty Management Co., Ltd. Ding & Ding Management Consultant Co., Ltd.	Substitution of FEINC Other related party (equity-method	
	investee of FENC)	Rental
Yuan Hsın Dıgıtal Payment Co., Ltd. (Yuan Hsın Dıgıtal) Alliance Digital Technology Co., Ltd.	Subsidiary of FENC Associate	FEN
Far Eastern Memorial Foundation	Other related party (same chairman as the	Subs
FETC International Co., Ltd.	Company s) Subsidiary of FENC	Othe
	(Continued)	

	Related Party	Relationship with the Company
	Far Eastern Investment (Holding) Ltd. Kaohsiung Rapid Transit Corporation	Subsidiary of FENC Other related party (substantive related party)
Þ.	b. Operating revenue	

	For the Years Ended December 31	2018 2017	\$ 2,507 \$ 2,699	81,482 159,971	1,230,663 1,185,612	
FENC Subsidiaries of FENC Subsidiaries Associates			49		1	

ating revenue from related parties include revenue from sales of inventories, telecommunications ces and leased circuits, of which the terms and conditions conformed to normal business practices.

ating costs and expenses

	For the Years Ended December 31	rrs Ended oer 31
	2018	2017
sts of telecommunications services bubsidiaries of FENC	\$ 5,212	\$ 40,380
ubsidiaries NCIC Others	2,725,576	2,722,752
Other related parties	5,000,155	3,000,038
	\$ 3,011,503	\$ 3,107,103
chases subsidiaries		
ARCOA Others	\$ 8,083,660 41,944	\$ 9,816,880 11,97 <u>2</u>
	\$ 8,125,604	\$ 9,828,852
included in operating costs)	1 430	527
PENC Wabsidiaries of FENC Subsidiaries	5 1,439 7,430 20,714	7,676 20,714
Other related parties	19,637	18,618
	\$ 49,220	\$ 48,542 (Continued)

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For the Years Ended December 31	2018 2017	\$ 2,980 \$ 2,935 41,153 41,158 82,219 57,569 38,631 40,147	\$ 164,983 <u>\$ 141,809</u> \$ 30,623 \$ 44,124	505,304 491,071 78,497 56,949 583,801 548,020 3,274 5,052	\$ 617.698 \$ 597.196 \$ 567 \$ 583	111,924 110,241 2.056 - 113,980 110,241	33,673 4,405 38,078 20	\$ 152,645 \$ 141,784 \$ 48,854 \$ 52,574 4 4 4 \$ 48,858 \$ 52,578	\$ 119,802 \$ 115,710 13,177 19,270 24,409 25,045 1,047 -
		Rental (included in operating expenses) FENC Subsidiaries of FENC Subsidiaries Other related parties	Marketing expenses Subsidiaries of FENC	Substitutions ARCOA Others Other related parties	Service fees FENC	Subsidiaries of FENC FCHRC Others	Subsidiantes Yuan Ging Others Other related parties	Telephone fees Subsidiaries Other related parties	Other expenses FENC Subsidiaries of FENC Subsidiaries Associates Anticology

The above companies provide telecommunication services to the Company. The terms and conditions conformed to normal business practices.

\$ 183,808

\$ 169,672

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

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d. Property transactions

For the Years Ended December 31	2018 2017	uity		\$ - \$ 91,711	- 150,000	711/111	- 348,909	5,398	\$ 5,398 \$ 590,620	ngible	\$ 2,948 \$ 5,753	44,585 8,911	\$ 47,533
		Acquisition of investments accounted for using the equity method	Subsidiaries of FENC	FEEC	Yuan Hsin Digital	Subsidiaries	YSDT	Qware		Acquisition of property, plant and equipment and intangible assets	Subsidiaries of FENC	Subsidiaries	

For the expansion of future business, the Company participated in the issuance of common stocks for cash by subsidiaries and the subsidiaries of FENC.

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

December 31	2018 2017	<u>\$ 1,787,775</u> \$ 2,848,515	
	7	\$ 1.	
		Other related parties FEIB	
		0	

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 a trust fund and was included in other financial assets - current.

f. Receivables and payables - related parties

December 31	2018 2017	(e)	\$ 6 \$ 8 27,558 13,199 147,724 210,170 10 29,599 \$ 252,976
		Notes receivable - related parties (included in notes receivable) Subsidiaries of FENC	Accounts receivable - related parties FENC Subsidiaries of FENC Subsidiaries Associates Other related parties

h. Others

December 31	2018 2017	oans to related	\$ 3,832 \$ 3,341	,	11,413 103,644	1	6,149 - 3.991 6,944	9	42,233		\$ 112 \$ 11	501 765		1,606,	1,179	\$ 665,327 \$ 1,607,562	ns from related	\$ 23.144 \$ 33.566	81,342			$\frac{156,435}{800,452} $	
		Other receivables - related parties (not including loans to related	parties) Subsidiaries of FENC	Subsidiaries	NCIC	Offices	Associates Other related parties			Accounts payable - related parties	Subsidiaries of FENC	Subsidiaries	Others		Other related parties		Other payables - related parties (not including loans from related	parties) FENC	Subsidiaries of FENC	Subsidiaries	NCIC	Others	Other moletad montion

ber 31	2017	\$ 29,079 4,415 1,421	\$ 34,915
December 31	2018	\$ 23,517 4,430 1,441	\$ 29,388

Refundable deposits Subsidiaries of FENC Subsidiaries Other related parties

g. Refundable deposits

		For the Years Ended December 31	ars Enc ber 31	ded
		2018		2017
Management service revenue Subsidiaries	\$	50,189	S	50,644
Interest income (not including interest revenue of loans to related				
patities) Subsidiaries of FENC Subsidiaries	€	22	€	26
Others Others		18,753 11 18,764		17,759 9 17,768
	S	18,786	8	17,797
Rental income Subsidiaries of FENC	€	40	↔	16
Substituties NCIC Others		22,933 2,418 25,351		32,703 2,998 35,701
	8	25,391	\$	35,717

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

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

December 31	2018 2017	<u>\$ 130,000</u>	For the Years Ended December 31	2018 2017	\$ 602 \$ 1.589	The Commons morridad Orion with chart town Lane of rates commonely to the market of interest
		Other receivables Subsidiaries			Interest income Subsidiaries	The Commons recorded Organist

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

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

er 31	2017	\$ 2,800,000
December 31	2018	\$ 7,500,000
		Subsidiaries

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Special Notes

The Company obtained loans at rates comparable to market interest rates for the loans from NCIC. The interest expense was \$47,144 thousand and \$40,568 thousand for the years ended 2018 and 2017, respectively.

Compensation of key management personnel 7

	For the Years Ended	ars Ended
	Decem	December 31
	2018	2017
Short-term benefits	\$ 293,004	9,
Post-employment benefits	2,807	2,834
	\$ 295.811	\$ 293,918

The remuneration of directors and key management personnel is determined by the remuneration committee with 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	\$ 1,528,000
Decemb	2018	\$ 356,000
		Other financial assets - current

30. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

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

	Decen	December 31	
	2018	2017	
Acquisition of property, plant and equipment under contracts Less: Payments for acquisition of property, plant and equipment	\$ 3,214,707 886,425	\$ 4,779,869 1,395,618	
	\$ 2,328,282	\$ 3,384,251	
Acquisition of inventories under contract Less: Payments for acquisition of inventories	\$ 10,165,172 5,314,695	\$ 11,570,772 4,948,635	
	\$ 4,850,477	\$ 6,622,137	

31. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

directors resolved on February 20, 2019 that the Company would acquire a 5% stake in Line Financial Corporation for NT\$500 million. The Company has remitted 20% of the investment amount (NT\$100 million) and if Line Financial Corporation is unsuccessful in its application for an online banking license, it will return the paid investment amounts to the Company. In order to provide cross-industry financial services and deploy online banking, the Company's board of

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32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company 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, 2018	
	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items USD EUR Nonmonetary items USD	\$ 20,127 48 164	30.715 35.20 30.715	\$ 618,197 1,687 5,023
Financial liabilities			
Monetary items USD EUR	4,108 41	30.715 35.20	126,180 1,428
		December 31, 2017	
	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items USD EUR	\$ 15,670	29.76 35.57	\$ 466,331 4,250
Financial liabilities			
Monetary items USD EUR Nonmonetary items USD	3,564 42 1,589	29.76 35.57 29.76	106,062 1,499 47,302

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

		For the Years Ended December 31	ded December 31	
	2018		2017	7
		Net Foreign Exchange Gains		Net Foreign Exchange Gains
Foreign Currency	Exchange Rate	(Losses)	Exchange Rate	(Fosses)
EUR	35.61 (EUR:NTD)	\$ (1,208)	34.35 (EUR:NTD)	\$ 4,659
USD	30.149 (USD:NTD)	9,480	30.432 (USD:NTD)	(10,322)
		\$ 8,272		\$ (5,663)

33. SEPARATELY DISCLOSED ITEMS

- Information about significant transactions and the Company's investees:
- 1) Financing provided to others: (Schedule A)
- 2) Endorsements/guarantees provided: (None)
- 3) Marketable securities held (excluding investment in subsidiaries, associates and jointly 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: (None)
- 5) Acquisition of real estate at costs of at least NT\$300 million or 20% of the paid-in capital: (Schedule C)
- 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 D)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: (Schedule E)
- 9) Trading in derivative transactions: (Note 27)
- 10) Information on investees: (Schedule F)
- Information on investments in mainland China ь.
- 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 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, investment in the mainland China area: (Schedule G)

- 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
- The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. a)
- The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. **P**
- 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.
- The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. e
- 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. Œ.

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FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

SCHEDULE A

FINANCING PROVIDED TO OTHERS FOR THE YEAR ENDED DECEMBER 31, 2018 (In Thousands of New Taiwan Dollars)

No. Lende 0 Far EasTone Telecommun Co., Ltd.	London		Financial	Dolotod	Highert Delence		A other I Domesting			Business		Homo moo for	To Co	Collateral	Financing Limit	Aggregate
0 Far Eas' Telec Co.,	Lenaer	Borrower	Statement Account	Party	Party for the Period	Ending Balance	Actual Dorrowing Interest Rate Amount	Interest Rate	Financing	Transaction Amount	Short-term Financing Impairment Loss	Impairment Loss	Item	Value	for Each Borrower Financing Limit (Notes A and B)	or Each Borrower Financing Limits (Notes A and B) (Notes A and B)
	r EasTone Telecommunications Co., Ltd.	Tesc70ne Qware Communications Other receivables - Yes Telecommunications Co., Ltd.(Note C) related parties Co., Ltd.	Other receivables - related parties	Yes	\$ 250,000	. ↔	· · · · · · · · · · · · · · · · · · ·	1.47-1.58%	1.47-1.58% Short-term financing		For business operations \$	1		↔	\$ 7,331,750	\$ 36,658,749
New Cc InfoC	New Century InfoComm Tech Co.,	w Century Qware Communications Other receivables -	Other receivables - related parties	Yes	150,000			1.33%	Short-term financing	1	For business operations	1			8,531,418	12,187,740
Ltd.		Far EasTone Telecommunications	Other receivables - related parties	Yes	2,500,000	2,500,000	2,500,000	0.83%	Transaction	3,052,994				1	3,052,994	12,187,740
		Co., Ltd. Far EasTone Telecommunications	Other receivables - related parties	Yes	7,500,000	7,500,000	5,000,000	0.83%	Short-term financing	1	For business operations	1	1	1	8,531,418	12,187,740
		Co., Ltd.														

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

Where New Century InfoComm Tech Co., Ltd. (NCIC) provides loans for business transaction amount between the two parties. The business transactions amount in the year the loan contract was signed or the prior year's actual transaction amount. B) For short-term financing needs, the individual loan amount refers to the estimated amount in the year the loan contract was signed or the prior year's actual transaction amount. Note B:

Note C: The Company merged with Qware Communications Co., Ltd. on June 30, 2018. The Company is the surviving company, and Qware Communications Co., Ltd. is the dissolved company.

SCHEDULE B

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

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

					December 31, 2018	11, 2018		
Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	Note
Far EasTone Telecommunications Co., Ltd.	<u>Stock</u> App Works Fund II Co., Ltd.	1	Financial assets at fair value through other	8,850,000	\$ 101,245	11.11	\$ 101,245	В
	CDIB Capital Innovation Accelerator Limited	1	comprehensive income - noncurrent Financial assets at fair value through other comprehensive income - noncurrent	9,000,000	90,000	11.32	000,006	В
ARCOA Communication Co., Ltd.	<u>Stock</u> THI consultants	,	Financial assets at fair value through other	1,213,594	12,190	18.32	12,190	В
	Web Point Co., Ltd.	ı	comprehensive income - noncurrent Financial assets at fair value through other comprehensive income - noncurrent	160,627	1,618	0.63	1,618	В
New Century InfoComm Tech Co., Ltd.	Stock Kaohsiung Rapid Transit Corporation	Other related party	Financial assets at fair value through other	8,858,191	38,268	3.18	38,268	В
	Bank Pro E-service Technology Co., Ltd.	1	comprehensive income - noncurrent Financial assets at fair value through other comprehensive income - noncurrent	450,000	4,500	3.33	4,500	В
	Stock Certificate Changing.ai Inc.	,	Financial assets at fair value through other comprehensive income - noncurrent	500,000	30,715	2.50	30,715	В
	Open-end mutual fund DFE DWS Taiwan Money Market Fund	Other related party	Financial assets at fair value through profit 12 or loss - current	12,877,231.400	150,409	1	150,409	Ą
	Overseas funds Opas Fund Segregated Portfolio Tranche A	Other related party	Financial asset at fair value through profit	13,491.781	437,363	1	437,363	A
	Opas Fund Segregated Portfolio Tranche B	Other related party	Financial asset at fair value through profit or loss - current	5,000.000	145,126	1	145,126	A
Digital United (Cayman) Ltd.	Stock Certificate TBCASoft, Inc.	,	Financial assets at fair value through other comprehensive income - noncurrent	980,435	153,575	6.77	153,575	В

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

SCHEDULEC

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, 2018 (In Thousands of New Taiwan Dollars)

	Other	Terms	None
	Purpose of	Acquisition	The purpose was to accommodate Banqiao offices and provide spaces for switch room expansion.
	Pricing Peference	TICING MOTOR OF	Off from FENC NCIC's board of with the land asset. price negotiations based on the valuation reports issued by professional appraisers.
Information on Previous Title Transfer If Counterparty Is a		Amount	FERD was spun off from FENC NCIC's board with the land directors was being a spin-off determined the asset. based on the v reports issued professional all prof
Transfer If C	Party	Transaction Date	2003.9.2
Previous Title	Related Party	Relationship	Ultimate parent Company
Information on		Property Owner Relationship Transaction Date	Subsidiaries of Far Eastern New Ultimate parent 2003.9.2 FENC Century Company Corporation (FENC)
	Countarnarity	Counce party Melauousinp	ar Eastern Resource Development Co., Ltd. (FERD)
	Payment	Status	The transaction amount was paid (\$712,183 was paid in 2018).
	Transaction	Amount	\$ 1,749,577 The trade and a trade page (\$'\$) was was a trade and a
	Property Event Date Transaction Payment	Event Date	2017.5.4
	Buyer		lew Century InfoComm Land Tech Co., Ltd.
			New T

SCHEDULED

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NY\$100 MILLION OR 20% OF THE PAID-IN CAPITAL (In Thousands of New Taiwan Dollars).

			Trai	Transaction Details			Abnormal Transaction	ransaction	Accounts/other Receivables (Payables	les (Payables)	
Purchaser (Seller) of Goods	Related Party	Relationship	Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Financial Statement Account and Ending Balance	t and	% to Total
Far EasTone Telecommunications Co., ARCOA Communication Co., Ltd. 1.rd	ARCOA Communication Co., Ltd.	Subsidiary	Costs of telecommunications services,	\$ 8,657,375	17	Based on agreement	· ·	,	Accounts payable and stopped other payables	(642,766)	(4)
		-	Operating revenue	(299,337)	1	Based on agreement	1	,	Accounts receivable	127,983	2
	New Century InfoComm 1 ecn Co., Lid.	Subsidiary	Operating revenue Costs of telecommunications services	(306,678) 2,746,316	9	Based on agreement Based on agreement			Accounts receivable Accounts payable and other payables (Note A)	(604,199)	- (4)
	DataExpress Infotech Co., Ltd.	Subsidiary of ARCOA Communication Co.,	Operating revenue	(179,648)	1	Based on agreement	1		outer payaries (190e 5) Accounts receivable	-	1
	Omusic Co., Ltd. Yuanshi Digital Technology Co., Ltd. Far Cheng Human Resources Consultant Corp.	Subsidiary Subsidiary Same ultimate parent company	Costs of telecommunications services Operating revenue Service fees	160,320 (372,622) 111,924	· ≘ -	Based on agreement Based on agreement Based on agreement	1 1 1		Accounts payable Accounts receivable Other payables	(28,817) 9,330 (10,196)	£
New Century InfoComm Tech Co., L κ	New Century InfoComm Tech Co., Ltd. Far EasTone Telecommunications Co., Ltd. Parent company KGEx. com. Co., Ltd. Same parent con	. Parent company Same parent company	Operating revenue Costs of telecommunications services Costs of telecommunications services	(2,746,316) 306,678 144,738	(25)	Based on agreement Based on agreement Based on agreement	1 1 1	1 1 1	Accounts receivable (Note B) Accounts payable Accounts payable and	604,199 (700) (20,248)	38
	Sino Lead Enterprise Limited	Subsidiary	and rental Costs of telecommunications services	109,806	2	Based on agreement	1		other payables Accounts payable	(1,270)	, ,
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd. Parent company Home Master Technology Ltd. DataExpress Co., Ltd.	. Parent company Subsidiary of DataExpress Infotech Co., Ltd.	Operating revenue Operating costs Operating revenue	(8,657,375) 299,337 (760,687)	(56) 2 (5)	Based on agreement Based on agreement Based on agreement	1 1 1		Accounts receivable Accounts receivable Accounts receivable	642,766 (127,983) 292,689	44 (10) 20
KGEx. com. Co., Ltd.	New Century InfoComm Tech Co., Ltd.	Same parent company	Telecommunications service revenue	(144,738)	(25)	Based on agreement	1	,	Accounts receivable	20,248	23
Omusic Co., Ltd.	Far EasTone Telecommunications Co., Ltd. Parent company	. Parent company	Operating revenue	(160,320)	(95)	Based on agreement	1		Accounts receivable	28,817	66
Sino Lead Enterprise Limited	New Century InfoComm Tech Co., Ltd.	Parent company	Operating revenue	(109,806)	(100)	Based on agreement	1	,	Accounts receivable	1,270	15
DataExpress Infotech Co., Ltd.	Far EasTone Telecommunications Co., Ltd. Parent company Linkwell Tech. Ltd. Subsidiary Home Master Technology Ltd.	. Parent company Subsidiary Subsidiary	Operating costs Cost of sales Sales of inventories	179,648 137,960 (791,458)	3 (16)	Based on agreement Based on agreement Based on agreement	1 1 1		Accounts payable Accounts payable Accounts receivable	(1) (10,804) 18,783	- (8)
Yuanshi Digital Technology Co., Ltd.	Far EasTone Telecommunications Co., Ltd. Parent company	. Parent company	Operating costs	372,622	16	Based on agreement	1		Accounts payable	(9,330)	(5)
Linkwell Tech. Ltd.	DataExpress Infotech Co., Ltd.	Parent company	Sales of inventories	(137,960)	(21)	Based on agreement	1	1	Accounts receivable	10,804	29
Home Master Technology Ltd.	ARCOA Communication Co., Ltd. DataExpress Infotech Co., Ltd.	Parent company Parent company	Operating costs Costs of sales	760,687 791,458	46	Based on agreement Based on agreement			Accounts payable Accounts payable	(292,689) (18,783)	(94)

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

SCHEDULEE

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

						Overdue	Amounts	A Homomon Com
Company Name	Related Party	Relationship	Ending Balance Turnover Rate	Furnover Rate	Amount	Action Taken	Received in Subsequent Period	Impairment Loss
Far EasTone Telecommunications Co., Ltd. ARCOA Communication Co., Ltd.	ARCOA Communication Co., Ltd.	Subsidiary	\$ 129,585	13.61	· 69	ı	\$ 103,161	· · · · · · · · · · · · · · · · · · ·
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	8,170,542	(Note A)	1		332,709	1
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd. Home Master Technology Ltd.	Parent company Subsidiary of DataExpress Infotech Co., Ltd.	642,766 292,930	7.80	1 1		642,766 168,906	1 1

Note A: All interconnection revenue, cost and collection of international direct dial revenue between the Company and NCIC were settled at net amount and were included in accounts receivable 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.

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SCHEDULEF

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

INFORMATION ON INVESTEES FOR THE YEAR ENDED DECEMBER 31, 2018 (In Thousands of New Taiwan Dollars)

				Investment Amount	ınt	Jo sV	As of December 31, 2018	18			
Investor Company	Invactae Comnony	Location	Main Businesse and Products				Percentage of		Net Income (Loss)	Share of Profit	Note
Company	incore company	rocanon	Aren Desiresses and Areness	December 31, 2018 December 31, 2017	ber 31, 2017	Shares	Ownership C (%)	Carrying Amount	of the Investee	(Loss)	110.00
Far EasTone Telecommunication Co., Ltd.		Taiwan	Type I, II telecommunications services		\$ 22,249,283	2,100,000,000	100.00	\$ 27,069,715	\$ 1,964,654	\$ 1,868,504	A and B
	ARCOA Communication Co., Ltd.	Taiwan	Sales of communications products and office	1,305,802	1,305,802	82,762,221	61.63	995,299	136,561	51,989	A and B
	F1 -0		equipment	2 340 472	2 340 472	69 907 334	8	963 666	151 136	151 114	9
	NGEA: COIII. CO., Liu. Vuonshi Diaital Tachnology Co. Ltd. (formarly	Taiwan	Type in telecommunications services Flactronic information services	886.169	886.169	90.014.424	86.41	(405,011)	(335.442)	(289.866)	A and B
	known as Hijir Inc.)	Talwaii					1.00		()	(2)	G pum C
	Yuan Cing Co., Ltd.	Taiwan	Call center services	•	,	2,000,000	100.00	35,243	12,833	12,833	A, B and G
	Far Eastern Info Service (Holding) Ltd.	Bermuda	Investment	92,616	92,616	1,200	100.00	5,023	(37,532)	52,429	A and B
	Omusic Co., Ltd.	Taiwan	Electronic information services	25,000	25,000	2,500,000	20.00	10,559	2,187	1,093	A and B
	Qware Communication Co., Ltd.	Taiwan	Type II telecommunications services	•	832,038		,	•	(19,602)	(17,509)	A and H
	Far Eastern Electronic Toll Collection Co., Ltd.	Taiwan	Electronic information services and electronic toll	2,542,396	2,542,396	118,250,967	39.42	924,758	239,893	95,730	B and C
			collection service								
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	139,500	139,500	5,098,200	15.00	54,287	23,617	3,556	B and C
	Alliance Digital Technology Co., Ltd.	Taiwan	Electronic information services	000,09	000'09	6,000,000	14.40	•	(66,405)	(5,816)	C, D and I
	Yuan Hsin Digital Payment Co., Ltd.	Taiwan	Other financing and supporting services	000,009	000,009	30,626,472	30.00	233,080	(243,950)	(73,209)	C and D
ARCOA Communication Co., Ltd.	Data Express Infotech Co., Ltd.	Taiwan	Sale of communications products	141,750	141,750	12,866,353	70.00	216,051	84,693	1	B and E
			•								
New Century InfoComm Tech Co., Ltd.	New Diligent Co., Ltd.	Taiwan	Investments	540,000	540,000	54,000,000	100.00	86,982	(52,408)		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	118,958	14,868		B and E
	Digital United (Cayman) Ltd.	Cayman Islands	Investments	317,446	132,406	10,320,000	100.00	198,197	245		B and E
	Yuanshi Digital Technology Co., Ltd. (formerly	Taiwan	Electronic information services	20,000	20,000	2,499,617	2.40	(11,247)	(335,442)	•	A and B
				0 0	0	000		0			
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	46,500	46,500	1,699,400	2.00	18,096	73,617		C and D
	Frime Ecopower Co., Ltd.	Taiwan	Energy technology services	160,000		16,000,000	100.00	155,516	(4,684)		B and E
	Catalyst_207 SPC-SP Tranche One	Cayman Islands	Investments	123,220		4,000	25.00	123,220	œ		D and E
- N				301	301	30,000	0000	11/2	16		-
twew Dingelli Co.; Lita.	Sino Lead Enterprise Limited	noug noug	Telecommunications services	330 508	330 506	000000	100.00	27 673	(5) 8(5)		D all d
	rar Eastern Ivew Dingent Company Ltd.	British virgin Islands Investments	Investments	3,00,038	30,000		100.00	24,625	(25,603)		D and E
	New Dingent Hong Kong Co., Ltd.	Hong Kong	Investments	100,0	100,0		100:00	2,733	0/		B and E
DataExpress Infotech Co Ltd.	Linkwell Tech. Ltd.	Taiwan	Sale of communications products	10,000	10,000	i	100.00	51,751	10,075	ı	B and E
4	Home Master Technology Ltd.	Taiwan	Sale of communications products	10,000	10,000	ı	100.00	48,731	50,105	1	B and E

Note A: Subsidiary.

Note B: The calculation was based on the audited financial statements as of December 31, 2018.

Investee of the Company or NCIC, accounted for using the equity method. Note C: Note D: The calculation was based on the unaudited financial statements as of December 31, 2018.

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

Investments in mainland China are shown in Schedule G. Note F:

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: The Company merged with Qware Communication Co., Ltd. on June 30, 2018. The Company is the surviving company, and Qware Communication Co., Ltd. is the dissolved company.

Alliance Digital Technology Co., Ltd. dissolved on December 31, 2018. Therefore, the Company discontinued the use of the equity method to account for the investment and recognized the expected remittance of cash due to the dissolution in other current assets.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

SCHEDULE G

INFORMATION ON INVESTMENTS IN MAINLAND CHINA FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Method of Paid-in Capital Investment (Note A)	Method of Investment (Note A)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Investment Flows Outflow In	nt Flows Inflow	Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	% Ownershi	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2018	Accumulated Accumulated as of December 31, Investment Income 2018 as of December 31,
sign, naint nd sy	Digital United Information Technologies Design, research, installment and Shanghai) Ltd. maintenance of computer software and system	\$ 95,217 (US\$ 3,100,000)	2	\$ 95,217 (US\$ 3,100,000)	· ·		\$ 95,217 (US\$ 3,100,000)	\$ (274)	100.00	\$ (274)	(274) \$ 1,883 (RMB 421,000)	· •
ctron	Electronic information services	353,223 (US\$ 11,500,000)	2	316,365 (US\$ 10,300,000)	1	•	316,365 (US\$ 10,300,000)	(1,035)	90.52 (Note B)	(937) (Note B)	(Note B)	,
mpur upd p	(Note G) (US\$ (Shanghai) (Computer software, data processing and provision of network information (US\$ (5,000,000))	184,290 (US\$ 6,000,000)	7	200,119 (Note F)	1		200,119 (Note F)	(90,103)	100.00 (Note C)	(90,103) (Note C)	(90,103) 11,605 Note C) (RMB 2,595,000) (Note C)	

Company Name	Accumulated Investment in Mainland China	Investment Amounts Authorized by the Investment Commission, MOEA	Limit on Investments (Note D)
Far EasTone Telecommunications Co., Ltd.	\$ 92,616	\$ 92,616	\$ 43,990,499
New Century InfoComm Tech Co., Ltd.	95,217 (US\$ 3,100,000)	95,217 (US\$ 3,100,000)	14,625,288
New Diligent Co., Ltd.	458,484 (US\$ 14,927,000) (Note E)	458,484 (US\$ 14,927,000) (Note E)	52,189

Note A: Investment type is as follows:

- The Group made the investment directly.
 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..
 Others.

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

- Note C: Including 58:33% of ownership of Far Eastern New Diligent Company Ltd. and 41.67% of ownership of Far Eastern Info Service (Holding) Ltd.
- Note E: The amount includes US\$1,127,000 from an investnee company which was dissolved, but the registration of the investment amount had not been written off with the Investment Commission of the MOEA. In addition, an investment amount of US\$73,000 registered in the Investment Commission of the MOEA was remitted back to Taiwan and the same amount was written off on June 27, 2012.

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

- Note F: The amount includes US\$3,500,000.
- Note G: The calculation was based on the unaudited financial statements as of December 31, 2018.
- Note H: The investee company was dissolved on February 9, 2018 with the approval of the local government.

遠傳四大核心價值







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