亞太電信 智慧生活

2018

Annual Report

stock code：3682

Smart Transportation

Boss++

Facial Recognition

Smart Grid

Air Quality Monitoring

Smart Factory

MEC Application Services

Smart Agriculture

eSIM Services

Pepper AI Robot

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Annual Report Contents

Chapter I Letter to Shareholders

According to statistics from the National Communications Commission (NCC) and Market Observation Post System (MOPS), the total revenue growth rate of the Taiwan mobile network telecom market was -6% in 2018. In terms of the numbers of 4G users, by the end of November, 2018, penetration rate had exceeded 93%, while the 3G system had ceased services by the end of December, 2018. This indicates that the Taiwanese mobile telecom market had been actively transferring users from 3G to 4G in 2018. On the other hand, price wars in the 4G unlimited data plans, in particularly the "499 Unlimited Data Plans" launched by the three major telecom providers in May 2018, had reduced the average revenue per user (ARPU) of 4G users. Overall revenue from traditional mobile phones had shown a downward trend. The competition of the fixed network telecom market in Taiwan is very intense as there are numerous Type 1 and Type 2 telecom service providers in the market. In addition, due to the popularity of mobile and OTT social network communication software, consumers' communications behaviors have also been changed and the traditional landlines have largely been replaced. Impacts from these changes are even greater for international calls, leading revenue from fixed network service to also decline.

December 2018 marked our fourth-year anniversary for the "Gt Intelligent Life" brand. The Company has pioneered the industry in striving for digital transformation and actively developed non-traditional telecom innovative application services, including ICT and IoT. Concurrently, the Company has also led the industry in earning the first permit for 5G experimental network in Taiwan. Through integrations and testing at the experimental network, we create new milestones for APTG in the efforts to launch 5G applications and innovative services!

Looking at the overall development in 2018, APTG continues to transform into an innovative technological service company dedicated to providing "smart life" services. Under the three major directions of "providing quality and innovative self-build 4G mobile network"," "actively planning virtual-oriented B2B and B2C channels," and "leaning towards promotions of ICT/IoT application services," we have reached a 10% growth rate in the number of 4G users over the years and 5.4% in annual revenue growth rate. In the future, APTG will uphold our brand mission of "being innovative and taking a different path" and continue to be the pioneer of technology. We will launch diversified "smart life" application services and fulfill our commitment to users step by step!

IoT is a global industrial developmental trend. APTG also made significant progress in terms of IoT business in 2018, including obtaining the GSMA Open Lab certification, obtaining the authorization from the NCC for 2.5 million IoT phone numbers, completing NB-IoT Taiwan-wide coverage in June, and successfully bidding more than half of the entire country's "Smart City Air Quality Detection Network" projects from the Environmental Protection Administration (EPA) in June. Furthermore, we have also partnered with Hsinchu County Government to build possible applications in the fields of “smart agriculture” since last September, and got the contract of the “Taipower Smart Grid Project Term 1” in November. These results proves that APTG is continuously implementing IoT multi-network and multi-platform architecture, and that we are capable of providing customers with a variety of choices and comprehensive integrated IoT services!

5G service is a new telecom field that attracts global attention. To lead industry competitors in planning newer, faster, and more convenient 5G application services to seize market opportunities, APTG has launched various innovative Pre-5G applications in the 4G environment. An example of such application is the “face recognition service,” which has effectively enhanced attendance management and security efficiency in smart retail, smart banking, and smart factories. Moreover, the Company has also successfully formed an interdisciplinary alliance with Taipei Fubon Bank in December 2018 and launched integrated digital banking service to encourage practical application adoption in order to accelerate the digitization of industries. By incorporating the Pepper robot, application services include identification of guests, smart queuing and health checkup at various areas. In addition, we continue to utilize and promote various cloud-based application technologies and services developed in partnership with companies including Foxconn Technology Group, such as High Performance Computing (HPC), Multi-access Edge Computing (MEC), and cloud-based video conferencing BOSS++ services. APTG aspires to provide various application services with enhanced effectiveness to our customer in the future 5G transmissions environment with low latency and high speed.

The following are 2018 operating performance and 2019 operating outlook.

I. 2018 Operating Performance Unit: NT$1,000

	2018	2017	Differences
Operating Revenue	14,565,959	13,707,498	858,461
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)	-631,842	-526,379	-105,463
Profit (Loss) After Tax Profit	-3,267,732	-4,034,617	766,885
Earnings Per Share After Tax (EPS)	-0.77	-0.93	0.16

*The aforementioned After Tax Profit refers to Profit before comprehensive gains and loss.

II. 2019 Operating Outlook

Looking ahead to 2019, all the staff of the Company will continually commit to developing new technological of “smart life” services by adhering to our brand philosophies of “creating more value, less cost, and embracing happiness.” Below are our major operating strategies for 2019:

(I) Internet strategy: enhance coverage, continuous optimization, and planning strategic layout for 5G.

APTG continues to actively improve the quality of our self-built networks, optimizing

4G network coverage and total networking quality. We will also effectively reduce weak spots with low signal and the number of customer complaints through diversified network optimization solutions. Besides continuing to build large-scale base stations to achieve intense coverage throughout Taiwan, we will also increase the deployment of high-speed micro base stations or Magic Box in hotspot with intense usage and specific areas, to effectively enhance network speed, coverage, and solve indoor reception problems. The overall strategy for 2019 is to enhance internet efficiency with the most appropriate and effective methods, as well as to integrate the overall planning with the incoming age of 5G.

As for the Internet of Things (IoT), after receiving the GSMA Open Lab certification in the previous year, more than 100 applications or terminals have been verified in our company. In the future, we will also provide optimized wireless transmission solutions by evaluating service types and the actual environment. At the same time, we will also undertake various types of application integrations, develop end-to-end applications and hardware solutions, as well as actively cooperate with related companies Foxconn Technology and Foxconn Global Network in tripartite cooperation to develop innovative blue ocean businesses with our competitive advantages and continue to lead the industry.

In addition, the Company will evolve the network towards 5G architecture, including Massive MIMO, mobile IoT, and Cloud RAN, which have all been gradually introduced into our existing 4G system. By the end of 2018, APTG became the first telecom service operator to get 5G experimental network permit and have undertaken relevant efficiency tests. The second phase of verification will be carried out this year by first partnering with National Chiao Tung University (NCTU) to establish network coverage at NCTU campus for application development including medical and various 5G applications. Subsequently, we will also partner with Qualcomm, Nokia, and Ericsson to build standardized 5G network. Through the optimization of the existing networks and early adoption of application service verification, our dual-mode efforts will lay a better foundation for subsequent 5G applications.

(II) Fixed line services: continue to strengthen the competitiveness of telecommunications services for fixed line corporate clients and achieve stable growth in fixed line data revenue.

Although the overall market for fixed line voice calls showed a downward trend, APTG's fixed line data and broadband Internet services is still growing. Major growth drivers came from transmission needs from cloud-based and high performance computing, IoT, big data, and artificial intelligence (AI) smart applications, driving enterprises and government agencies to digitize themselves. In 2019, we will focus on fixed line data and broadband Internet business operations.

The Company's primary target markets in promoting fixed line data business are clients from information and telecommunications industries including local telecom, cable TV providers, domestic and overseas Internet companies, as well as top 2000 Taiwanese enterprises from finance, retail, logistics, technology, manufacturing, and central government agencies, education, and academic research institutes. The Company is the only telecom service provider that owns both Taiwan Railways island-wide and THSR fiber optic backbone network. This advantage allows the Company to provide highly reliable and highly usable backbone-grade netcom solutions to customers, including software-defined networking in a wide area network (SD-WAN) to enhance connectivity efficiency for enterprise IT systems, netcom and information security, and optimized application bandwidth plans, helping APTG to seize market opportunities in the large bandwidth data telecommunications market.

(III) Innovative application services: implementing IoT, smart life, ICT, and cloud-based application services to help accelerate APTG's transformation.

1. IoT applications and solutions

APTG provides multiple access technologies for IoT devices, including LTE/NB-IoT/eMTC(LTE-M) and LoRa. The Company has built a comprehensive IoT application platform through our competencies in integrating software and hardware, establishing a complete IoT ecosystem. 2018 has seen many sound progress in terms of APTG's advancements toward IoT applications. Besides actively strategizing in applied fields including smart city and private and public utilities, the Company has also extended our reach toward other non-public business application markets such as applications in smart family, smart factory, and Industrial IoT.

2. Smart life application service

APTG strives to promote innovative application services founded on the core value of "smart life." In terms of smart enterprise applications, we have launched face recognition system, an artificial intelligence (AI) application product, its applications include corporate attendance, access control, membership identification, and security protection. The product has been adopted by multiple clients in various industries, including finance, manufacturing, retail, and academic and research institutions. We plan to strengthen this product line in 2019 to encompass face recognition solutions in high, medium and low price plans to satisfy the needs of different customers and expand market touch points, in order to accelerate new customer acquisition and increase market share. In terms of applications in smart banking, we provide VIP identification and reception, and enhance human and machine interaction, so that bank customers can feel the warmth and human touch of our services. We also plan to increase product applications in smart retail, smart logistics, smart factory, and smart manufacturing. As for smart family, we have launched home security and caring, Chatbot, smart audio services in 2018, and plan to continue to introduce various software and hardware solutions in 2019.

3. ICT and cloud-based services

APTG is the only telecommunications service provider that owns Taiwan Railway island-wide and THSR fiber optic backbone networks, allowing us to provide customer with highly reliable and highly usable backbone-grade netcom solutions. In 2019, our fixed line service revenue will continue to grow, and we will connect the network points in our service areas throughout Taiwan to provide high-quality fixed line data telecom services to our users. By utilizing Foxconn Technology Group's design and manufacturing strengths, the High Performance Computing (HPC) designed and developed in collaboration with our partners can transmit eight major intelligent living applications including precise medical reading, sports data analysis and arts and animation computing throughout Taiwan, and APTG can provide relevant application services for our customers. In the future, in an ecosystem of 8K and 5G, HPC will provide more innovative products and more exceptional solutions in the eight "intelligent living" sectors through cloud-based high performance computation, satisfying the diversified needs of the public.

In addition, the Company has jointly released the 5G network technology and Multi-access Edge Computing (MEC) solution with Foxconn Technology Group and Intel at the end of 2017. By the end of 2018, the three parties have formally demonstrated 5G experimental network and 5G-related applications. Through APTG mobile network's built-in MEC competency, the face recognition system can be deployed in multiple business locations to improve the speed of face recognition, providing mid to large enterprises with solutions including access control and security, face recognition payment for members of smart retail, and store traffic analysis, making corporate operations smarter and enhancing efficiency and productivity.

(IV) Strengthen strategic channel planning and enhancing overall sales performance

1. **Corporate clients: in 2019, the revenue growth of corporate clients is fixed line data and corporate broadband Internet, IoT applications and solutions, and ICT and smart life applications.**

   To accelerate the revenue growth from innovative application services, we will collaborate with value-added resellers (VAR) and system integrators (SI) to expand our sales competency.

2. **Individual and family users:**

   In order to make marketing services more comprehensive, and to maintain the strategy of continuously opening new stores, APTG storefronts are expected to increase from the existing 350 stores to 400 stores in 2019. Based on the sales attributes of each store, we will train more sales and service professionals through improved and comprehensive educational training and management mechanism. We will strengthen both volume and quality through weeding out weak links, fostering strengths, and developing new models of franchise to expand our business blueprints.

Besides selling phone numbers, we will also sell smart life products and innovative application services in APTG stores by incorporating demonstrations and our professionalism to achieve multi-angle and diversified management to increase storefront revenue and value.

In addition to continuing to invest in R&D to enhance 4G service quality, APTG is also preparing for 5G. We have actively strengthened the construction of large base stations and planning small base stations to be closer to the users' lives. By combining the advantage of the Group, we will jointly develop 8K & 5G ecosystem applications. In the future, we will continue to create more personal and smarter life for consumers in the application fields of 5G, IoT, AI, and robotics. Finally, we would like to thank all our shareholders again for all the support. All the staff at APTG will work even harder and continue to improve our services to meet the expectations of all our shareholders.

Chapter II Company Profile

I. Date of Founding: May 5, 2000

II. Company History

1. In 2000

- ●March: Founding team's application for the operation of Fixed Telecommunication Network Service (FTNS) was approved.
- ●April: Received the "Agreement for Comprehensive Network Service Setup" from the Ministry of Transportation and Communications R.O.C.
- ●May: Asia Pacific Broadband Fixed Lines (formerly Eastern Broadband Telecommunications Co., Ltd.) was established, becoming the first among the three authorized fixed broadband network service providers. Received the setup permit for comprehensive network service from the Ministry of Transportation and Communications and actively initiated various construction engineering projects including the island-wide optical fiber backbone network, regional network, and machine rooms.
- ●August: established the planning team for third generation of wireless mobile telecommunications technology (3G) and strove to obtain business permit.
- ●December: signed investment agreement with Asia Pacific Online Services, the third-largest ISP service company in Taiwan, and consolidated with APOL.

2. In 2001

- ●January: Completed island-wide backbone network and the construction of regional network and telecom machine rooms for 150,000 phone numbers. Obtained the first civil comprehensive network service permit throughout Taiwan.
- ●March: Announced operations and provided comprehensive broadband telecommunication services including "005 international direct calls," "1805 domestic long-distance call," "Sweet Card unlimited international phone card," ADSL broadband internet, data hotline, virtual private network (VPN) for businesses, and Internet Data Center (IDC) through well-rounded competitive advantage in broadband communications.
- ●June: Completed connectivity with mobile telecom service providers and was the first company in the industry to announce the initiation of services including Eastern's "005 international direct calls" and "1805 domestic long-distance calls," becoming the first civil fixed net service provider to provide long-distance and international calls.
- ●September: Assisted Taipei City Government and Kaohsiung City Government to establish e-government services, providing "free dial-up Internet services" for citizens of Taipei City.
- ●November: First to complete the connectivity between mobile telecom service providers, enabling over 20 million mobile phone users to use the "005 international direct calls" service; Invested in establishing Asia Pacific Broadband Wireless Communications, Inc., with a total value of common stock issued of 16.02 billion

$NT, and participated in the bidding of 3G license.

3. In 2002

●February: Investment target Asia Pacific Broadband Wireless Communications, Inc. had won the 3G operating permit serial E with the largest bandwidth of all the licenses with NT$10.57 billion.

●December: The subsidiary Asia Pacific Broadband Wireless Communications, Inc. cooperated with the largest mobile telecom service provider of Korea (SK Telecom) to bring in the experiences of successful foreign 3G services, and commercialized 3G service, and advanced the telecommunication service quality of Taiwan.

4. In 2003

●July: Subsidiary Asia Pacific Broadband Wireless Communications, Inc. opened its services with the use of the American standard CDMA2000 system and became the first 3G telecommunication service provider to operate in Taiwan.

5. In 2004

●June: General Shareholders' Meeting approved the motion to change the Company name to Asia Pacific Broadband Telecom Co., Ltd. (APBT)

●August: Announced the establishment of the Asia Pacific Telecom Group by consolidating Asia Pacific Broadband Telecom Co., Ltd., Asia Pacific Broadband Wireless Communications, Inc., and Asia Pacific Online to join and integrate resources to create operational synergies.

●November: Began to provide the "Metropolitan Ethernet Service" corporate broadband solution.

6. In 2005

●May: Completed the establishment of 1 million fixed network numbers throughout Taiwan, and passed the examination of Directorate General of Telecommunications.

●December: Cooperated with Taichung City Government to create the first WiMAX wireless broadband enabled city.

7. In 2006

●December: The subsidiary Asia Pacific Broadband Wireless Communications, Inc. announced the achievement of more than 1 million users, and vowed to become the best 3G mobile service provider of Taiwan.

8. In 2007

●February: The National Treasury appointed Springfield Lai to be the Acting Chairman of Asia Pacific Broadband Telecom Co., Ltd. and Asia Pacific Broadband Wireless Communications, Inc., with emphasis on strengthening corporate governance and open up new opportunities.

●March: Springfield Lai officially became the Chairman of the Board of Asia Pacific Broadband Telecom Co., Ltd. and Asia Pacific Broadband Wireless Communications, Inc. The Board was reassembled, bringing in a new management team.

●April: Convened General Shareholders' Meeting, and besides approving the reorganization of the Company's IPO, general re-election of 33 seats of directors and 5 seats of Supervisors was also held. The election process and results were successful, demonstrating a whole new era of corporate governance.

●May: Board of Directors passed the short form merger of Asia Pacific Broadband Telecom Co., Ltd. with Asia Pacific Mobile Broadband.

●June: The merger between Asia Pacific Broadband Telecom Co., Ltd. and Asia Pacific Mobile Broadband has created the synergistic effect of converging FMC broadband with mobile network.

●July: Board of Directors approved of capital decrease and capital increase, as well as motions including changing the Company name to Asia Pacific Telecom Co., Ltd.

●October: The General Shareholders' Meeting approved of capital decrease and capital increase, as well as motions including changing the Company name to Asia Pacific Telecom Co., Ltd.

●December: Company has been officially renamed as Asia Pacific Telecom Co., Ltd.

9. In 2008

●January: Mr. Springfield Lai resigned as Chairman, Managing Director, and General Manager. Managing Director TECO Electric & Machinery Co., Ltd. was nominated as the Chairman of Asia Pacific Telecom Co., Ltd. during the interim Board meeting. After the Department of Commerce, MOEA has changed the Chair to TECO Electric & Machinery Co., Ltd., TECO has assigned Sophia Chiu as the representative to exercise and fulfill obligations on behalf of the judicial person, as well as to serve as the Chairperson of Asia Pacific Telecom.

●April: Completed capital decrease to NT$32.84 billion.

●June: The number of users exceeded 1.5 million.

●July: Capital increase was not carried out.

●September: Operating income for the month had achieved break-even point.

10. In 2009

●January: The number of users exceeded 1.81 million.

●May: The number of users exceeded 2 million, and high-end touchscreen mobile phone is launched for the first time.

●September: IPO has been approved.

●October: Reached reconciliation with Deutsche Bank, putting an end to the Deutsche Bank loan dispute.

●December: The number of users exceeded 2.3 million.

11. In 2010

●February: Announced the signing of strategic partnership memorandum with leading Chinese smartphone producer Coolpad Co., Ltd. We focused on fixed roaming fee at both sides of the Taiwan Strait with dual model, dual SIM smartphone to target businesspeople who frequently traveled between the Strait.

- ●April: Signed a five-year NT$3.5 joint credit line agreement with coordinating banks including CTBC Bank and Bank of Taiwan.
- ●April: Convened 2010 General Shareholders' Meeting; approved the amendment to the Company's Articles of Association and completed the re-elections of members of the 5th Board and Supervisors. Sophia Chiu was nominated as Managing Director by the Board and was elected as the Chair of the 5th Board by the Managing Directors' Meeting.
- ●July: The number of users exceeded 2.6 million, and Asia Pacific was the only telecom provider to launch "Global Roaming Package," where users can use roaming service at 245 countries throughout the world.
- ●December: The number of users exceeded 2.87 million.

12. In 2011

- ●January: The head office of Asia Pacific Telecom was relocated to Nangang Software Park.
- ●February: The number of users exceeded 2.9 million.
- ●March: Established the first interactive multimedia telecom store throughout Taiwan and launched value-added service focused on "A+ WORLD"."
- ●April: The number of users exceeded 3 million.
- ●May: Asia Pacific Telecom merged with subsidiary Asia Pacific Online Services to achieve the convergence of three networks and realize the operating synergies of resource integration.
- ●September: Completed the first interactive multimedia telecom store in southern Taiwan, successfully linking northern and southern Taiwan and launched "A+ WORLD" mobile telecom service.
- ●October: Received ISO 27001 International Information Security Management System and NCC ISO 27011 Additional Audit Certification, achieving international information security standards.
- ●December: Officially registered on Taipei Exchange, entering the public capital market. Completed the first interactive multimedia telecom store in central Taiwan, successfully linking the entire island and launched "A+ WORLD" mobile telecom service.

13. In 2012

●May: Received the "Grade A - Achievement of Recruiting Mentally or Physically Challenged Workers" from the Department of Labor, Taipei City Government.

●October:2012 Interim Shareholders' Meeting was held in coordination with the Company's IPO, completing the re-elections of members of the 6th Board of Directors (inclusive of three Independent Directors) and Supervisors. Chairperson Sophia Chiu continued to serve as the Chair of the 6th Board.

●October: Officially launched EVDO, providing high-speed mobile Internet for users.

●November: Received "2012 Excellent Performance for Adoption of e-Receipt" from the Fiscal Information Agency, Ministry of Finance.

●December: Received "Taiwan Superior Commercial Service Brands Award" from the Commerce Industrial Services, Department of Commerce, MOEA and the "Private Enterprise and Entity Green Procurement Award" from the Taipei City Government, solidifying our basis toward sustainable brand management.

14. In 2013

●March: The Board of Directors has approved the resolution for Chairperson and General Manager Sophia Chiu to serve exclusively as the Chairperson, and former CEO Huan-Kuo Chih would assume the position of General Manager. The Board also approved the issuance of cash dividend of NT$0.7 per share. This is the first time Asia Pacific Telecom has distributed dividend since inception as a gesture of giving back to our shareholders.

●August: IPO on the Taiwan Stock Exchange (TWSE) with the stock code of 3682, signifying our resolve to enhance corporate value, strive to fulfill corporate governance, and our effort toward sustainable management.

●October: Completed the bidding process for 4G, and received 700MHz A1 frequency, a segment with clean and high coverage, with NT$6.415 billion.

●December: Received "Energy Conservation and Carbon Reduction Action Label" from the Environmental Protection Administration, Executive Yuan, for the first time, and received "Private Enterprise and Entity Green Procurement Award" from the Taipei City Government for the second time.

15. In 2014

●February: National Communications Commission (NCC) approved Asia Pacific Telecom's application of the Agreement for Application of 4G Mobile Broadband Frequency pursuant to Article 40 of the Regulations for Administration of Mobile Communications Businesses and Article 93 of the Administrative Procedure Act.

●March: The Board of Directors has approved the issuance of NT$0.46 cash dividend per share. This is the second time APT has issued dividend to give back to shareholders since inception. In the same time, Asia Pacific Telecom has launched "Benefits 195" package, the most competitive of its kind in the market, receiving widespread recognition.

- June: The Shareholders' Meeting approved Hon Hai Group subsidiary Ambit Microsystems Co., Ltd. to participate in Asia Pacific Telecom's private fundraising, and would acquire 14.99% of APT's shares in the first round.
- July: Hon Hai Group Director and Vice President Fang-Ming Lu has been appointed Chairman and General Manager of Asia Pacific Telecom.
- August: Interim Shareholders' Meeting officially approved Asia Pacific Telecom's M&A with Ambit Microsystems Co., Ltd.
- September: Asia Pacific Telecom forms strategic alliance with Taiwan Mobile Co., Ltd. to share network resources.
- October: Received the 4G special permit for 700 Hz frequency from NCC.
- December: launched 4G brand "Gt 4G" and began trial operations.

16. In 2015
   - May: "Gt Intelligent Life Experiential Zone" was launched at Syntrend, demonstrating the services based upon 8 major smart life and 11 display monitors so that consumers can experience the convenience and fun from technology for themselves.
   - June: Established the Audit Committee.
   - July: Launched 4G rate plan "Free Talk (National One-Network)"," first in the industry to offer up to five minutes of free time whether calling within or outside of APT's network for voice calls. The structure of the rate plan has freed consumers from the network boundaries.
   - December: Achieved D5 TDD frequency (25MHz) during NCC's bid for 2.6G frequency with NT$2.225 billion. The asymmetric encryption characteristic of TDD will help to enhance user's speed and complete our indoors coverage. In addition, the review for the merger with Ambit Microsystems Co., Ltd. was approved by the Securities and Futures Bureau (SFB) on December 11th, and Asia Pacific was merged with Ambit Microsystem on December 31, 2015, with Asia Pacific Telecom as the remaining entity.
17. In 2016
   - March: Launched VoLTE service, targeting optimized voice call quality by reducing noise during calls. The receiving end can receive phone ring and accept the call as fast as 1 second immediately after placing a call, reducing the wait time. Furthermore, cell phones can access 4G Internet and voice call at the same time, and the two applications will not interfere with one another.
   - May: Announced that the number of 4G subscriptions have exceeded 1 million users.
   - June: First in the industry to launch "Wi-Fi calls" - free worldwide calls. Users working or traveling overseas can directly use their phones to call phone numbers saved in their contacts through the "Wi-Fi call" service without needing to download an app, reducing enormous international roaming fees. Gt TV Internet is launched, developing an OTT version of the existing Gt mobile TV service provided to Asia Pacific Telecom network

users, and providing the new version to all mobile network devices. Even non-APT users can enjoy this service.

●August: Initiated IoT by Gt, launching the first IoT dual-network, multi-platform IoT by Gt Intelligent Life solution in Taiwan. Through vertical integration within the industry, we comprehensively linked the IoT ecosystem, solidifying Taiwan's basis in its transformation into a "Smart Island."

●October: Pioneered the industry in introducing Pepper into our channel to assist in product sales. This is a major milestone for the Gt Intelligent Life brand.

●December: Announced the Free Talk (National One-Network) Super Solution where users can enjoy limitless mobile to mobile, mobile to city numbers, intra-network, and extra-network calls on top of unlimited 4G data plan at only NT$999 monthly fee, well ahead of the industry and marked the advent of the Free Audio Calls Era.

18. In 2017

●June: After the termination of 2G service at the end of June, 2017, Asia Pacific Telecom officially took back the 910~915 MHz spectrum, having finished the spectrum adjustment work, the 900MHz officially joined the Asia Pacific Telecom 4G network service! More bandwidth, more speed!

●July: Asia Pacific Telecom Free Talk (National One-Network) was fully upgraded and renamed to the New Free Talk (National One-Network), and announced the 399/699 plans with unlimited 4G data plan. The biggest difference between the 399 and 699 plans was in the network speed, reflecting the ideal of "user pays"."

●September: NCC approved the termination of 3G services by December 31, 2017, ahead of planned schedule.

●November: Asia Pacific Telecom recruited early adopters of Magic Box solution to experience wireless networking with no dead spots.

●December:

1. Asia Pacific Telecom officially terminated 3G services by the 31st.
2. Introduced the first commercially run high-performance computing platform with 3 times the performance of available HPC of the time. The modular design enabled fast expansion of services according to computing load and can reach as high as 6 PFLOPS.
3. Hon Hai Precision and Intel signed a 5G network technology memorandum of understanding to develop a MEC platform, incorporating the mobile network of Asia Pacific Telecom to provide the most competitive facial recognition solution in the industry.

19. In 2018

●January: Asia Pacific Telecom was the first in Taiwan to finish terminating 3G services, and was officially the first provider to provide completely 4G mobile broadband service in the country.

●April: Asia Pacific Telecom upgraded the 700MHz spectrum systems, at the same time, sped up the building of 2600MHz base stations to increase network speed.

●May:

1. Asia Pacific Telecom introduced the secret weapon to startups, the Smart Guru, and crafted 5 solid solutions to accomplish dreams and make starting new businesses easier.
2. With the release of Apple Watch Series 3 (GPS + Cellular), Asia Pacific Telecom was the first telecom service provider in the country to complete the building the eSIM system.
3. Asia Pacific Telecom was certified as the only GSMA Open Lab certified lab in the country, and at the same time supported NB-IoT and LTE-M technologies.
4. Asia Pacific Telecom is the first telecom service providers in Taiwan to apply and obtain 5G experimental network, being proved by NCC.

●June:

1. Pepper was stationed to 4 major train stations of Taiwan Railway to service travelers and to create smart railway stations.
2. Asia Pacific participated in the International Organization of Standardization 3GPP, and announced the first draft (R15) of 5G mobile telecommunication technology standard, becoming a pioneer of a new generation of telecommunication networks.
3. The Asia Pacific Telecom NB-IoT service was officially open in all areas in late June, and introduced both NB-IoT and eMTC technologies.
4. Asia Pacific Telecom, eASPNet, and VMware jointly created the first hybrid cloud in Taiwan.

●July:

1. Asia Pacific Telecom took over half of the network building requirements of the “Smart City Air Quality Monitoring Network” of Environmental Protection Department.
2. Asia Pacific Telecom online store introduced innovative product delivery service. Users can utilize 7-11 convenient stores to receive product packages at any desired 7-11 stores, making the application of services even easier.

●August:

1. Asia Pacific Telecom joined hands with Logitech to tackle the cloud video conferencing business opportunity. The 2 brands utilized the platforms of each brand to have multiplicative effect in user accumulation, revenue, and brand promotion, creating a win-win situation!

2. First in the telecom industry! It is so EASY to buy presents at EHS with Gt mobile television.
3. Introduced Magic Box 2.0, which is capable of receiving 900MHz/900MHz signals and convert them to 2600MHz signals to provide indoor coverage.

●October:

1. Asia Pacific Telecom became the exclusive distributor of the Kebbi Robot, an AI companion robot with educational and gaming functions, built with top-notch AI technology by NUWA Robotics.
2. The number of users of Asia Pacific Telecom 4G service had officially passed 2 million users.
3. Asia Pacific Telecom continued to uphold the “leading with technology” development foundation, built an eSIM service that is compliant with the specifications established by the International Organization of Standardization, and became the first telecom service provider in the Taiwan to support Apple iPhone eSIM service.

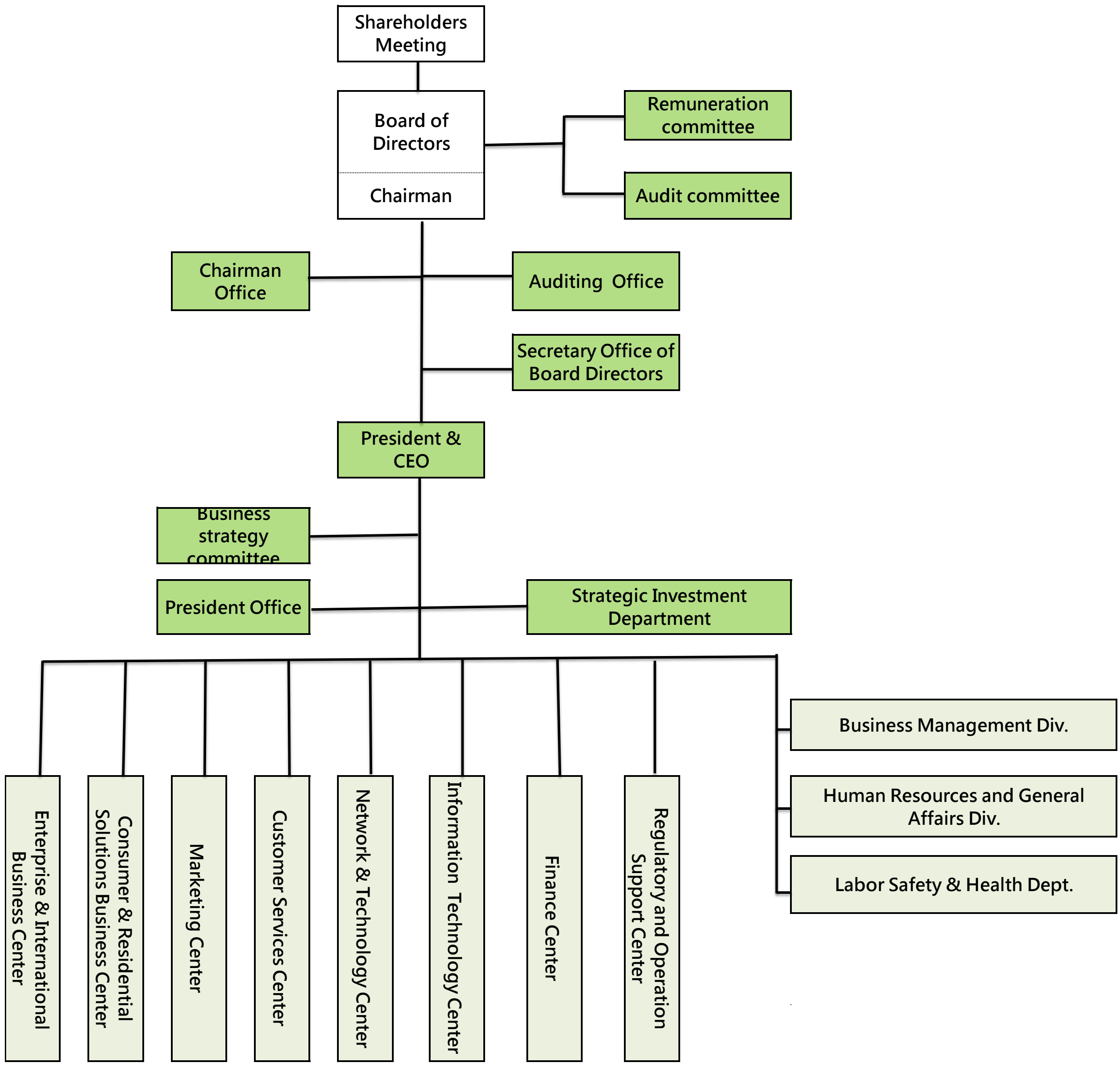
●November: Asia Pacific Telecom 5G experimental network built a 3GPP specification compliant NSA(non-standalone) network architecture, using the popular 3.5GHz 5G frequency band of 100MHz continuous spectra to carry out the verification process, and was the first to pass the NCC verification.

Chapter III Corporate Governance Report

I. Organizational System

1. Company Organizational Structure

As of April 22, 2019



2. Business Activities of Main Divisions

Department	Explanation of Primary Functions
Secretariat of the Board of Directors	1. Planning and scheduling the Company's Shareholders' Meeting, Board of Directors, and various functional committees under the Board. 2. Serving as a facilitator between the Company and the stock registrar agency, and providing consulting services to shareholders. 3. Maintaining shareholder list, and managing shareholder relationship, including corporate shareholders. 4. Responsible for related declaration periodically and from time to time as needed, and assisting the Chairman and the Chairman's executive assistant with administrative tasks. 5. Responsible for corporate governance related matters.
Auditing Office	1. Responsible for assisting the Board and management team to identify any deficiency in the internal control system to assess the effectiveness and efficiency of the operation, and provide appropriate improvement suggestions to ensure the continuous effectiveness of internal control system. 2. Executes tasks related to the annual audit plan. 3. Provides consulting services. 4. Handles integrity related complaints.
Enterprise and International Business Center	1. Responsible to achieve the goal of the Business Center involving the revenues and profits from Enterprise and International Business Operations on Telecom Services, ICT/IoT Applications and Solutions. 2. Makes business growing strategies, build up the organization and sales forces accordingly to expand the targeted markets to achieve the goals. 3. Explores the new competitive landscape in ICT/IoT markets, by aligning with ICT solution providers and IoT ECO players to develop new innovative business to realize as a solution service provider for all 8 aspects of Smart Living.
Consumer & Residential Solutions Business Center	1. Coordination, planning, and management of Consumer & Residential Solutions ICT solutions. 2. Revenue budget planning and business strategy planning and execution. 3. Planning and execution of retail activities and promotions. 4. Franchise/Distributors business management. 5. Direct Store business management. 6. Specialty channel business management.
Marketing Center	1. Planning and implementation of marketing strategies 2. Communications and management of brand awareness. 3. Rate plans and handset line-up management. 4. Management of customer acquisition and retention.
Network & Technology Center	1. Planning & engineering of mobile and fixed network. 2. Network deployment, operation and management. 3. Network engineering and deployment of co-construction project joined for mobile requirements of government roads & highways and public construction project. 4. Telecom regulatory affairs including system inspection, capacity expansion application, and processing of various legal requirements. 5. Establishment of terminal-end equipment specification and development, certification, and introduction of new web technologies. 6. Network monitoring and troubleshooting, traffic analysis, quality analysis, relevant web management system development and processing of customer complaints. 7. Control & management of Capex and Opex budgets.
Information Technology Center	1. Develop, operate, and maintain the telecommunication BSS and related system, including CRM, Billing, and ERP systems, etc. 2. Operate, administrate, and maintain the IT infrastructure including data center, server hardware, storage, networking hardware, security hardware, and office automation. 3. Responsible for information security and personal data protection standards as well as implementation of Company policies. 4. Develop the smart life (Gt Smart Life) and IoT (Internet of Things) service. Improve the service quality and increase Company revenue. 5. Coordinate the BP/SOP development of IT service, system architecture and integration planning, and policy of operation/maintenance. 6. Research the latest IT technology to provide innovative IT services and personnel training. 7. Operational cost control, supervision over strategic IT development, as well as provision of comprehensive sup

Department	Explanation of Primary Functions
Customer Service Center	1. Provide customer service by responding to customer inquiries or service requests and troubleshoot for existing and potential customers of Asia Pacific Telecom. 2. Customer account activation for wireless and fixed line products, including checking mandatory fields in the customer acquisition/service request documents. Scanning and dispatching customer documents to the warehouse; retrieving archived files. 3. Customer retention of existing customers; Focus on anti-churn operations management. 4. Enhance and increase customer satisfaction. 5. Service operations management for new product launches including IOT Applications, ICT and Smart Business Application Cloud Service products. 6. Customer service innovation system project management (e.g. customer service APP, AI customer service)
Financial Center	1. Assurance of customer bills and POI settlement between telecoms. 2. Accounting operation, tax filing, and regulation compliance. 3. Financial statements preparation and comprehension. 4. Treasury management. 5. Financial planning and investor relationship management.
Regulatory and Operation Support Center	1. Review and revision of various contracts from various Company divisions; handling of various litigation and disputes; offering legal advice, response, and resolutions for legal problems from each division. 2. Collection and analysis of information on domestic and international telecommunication supervision policies and telecom operators' operational practices. 3. Recommendation and negotiation for promulgation and amendment of Telecommunications Act and its related laws and regulations. 4. Acts as the execution and corresponding unit to the competent authority for telecommunications enterprises. 5. Maintains public relations between telecommunication enterprises (network interconnection agreements and dispute negotiations). 6. Handling of procedures related to external procurement. 7. Responsible for prevention, detection, and deterrence of fraudulent activities to reduce the forced churn rate. 8. Responsible for management and segmentation of dunning process for different customer to reduce bad debt ratio.
Business Management Division	1. Financial forecast simulation, annual budget preparation and control, operational performance KPI analysis. 2. Cost-effective trial calculation and management report analysis. 3. Provide routine operations report (including separate accounting, license fee calculation) and other assignments to National Communications Commission (NCC). 4. Building and optimization of Management Information System, planning and data analysis according to the requests of each module. 5. Commission and bonus calculation, performance (revenue) attribution rules planning and management. 6. Warehousing management and logistics operation planning and management. 7. Process optimization and integration planning for the operation and business management system.
Human Resources and General Affairs Division	1. Salary and compensation, attendance management, personnel changes, incentive and disincentive procedures, and retirement/severance procedures. 2. Compensations policy, insurance procedures, Remuneration Committee tasks, HR system management and budget planning. 3. Establishment of manpower needs and control, recruitment procedures, dispatched personnel procedures, and HR consultancy for line managers. 4. Promotions assessment, resignation procedures, contract signing with HR agencies and personnel dispatch companies, and organizational management. 5. Educational and training system planning; annual educational training planning and implementation; internal lecturer system. 6. Talent review, performance evaluation planning and procedural management, career development planning; point of contact for labor unions. 7. Employee Welfare Committee tasks; employee benefits; employee satisfaction survey; labor relations meeting; collective bargaining agreements. 8. Send/receive official correspondence; office/building management; electrical and mechanical security maintenance; administrative equipment management. 9. Administrative management; manager facilitation management; front desk reception; project assistance. 10. Resource and material management; office supplies and miscellaneous procurement; internal control procedures; scrap cleanup.

Department	Explanation of Primary Functions
Labor Safety and Health Department	1. Formulating, planning, promoting, and monitoring occupational safety and health related affairs. Implement tasks related to the Occupational Safety and Health Committee. 2. Establish and revise the Occupational Safety and Health Guidelines or standardized operating rules; supervision over occupational safety and health related affairs. 3. Planning and implementation of health checkup, health promotion and health guidance for workers.
Consumer & Residential Solutions Business Center	1. Coordination, planning, and management of Consumer & Residential Solutions ICT solutions. 2. Revenue budget planning and business strategy planning and execution. 3. Planning and execution of retail activities and promotions. 4. Franchise/Distributors business management. 5. Direct Store business management. 6. Specialty channel business management.
Marketing Center	1. Planning and implementation of marketing strategies 2. Communications and management of brand awareness. 3. Rate plans and handset line-up management. 4. Management of customer acquisition and retention.
Web Technology Center	1. Planning & engineering of mobile and fixed network. 2. Network deployment, operation and management. 3. Network engineering and deployment of co-construction project joined for mobile requirements of government roads & highways and public construction project. 4. Telecom regulatory affairs including system inspection, capacity expansion application, and processing of various legal requirements. 5. Establishment of terminal-end equipment specification and development, certification, and introduction of new web technologies. 6. Network monitoring and troubleshooting, traffic analysis, quality analysis, relevant web management system development and processing of customer complaints. 7. Control & management of Capex and Opex budgets.
Management Information Center	1. Develop, operate, and maintain the telecommunication BSS and related system, including CRM, Billing, and ERP systems, etc. 2. Operate, administrate, and maintain the IT infrastructure including data center, server hardware, storage, networking hardware, security hardware, and office automation. 3. Responsible for information security and personal data protection standards as well as implementation of Company policies. 4. Develop the smart life (Gt Smart Life) and IoT (Internet of Things) service. Improve the service quality and increase Company revenue. 5. Coordinate the BP/SOP development of IT service, system architecture and integration planning, and policy of operation/maintenance. 6. Research the latest IT technology to provide innovative IT services and personnel training. 7. Operational cost control, supervision over strategic IT development, as well as provision of comprehensive support to sales units to achieve the business goals of subscriber number and revenue growth.
Customer Service Center	1. Offer services pertaining to inquiries, troubleshooting, and reporting services for existing and potential customers of Asia Pacific Telecom. 2. Customer account activation for wireless and fixed line products, including checking mandatory fields in the customer acquisition/service request documents. Scanning and dispatching customer documents to the warehouse and retrieval of archived files. 3. Customer retention of existing customers; emphasis on anti-churn operations management. 4. Enhance customer satisfaction. 5. Service operations management for new product launches including IoT Applications, ICT and Smart Business Application Cloud Service products. 6. Customer service innovation system project management (e.g. customer service mobile app, AI customer service).

II. Directors, General Manager, Vice President, Director Managers, and Managerial Officers of various branch organization

(I) Information on Directors: The Company’s Board of Directors is formed by 11 directors with sound educational and work experience backgrounds. Three of whom are Independent Directors, and all Independent Directors also serve on the Audit Committee.

Below is a summary on the 8th Board of Directors:

As of April 22, 2019

Title	Nationality or Place of Registration	Name	Gender	Date Elected (Resumed) Date	Term	Date First Elected elected	Shares Held When Elected Shares held		Shares Currently Held Shares held		Shares held by spouse or minor children		Shares held in the name of other persons		Education and Work Experience	Titles also held at the Company and other companies	If spouse or second-degree family members also serve as supervisors or directors		
							Number of shares (no. of shares)	Shareholding Ratio	Number of shares (no. of shares)	Shareholding Ratio	Number of shares (no. of shares)	Shareholding Ratio	Number of shares (no. of shares)	Shareholding Ratio			Job Title	Name	Relations
Chairman	Republic of China	Baoxin International Investment Co., Ltd.	—	2018.06.20	3 years	2014.08.29	1,081,319	0.03%	1,081,319	0.03%	0	0	0	0	—	—	—	—	—
	Republic of China	Representative: Fang-Ming Lu	Male	2018.06.20	3 years	2014.07.04	0	0	0	0	0	0	0	0	● Master’s Degree of Institute of Applied Physics, Chung-Yuan Christian University ● General Manager of Asia-Pacific Region, Lingyun Science and Technology Co., Ltd. ● General Manager of Computer System Products of HP, Taiwan	●Executive Director of Board, Hon Hai Precision Inc. ●Corporate Executive Vice President of Hon Hai Technology Group	—	—	—
Director	Republic of China	Baoxin International Investment Co., Ltd.	—	2018.06.20	3 years	2014.08.29	1,081,319	0.03%	1,081,319	0.03%	0	0	0	0	—	—	—	—	—

As of April 22, 2019

Title	Nationality or Place of Registration	Name	Gender	Date Elected (Resumed) Date	Term	Date First Elected elected	Shares Held When Elected Shares held		Shares Currently Held Shares held		Shares held by spouse or minor children		Shares held in the name of other persons		Education and Work Experience	Titles also held at the Company and other companies	If spouse or second-degree family members also serve as supervisors or directors		
							Number of shares (no. of shares)	Shareholding Ratio	Number of shares (no. of shares)	Shareholding Ratio	Number of shares (no. of shares)	Shareholding Ratio	Number of shares (no. of shares)	Shareholding Ratio			Job Title	Name	Relations
	Republic of China	Yung-Cheng Chen	Male	2018.6.20	3 years	2016.08.05	0	0	0	0	0	0	0	0	● MBA, University of Chicago ● MS, Computer Science and mathematics, Ohio State University ● President and Group Managing Director/ Telstra International Group ● Partners, GL Capital ● CEO of Greater China/NBA ● Vice President, CEO of Greater China/ Microsoft ● Vice President/Motorola, and Chairman & President/ Motorola (China) ● Electronics Corporation ● General Manage, Asia Pacific Telecom ● Chairman, Foxconn Industrial Internet Co., Ltd	●Director, Asia Pacific Telecom Co., Ltd	–	–	–
Director	Republic of China	Baoxin International Investment Co., Ltd.	–	2018.06.20	3 years	2014.08.29	1,081,319	0.03%	1,081,319	0.03%	0	0	0	0	–	–	–	–	–
	Republic of China	Jui-Ying Fan	Male	2018.06.20	3 years	2015.06.25	0	0	0	0	0	0	0	0	● University of Southern California ● General Manager, Taiwan Mobile Co., Ltd. ● General Manager, Taiwan Fixed Network Co., Ltd. ● Vice Chairman &CEO, Kbro Co., Ltd	● Director of Eastern Broadcasting Co., Ltd., ● Director of Growww Media Co., Ltd. ● Director of Hong-Shun Investment., Ltd	–	–	–
Director	Republic of China	Baoxin International Investment Co., Ltd.	–	2018.06.20	3 years	2014.08.29	1,081,319	0.03%	1,081,319	0.03%	0	0	0	0	–	–	–	–	–

As of April 22, 2019

Title	Nationality or Place of Registration	Name	Gender	Date Elected (Resumed) Date	Term	Date First Elected elected	Shares Held When Elected Shares held		Shares Currently Held Shares held		Shares held by spouse or minor children		Shares held in the name of other persons		Education and Work Experience	Titles also held at the Company and other companies	If spouse or second-degree family members also serve as supervisors or directors		
							Number of shares (no. of shares)	Shareholding Ratio	Number of shares (no. of shares)	Shareholding Ratio	Number of shares (no. of shares)	Shareholding Ratio	Number of shares (no. of shares)	Shareholding Ratio			Job Title	Name	Relations
	Republic of China	Representative: Chia-Hsiang Chang	Male	2018.06.20	3 years	2015.06.25	0	0	0	0	0	0	0	0	● MBA, University of California, Los Angeles ● Executive Vice President, Far EasTone Telecommunications Co., Ltd. ● Vice President and CFO, New Century InfoComm Tech Co., Ltd. ● General Manager, Asia Pacific Product Support Group/HP Asia Pacific	●Director, Veritas Consulting Co., Ltd. ●Independent Director, Taiwan IC Packaging Corporation ,Inc ●Supervisor, Dafeng Cable Co., Ltd. Independent Director, TaiRx, Inc.	—	—	—
Director	Republic of China	Taiwan Railways Administration, MOTC	—	2018.06.20	3 years	2000.05.03	399,477,000	9.29%	399,477,000	9.29%	0	0	0	0	—	—	—	—	—
	Republic of China	Representative: Jen-Tsai Hsu	Male	2018.06.20	3 years	2017.08.01	0	0	0	0	0	0	0	0	● Master, Department of Harbor & River Engineering , National Taiwan Ocean University ● Deputy Director General of Taiwan Railways Administration,MOTC ● Chief Engineer of Taiwan Railways Administration,MOTC ● Chief Secretary of Taiwan Railways Administration,MOTC	● Deputy Director General of Taiwan Railways Administration, MOTC	—	—	—
Director	Republic of China	Taiwan Railways Administration, MOTC	—	2018.06.20	3 years	2000.05.03	399,477,000	9.29%	399,477,000	9.29%	0	0	0	0	—	—	—	—	—

As of April 22, 2019

Title	Nationality or Place of Registration	Name	Gender	Date Elected (Resumed) Date	Term	Date First Elected elected	Shares Held When Elected Shares held		Shares Currently Held Shares held		Shares held by spouse or minor children		Shares held in the name of other persons		Education and Work Experience	Titles also held at the Company and other companies	If spouse or second-degree family members also serve as supervisors or directors		
							Number of shares (no. of shares)	Shareholding Ratio	Number of shares (no. of shares)	Shareholding Ratio	Number of shares (no. of shares)	Shareholding Ratio	Number of shares (no. of shares)	Shareholding Ratio			Job Title	Name	Relations
	Republic of China	Representative: Tung-Chun Tsao	Male	2018.06.20	3 years	2016.04.21	0	0	0	0	0	0	0	0	● The Department of Finance and Taxation ,National Chengchi University ● Director of the accounting office,Taiwan Area National Expressway Engineering Bureau, MOTC ● Chief of accounting department, Veterans Affairs Council ● Accounting office inspector, Environmental Protection Administration ● Tax collector, Taipei City Revenue Service	● Director of the accounting office,Taiwan Railways Administration, MOTC	—	—	—
Director	Republic of China	Yu Sheng Investment Co., Ltd.	—	2018.06.20	3 years	2010.06.23	12,534,000	0.29%	12,534,000	0.29%	0	0	0	0	—	—	—	—	—
	Republic of China	Representative: Chung-Cheng Tseng	Male	2018.06.20	3 years	2007.02.15	0	0	0	0	0	0	0	0	● MBA, Washington University in St. Louis, USA ● Assistant Vice President, Central Investment Holding Co., Ltd. ● Assistant Vice President, Kuang-Hwa Investment Holding Co., Ltd.	● Chairman of Yu Sheng Investment Co., Ltd. ● Director, China Investment and Development Co.,Ltd . ● Assistant Vice President, Central Investment Holding Co., Ltd.	—	—	—
Director	Republic of China	Hua Eng Wire & Cable Co., Ltd.	—	2018.06.20	3 years	2000.05.03	135,922,500	3.16%	135,922,500	3.16%	0	0	0	0	—	—	—	—	—
	Republic of China	Representative: Min-shiang, Lin	Male	2018.06.20	3 years	2000.05.03	0	0	0	0	0	0	0	0	● Kaohsiung High commercial business Branch ● Qualification of the financial administrative personnel of the Examination	(Note 1)	—	—	—

As of April 22, 2019

Title	Nationality or Place of Registration	Name	Gender	Date Elected (Resumed) Date	Term	Date First Elected elected	Shares Held When Elected Shares held		Shares Currently Held Shares held		Shares held by spouse or minor children		Shares held in the name of other persons		Education and Work Experience	Titles also held at the Company and other companies	If spouse or second-degree family members also serve as supervisors or directors		
							Number of shares (no. of shares)	Shareholding Ratio	Number of shares (no. of shares)	Shareholding Ratio	Number of shares (no. of shares)	Shareholding Ratio	Number of shares (no. of shares)	Shareholding Ratio			Job Title	Name	Relations
Independent Director	Republic of China	Ting-Wong Cheng	Male	2018.06.20	3 years	2012.10.26	0	0	0	0	0	0	0	0	(Note 2)	●Chair Professor, National Chengchi University ●Independent Director, TECO Electric & Machinery Co., Ltd Independent Director, SuperAlloy International Co., Ltd	—	—	—
Independent Director	Republic of China	Yi-Wen Chen	Male	2018.06.20	3 years	2016.06.22	0	0	0	0	0	0	0	0	● Electrical Engineering ,Ming Chi Institute of Technology ● Founder Ivan Informatiom Company (Chairman/General manager) ● Consultant, W&Jsoft Inc Company	Independent Director, Taiwan IC Packaging Corporation, Inc.	—	—	—
Independent Director	Republic of China	Shi-Nine Yang	Male	2018.06.20	3 years	2016.06.22	0	0	0	0	18,000	0.00%	0	0	● National Taiwan Normal University(Bachelor) ● State University of New York At Buffalo, USA (Ph.D) ● Chairman/ Professor, Department of Computer Science, National Tsing Hua University ● Chairman of Gao- Rong Charity Association, Taoyuan city,Taiwan	-	—	—	—

Note 1: Other concurrent positions held at the Company and other companies by Director Min-Shiang, Lin include: Director and Vice President, Hua Eng Wire & Cable Co., Ltd.; Director, First Copper Technology Co., Ltd.; Director, China Ecotex Co., Ltd.; Director, Wafer Works Co., Ltd.; Director, Co-Tech Development Co., Ltd.; Director, Bionime Co., Ltd.; Director, Savior Lifetec Co., Ltd.; and Director, Pixon Technologies Co., Ltd.

Note 2: Major education/work experiences from Independent Director Ting-Wong Cheng include: Ph.D. & Master Degree in Accounting, University of Missouri, USA; Master Degree in Law, National Cheng Chi University; Bachelor Degree in Accounting and Statistics, National Cheng Chi University; President, Provost and Dean of College of Commerce, National Cheng Chi University; Associate Professor, Professor, Distinguished Professor and University Chair Professor, Department of Accounting, National Cheng Chi University; Assistant Professor, Indiana University, USA; Standing Committee Member, the Council of Academic Review and Evaluation, Ministry of Education; Committee Member, CPA Disciplinary Review Committee, Financial Supervisory Commission; Committee Member, CPA Disciplinary Review Committee, Ministry of Finance; Chairman, Taiwan Accounting Association; Chairman, the Private School Foundation; Supervisor, Central Bank of ROC; Supervisor, Chang Hwa Commercial Bank; Supervisor, Chinese Petroleum Corporation; and Independent Supervisor, SinoPac Financial Holdings Company.

1. Substantial Shareholders of Corporate Shareholders

As of April 22, 2019

Name of Corporate Shareholder	Substantial Shareholders of Corporate Shareholders
Baoxin International Investment Co., Ltd.	Hon Hai Precision Industry Inc. (100%)
Taiwan Railways Administration, MOTC	Not a limited company.
Yu Sheng Investment Co., Ltd.	Kuang-Hwa Investment Holding Co., Ltd. (100%)
Hua Eng Wire & Cable Co., Ltd.	First Copper Technology Co., Ltd. (32.96%); Hua Horng Investment Co., Ltd. (4.26%); Pi-Er Wang Yang (3.49%); Wen-Ling Wang (2.20%); Feng-Shu Wang (2.00%); Yu-Fa Wang (1.75%); Hong-Jen Wang (1.56%); Hong-Ming Wang (1.46%); Kun-Jung Chen (0.81%); Li-Yan Wang Wu (0.80%)

2. Substantial Shareholders of Institutional Shareholders

As of April 22, 2019

Name of Institutional Shareholders	Major Shareholders of Institutional Shareholders
Hon Hai Precision Industry Co., Ltd.	Terry Gou (9.36%); CTBC Bank as a custodian of Terry Gou’s asset account (2.89%); Citi as a custodian of Singaporean government’s investment account (1.75%); Citi as a custodian of Hon Hai Precision Industry Co., Ltd.’ s depository receipt account (1.48%); Standard Chartered as a custodian of Vanguard Emerging Market Index Fund account (1.41%); Fubon Life Insurance Co., Ltd. (1.23%); JPMorgan Chase Bank as a custodian of Starlight Advanced Comprehensive International Equity Index (1.17%); JPMorgan Chase Bank as a custodian of Saudi Arabian Monetary Agency’s investment account (1.15%); Citi as a custodian of Norges Bank Investment Management investment account (1.11%); and Standard Chartered as a custodian of Fidelity Halal funds: Fidelity Low-Priced Stock Funds (1.05%).
Kuang-Hwa Investment Holding Co., Ltd.	Hsin Kuang Hwa Co., Ltd. (100%)
First Copper Technology Co., Ltd.	Hua Eng Wire & Cable Co., Ltd. (34.69%); Yu-Fa Wang (7.98%); Mega International Commercial Bank Co., Ltd. Acting as Custodian for the Investment Account of MITSUBISHI SHINDOH CO., LTD(5.00%) ; Hua Horng Investment Co., Ltd. (4.60%); Pi-Er Wang Yang (2.52%); Wen-Ling Wang (1.82%); Feng-Chuan Wang (0.67%); National Ship Demolition Co., Ltd. (0.50%); Feng-Shu Wang (0.43%); Hong-Ming Wang (0.41%)
Hua Horng Investment Co., Ltd.	Kulsum Industries Ltd. (79.79%); Wen-Ling Wang (3.19%); Feng-Chuan Wang (3.19%); Feng-Shu Wang (3.19%); Hong-Jen Wang (3.19%); Hong-Ming Wang (2.87%); Hong-Yuan Wang (2.13%); Yu-Fa Wang (1.07%); Feng-Ching Wang (0.85%); Pi-Er Wang Yang (0.53%)

3. Professional Knowledge and Skills of Directors and Status of Independence (8th Board)

Condition / Name	Has more than 5 years of work experience and the following professional qualifications			Compliance to Independence (Note 1)										Currently serving as the independent director of other public companies
	Currently serving as an instructor or higher post in a private or public college or university in the field of business, law, finance, accounting, or the business sector of the Company	Currently serving as a judge, prosecutor, lawyer, accountant, or other professional practice or technician that must undergo national examinations and specialized license.	Work experience necessary for business administration, legal affairs, finance, accounting, or business sector of the Company.	1	2	3	4	5	6	7	8	9	10	
Baoxin International Investment Co., Ltd. Representative: Fang-Ming Lu			✓			✓	✓			✓	✓	✓		0
Baoxin International Investment Co., Ltd. Yung-Cheng Chen			✓		✓	✓	✓			✓	✓	✓		0
Baoxin International Investment Co., Ltd. Jui-Ying Fan			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Baoxin International Investment Co., Ltd. Representative: Chia-Hsiang Chang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		2
Taiwan Railways Administration, MOTC Representative: Jen-Tsai Hsu			✓	✓	✓	✓	✓		✓	✓	✓	✓		0
Taiwan Railways Administration, MOTC Representative: Tung-Chun Tsao			✓	✓	✓	✓	✓		✓	✓	✓	✓		0
Yu Sheng Investment Co., Ltd. Representative: Chung-Cheng Tseng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Hua Eng Wire & Cable Co., Ltd. Representative: Baoxin Min-Shiang, Lin			✓	✓	✓	✓	✓		✓	✓	✓	✓		0
Ting-Wong Cheng	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Yi-Wen Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Shi-Nine Yang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note 1: For any director or supervisor who fulfil the relevant condition(s) 2 years before being elected or during the term of office, please check (✓) in the field next to the corresponding condition(s).

(1) Not employed by the Company or an affiliated business.
(2) Not a director or supervisor of the Company of any of its affiliates (excluding independent directors set up by the Company, its parent company or subsidiaries in compliance of the local regulations).
(3) Not a shareholder that hold more than 1% of the Company's total shares or rank among top-ten shareholders, this applies for the Director him/herself, spouse, minor children, or shares held under others' names.
(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs.
(5) Not a Director, Supervisor, or employee of a corporate shareholder that holds more than 5% of the Company's total shares, nor a Director, Supervisor, or employee of a top-five ranked corporate shareholder.
(6) Not a Director, Supervisor, manager, or a shareholder that holds more than 5% of shares at a company or institution that has financial or business exchanges with the Company.
(7) Not a professional individual or owner, partner, director (member of the governing board), supervisor (member of the supervising board), or managerial officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting, or consultation services to the Company or to any affiliated business, or spouse thereof. However, members of the Remuneration Committee which has been established and exercised under Article 7 'the Establishment and Exercising of Rights for Remuneration Committee in a Company Listed or Traded on the Stock Exchange" is not limited by this clause.
(8) Not a spouse or a relative within the second degree of kinship with any director.
(9) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.
(10) Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act.

*Policy of Diversification within the Board of Directors

The Company's Corporate Governance Best Practice Principles and Procedures for Election of Directors have set relevant procedures for the composition of the Board of Directors, qualifications, and election and nomination of Board members.

The composition of the Board of Directors shall be determined by taking diversity into consideration. It is advisable that directors concurrently serving as the Company's managers not exceed one-third of the total number of the Board members, and that an appropriate policy on diversity based on the Company's business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards:

(1) Basic conditions and values: gender, age, nationality, culture, and so on.
(2) Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industry experience, etc.

All members of the Board shall have the knowledge, skills, and experience necessary to perform their duties.

To achieve the ideal goal of corporate governance, the Board of Directors shall possess the following abilities:

(1) The ability to make judgments about operations.
(2) Accounting and financial analysis ability.
(3) Business management ability.
(4) Crisis management skills.
(5) Knowledge of the industry.
(6) An international market perspective.
(7) Leadership ability.
(8) Decision-making ability.

*The Company's diversification policy for the composition of the Board is also disclosed on the Company website (About Us > Corporate Citizenship > Corporate Governance > Directors).

Diversified Core Competencies / Name	Background	Professional knowledge and skills							
	Gender	Sound business judgments	Accounting and Financial Analysis	Operation Management judgments	Crisis management judgments	Industry knowledge judgments	International market perspective	Leadership judgments	Decision-making judgments
Baoxin International Investment Co., Ltd. Representative: Fang-ming Lu	Male	✓	✓	✓	✓	✓	✓	✓	✓
Baoxin International Investment Co., Ltd. Yung-Cheng Chen	Male	✓	✓	✓	✓	✓	✓	✓	✓
Baoxin International Investment Co., Ltd. Jui-Ying Fan	Male	✓	✓	✓	✓	✓	✓	✓	✓
Baoxin International Investment Co., Ltd. Representative: Chia-Hsiang Chang	Male	✓	✓	✓	✓	✓	✓	✓	✓
Taiwan Railways Administration, MOTC Representative: Jen-Tsai Hsu	Male	✓	✓	✓	✓	✓	✓	✓	✓
Taiwan Railways Administration, MOTC Representative: Tung-Chun Tsao	Male	✓	✓	✓	✓	✓	✓	✓	✓
Yu Sheng Investment Co., Ltd. Representative: Chung-Cheng Tseng	Male	✓	✓	✓	✓	✓	✓	✓	✓
Hua Eng Wire & Cable Co., Ltd. Representative: Baoxin Min-Shiang, Lin	Male	✓	✓	✓	✓	✓	✓	✓	✓
Ting-Wong Cheng	Male	✓	✓	✓	✓	✓	✓	✓	✓
Yi-Wen Chen	Male	✓	✓	✓	✓	✓	✓	✓	✓
Shi-Nine Yang	Male	✓	✓	✓	✓	✓	✓	✓	✓

(II) General Manager, Vice President, Director Manager, and Managerial Officer of Departments and Branch Agencies, As of April 22, 2019

Title	Nationality	Name	Gender	Date Elected	Shares held		Shares held by spouse or minor children		Shares held in the name of other persons		Education and Work Experience	Positions currently held in other companies	Managers who have spousal or second-degree family relationships within the Company		
					Number of shares (no. of shares)	Shareholding ratio	Number of shares (no. of shares)	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship
General Manager	Taiwan, R.O.C.	Nan-Ren Huang	Male	2018.03.15	200,000	0.00%	20,000	0.00%	—	—	Master Degree in Electrical Engineering, University of Tennessee Chairman, Linkooh Co., Ltd. General Manager, AMBIT Microsystems Corporation Vice President, Taiwan Mobile Co., Ltd.	Consultant, Technology Service Operation Management, GM Office, Cloud & Network Group, Hon Hai Precision Industry Co., Ltd. Chairman, Foxconn Global Network Corporation Chairman, Howin Technologies Corp. Supervisor, Alliance Digital Technology Co.	—	—	—
Chief Financial Officer, CFO	Taiwan, R.O.C.	Annie Hung	Female	2013.03.11	—	—	—	—	—	—	EMBA, National Chiao Tung University Bachelor Degree in Economics, National Taiwan University CFO, Finance & Accounting Department, Yulon Finance Corporation CFO, Finance & Accounting Department., Du Precision Industry Co., Ltd. CFO, HiTrend Technology (Shanghai) Co., Ltd.	Supervisor, Hon Conn Innovation Corp. Director, Asia Pacific Telecom Hong Kong Co.	—	—	—
Chief Audit Officer	Taiwan, R.O.C.	Frances Chen	Female	2013.03.11	24,000	0.00%	110,000	0.00%	—	—	Master Degree in Accounting, National Taiwan University Deputy Researcher, Commissioner Office, Financial Supervisory Commission (R.O.C.) Director, Finance Department., Hsin Yu Energy Development Co., Ltd. Finance Director, Finance Department., Oracle Co., Ltd., Taiwan Branch Lecturer, Chung Hwa University	None	—	—	—

Title	Nationality	Name	Gender	Date Elected	Shares held		Shares held by spouse or minor children		Shares held in the name of other persons		Education and Work Experience	Positions currently held in other companies	Managers who have spousal or second-degree family relationships within the Company		
					Number of shares (no. of shares)	Shareholding ratio	Number of shares (no. of shares)	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship
Chief Operating Officer, COO	Taiwan, R.O.C.	Michael Lee	Male	2013.01.01	78,500	0.00%	—	—	—	—	EMBA, National Sun Yat-sen University Deputy Manager, Marketing Support Department., EOS System Corporation	None	—	—	—
Senior Vice President	Taiwan, R.O.C.	Aga Shih	Male	2016.01.14	—	—	10,000	0.00%	—	—	Master Degree in Business Administration, National Chung Hsing University Vice President, Product Marketing Division, Senao International Co., Ltd.	None	—	—	—
Vice President	Taiwan, R.O.C.	Didy Teng	Female	2015.11.05	—	—	—	—	—	—	Master Degree in Business Management, Yuan Ze University Senior Director, Global Sales Division, HTC Corporation Vice President, Marketing Division, Vibo Telecom Inc Director, Channel Marketing Division, Mio Technology Corporation	None	—	—	—
Vice President	Taiwan, R.O.C.	Klim Huang	Male	2016.01.14	—	—	—	—	—	—	Bachelor Degree in Information Engineering and Computer Science, Feng Chia University Vice President, Information Technology Division, AMBIT Microsystems Corporation Vice President, Technical Department, Q-Ware Systems & Service Corp. Director, Software Engineering Department, President Information Corp.	Director, Hon Conn Innovation Corp.	—	—	—

Title	Nationality	Name	Gender	Date Elected	Shares held: Number of shares (no. of shares)	Shares held: Shareholding ratio	Shares held by spouse or minor children: Number of shares (no. of shares)	Shares held by spouse or minor children: Shareholding ratio	Shares held in the name of other persons: Number of Shares	Shares held in the name of other persons: Shareholding ratio	Education and Work Experience	Positions currently held in other companies	Managers who have spousal or second-degree family relationships within the Company: Title	Managers who have spousal or second-degree family relationships within the Company: Name	Managers who have spousal or second-degree family relationships within the Company: Relationship
Vice President	Taiwan, R.O.C.	Tim Liu	Male	2016.01.14	–	–	–	–	–	–	EMBA, National Taiwan University Vice President, Legal and Regulatory Department, AMBIT Microsystems Corporation Director, Telecom Division, Telocom Technology Center Vice President, Regulatory & Carriers Relations, Taiwan Mobile Co., Ltd.	None	–	–	–
Vice President	Taiwan, R.O.C.	JM Chien	Male	2016.01.14	–	–	–	–	–	–	Master Degree in Business Administration, Yuan Ze University Vice President, Department of Engineering, AMBIT Microsystems Corporation Director, Central Region Operations and Maintenance Department, Far EasTone Telecommunications Co., Ltd. Senior Manager, Ericsson Taiwan Ltd. Manager, Rock & Brothers Ent., Ltd.	None	–	–	–
Vice President	Taiwan, R.O.C.	Shang-Chen Kao	Male	2018.11.08	–	–	–	–	–	–	Master Degree in Communication Engineering, National Chiao Tung University Vice President, Engineering Service Division, Foxconn Global Network Corporation Vice President, Engineering Service Division, Asia Pacific Telecom Co., Ltd. Divisional Head, Quality Assurance Application Engineering Division., DBTEL	None	–	–	–

Title	Nationality	Name	Gender	Date Elected	Shares held		Shares held by spouse or minor children		Shares held in the name of other persons		Education and Work Experience	Positions currently held in other companies	Managers who have spousal or second-degree family relationships within the Company		
					Number of shares (no. of shares)	Shareholding ratio	Number of shares (no. of shares)	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship
Vice President	Taiwan, R.O.C.	Roger Wang	Male	2018.11.08	—	—	—	—	—	—	EMBA, National Taiwan University Master Degree in Computer and Electronic Engineering, National Central University Associate Partner, Global Business Service, IBM Taiwan	None	—	—	—
Senior Director	Taiwan, R.O.C.	Wilson Huang	Male	2007.03.15	—	—	—	—	—	—	Master Degree in Management Sciences, Tamkang University Specialist, Department of Marketing, Fu Burg Industrial Co., Ltd. Assistant Manager, Department of Accounting, Chia Hsin Food & Chemical Fiber Co., Ltd.	None	—	—	—
Senior Director	Taiwan, R.O.C.	Michael Ko	Male	2010.01.01	—	—	—	—	—	—	Bachelor Degree in Transportation Engineering & Management, National Chiao Tung University Vice President, TOPCO Business Machine Corporation	None	—	—	—
Senior Director	Taiwan, R.O.C.	Dennis Liu	Male	2014.07.01	133,000	0.00%	—	—	—	—	EMBA, National Taiwan University of Science and Technology Manager, Software Integration Department, Alacatel-TAISEL	None	—	—	—
Senior Director	Taiwan, R.O.C.	Louis Lin	Male	2016.03.01	96,000	0.00%	28,000	0.00%	—	—	Master Degree in Business Administration, National Chiayi University Sales Director, Commtiva Technology Limited (InFocus Mobile) Vice President, Sales Group, Vibo Telecom Inc. Senior Director, Direct Store Channel, Arcoa Communications Co., Ltd. Senior Sales Manager, Sales channel head, Far EasTone Telecommunications Co., Ltd.	None	—	—	—

Title	Nationality	Name	Gender	Date Elected	Shares held		Shares held by spouse or minor children		Shares held in the name of other persons		Education and Work Experience	Positions currently held in other companies	Managers who have spousal or second-degree family relationships within the Company		
					Number of shares (no. of shares)	Shareholding ratio	Number of shares (no. of shares)	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship
Senior Director	Taiwan, R.O.C.	Patrick Chang	Male	2016.03.16	—	—	—	—	—	—	EMBA, Feng Chia University Manager, Retail Sales Department, Senao International Co. Ltd.	None	—	—	—
Senior Director	Taiwan, R.O.C.	Stan Shen	Male	2016.05.18	—	—	—	—	—	—	Bachelor Degree in Public Finance, Feng Chia University Manager, Accounting Department., Birkart Globistics Ltd. Assistant Manager, Accounting Department, General Motors Taiwan	None	—	—	—
Senior Director	Taiwan, R.O.C.	Susan Wang	Female	2016.05.18	8,000	0.00%	—	—	—	—	Bachelor Degree in Applied Business,National Taipei College of Business Manager, Customer Service Center, Asia Pacific Telecom Assistant Manager, Customer Service Center, Hitron Technologies Inc.	None	—	—	—
Senior Director	Taiwan, R.O.C.	Anita Lin	Female	2017.04.01	4,000	0.00%	—	—	—	—	Master Degree in Business Administration, Tamkang University Junior Manager, Human Resources Department, Eastern Realty Co., Ltd. Accountant, Accounting Department, Hong Bang Construction Co., Ltd.	None	—	—	—
Senior Director	Taiwan, R.O.C.	Angus Yang	Male	2019.03.01	—	—	—	—	—	—	Bachelor Degree in Information Engineering, Fu Jen Catholic University Director, APTG Network Planning Team, AMBIT Microsystems Corporation Senior Manager, Product Support Team, IDT Assistant Manager, Network Management Center, Fist International Telecom Corp.	None	—	—	—

Title	Nationality	Name	Gender	Date Elected	Shares held		Shares held by spouse or minor children		Shares held in the name of other persons		Education and Work Experience	Positions currently held in other companies	Managers who have spousal or second-degree family relationships within the Company		
					Number of shares (no. of shares)	Shareholding ratio	Number of shares (no. of shares)	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship
Senior Director	Taiwan, R.O.C.	Dennis Wu	Male	2019.03.01	—	—	—	—	—	—	EMBA, Industrial Engineering and Management, National Taipei University of Technology Supervisor, Sales Department, First International Telecom Corp.	None	—	—	—
Senior Director	Taiwan, R.O.C.	Chia-Chi Chen	Male	2019.04.01	—	—	—	—	—	—	Master Degree in Management Sciences, Chiao Tung University Special Assistant, Chairman Office, Senao International Co., Business Planning Manager, Department of Finance, O2Mico Co., Ltd.	None	—	—	—
Director	Taiwan, R.O.C.	Chunliang Lu	Male	2002.08.16	—	—	—	—	—	—	Master Degree in Transportation and Communication Management Science, National Cheng Kung University Manager, Rebar Cement Corporation	None	—	—	—
Director	Taiwan, R.O.C.	Kuang Chen	Male	2003.08.27	8,000	0.00%	—	—	—	—	Master Degree in Computer Science and Information Engineering, Tamkang University Manager, Telecom and Media BU, Digital Equipment Corp. Taiwan Executive Vice President, Technology Department, SmarTeam Corp.	None	—	—	—
Director	Taiwan, R.O.C.	Sheng-Chang Chen	Male	2006.08.01	8,000	0.00%	5,000	0.00%	—	—	Bachelor Degree in Mechanical Engineering, Tamkang University Head of Administration Division, Ray System Technonlogy Inc. R&D Engineer, CTCI Corporation	None	—	—	—
Director	Taiwan, R.O.C.	Eric Hsu	Male	2008.06.18	20,000	0.00%	—	—	—	—	Bachelor Degree in Business Administration, National Central University Senior Manager, Sales Department, Unicorp Technology Co., Ltd. Director, Enterprise Sales Division II, Asia Pacific Telecom Co., Ltd.	None	—	—	—

Title	Nationality	Name	Gender	Date Elected	Shares held		Shares held by spouse or minor children		Shares held in the name of other persons		Education and Work Experience	Positions currently held in other companies	Managers who have spousal or second-degree family relationships within the Company		
					Number of shares (no. of shares)	Shareholding ratio	Number of shares (no. of shares)	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship
Director	Taiwan, R.O.C.	Ruby Wu	Female	2009.02.01	5,000	0.00%	－	－	－	－	Bachelor Degree in Accounting, Tamkang University Assistant Manager, Sales Department, Eastern Broadcasting Co., Ltd. Junior Manager, Sales Department, Wellnet Tech Co., Ltd.	None	－	－	－
Director	Taiwan, R.O.C.	Calvin Tsai	Male	2011.03.01	115,000	0.00%	－	－	－	－	Bachelor Degree in Information Engineering and Computer Science, Feng Chia University Senior System Analyst, Information Technology Business Department, China Productivity Center System Engineer, Information Technology Division, TECO Electric & Machinery Co., Ltd.	None	－	－	－
Director	Taiwan, R.O.C.	HY Chang	Female	2012.10.01	－	－	－	－	－	－	MBA, Drexel University, USA Deputy Director, Taiwan Fixed Network Co., Ltd. Assistant Vice President, Finance Department, Taiwan Telecommunication Network Services Co., Ltd.	None	－	－	－
Director	Taiwan, R.O.C.	Min-Chin Huang	Male	2014.07.01	500,000	0.01%	5,000	0.00%	－	－	Junior College, Department of Chemistry, Asia-Pacific Institute of Creativity Regional Specialist, Sales Department, Aurora Co., Ltd. Team Lead, Sales Department., Weixin International Trade Co., Ltd.	None	－	－	－
Director	Taiwan, R.O.C.	Madeleine Lee	Female	2014.11.25	2,000	－	－	－	－	－	EMBA, National Taiwan University Regional Service Manager, Global Operations & Services, PCCWG Global Manager, Customer Satisfaction Department, HTC Corporation	None	－	－	－

Title	Nationality	Name	Gender	Date Elected	Shares held		Shares held by spouse or minor children		Shares held in the name of other persons		Education and Work Experience	Positions currently held in other companies	Managers who have spousal or second-degree family relationships within the Company		
					Number of shares (no. of shares)	Shareholding ratio	Number of shares (no. of shares)	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship
Director	Taiwan, R.O.C.	Chung-Yi Chen	Male	2015.05.12	1,000	0.00%	—	—	—	—	EMBA, National Cheng Chi University Assistant Manager, ETWebs Co., Ltd. Supervisor, Deloitte & Touche	None	—	—	—
Director	Taiwan, R.O.C.	Jimmy Huang	Male	2015.05.18	—	—	—	—	—	—	Bachelor Degree in Information Management, National Taiwan University of Science and Technology Store General Manager, Buynow Clevo Consultant, Beijing Zhihui Zengfu International Management Director, New Business Development Division, I Ching Corporation Director, Telecommunication Services Division, Vibo Telecom Inc.	None	—	—	—
Director	Taiwan, R.O.C.	Jacqueline Huang	Female	2015.12.01	—	—	—	—	—	—	Master Degree in Public Health, Taipei Medical University /Bachelor Degree in Journalist & Communication Studies, Fu Jen Catholic University Director, Corporate Brand Public Relations, GigaMedia Co. Ltd. Media Marketing Director & Spokesperson, Chii Lih Jewel Co. Ltd. Head of News Department, TVBS Media Inc.	None	—	—	—

Title	Nationality	Name	Gender	Date Elected	Shares held		Shares held by spouse or minor children		Shares held in the name of other persons		Education and Work Experience	Positions currently held in other companies	Managers who have spousal or second-degree family relationships within the Company		
					Number of shares (no. of shares)	Shareholding ratio	Number of shares (no. of shares)	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship
Director	Taiwan, R.O.C.	Johnson Lee	Male	2016.01.01	—	—	—	—	—	—	Master Degree in Telecommunication Engineering, National Chiao Tung University Director, Planning and Design Department, AMBIT Microsystems Corporation Vice President, Post Service Division, ZTE Taiwan Office. Deputy Director, IT System Department, Taiwan Fixed Network Corp.	None	—	—	—
Director	Taiwan, R.O.C.	Michael Chien	Male	2016.01.01	—	—	—	—	—	—	Bachelor Degrees in Law and Agricultural Extension, National Taiwan University Deputy Director, Legal Department, AMBIT Microsystems Corporation Director, Legal Department, Vibo Telecom Inc. Partner, Sunshine Law Office Lawyer, Perennial Law Office	None	—	—	—
Director	Taiwan, R.O.C.	Mandy Huang	Female	2016.03.17	—	—	—	—	—	—	Bachelor Degree in Diplomacy, National Cheng-Chi University Manager, International Roaming & Mainland China Business Development, Far EasTone Telecommunications Co., Ltd. Vice President, International Business, Palau Mobile Corporation Manager, International Roaming, Taiwan Mobile Co., Ltd.	None	—	—	—
Director	Taiwan, R.O.C.	Powei Chen	Male	2016.04.13	—	—	—	—	—	—	EMBA, National Pingtung University of Science and Technology Deputy Manager, Retail Sales Department, Senao International Co., Ltd.	None	—	—	—

Title	Nationality	Name	Gender	Date Elected	Shares held		Shares held by spouse or minor children		Shares held in the name of other persons		Education and Work Experience	Positions currently held in other companies	Managers who have spousal or second-degree family relationships within the Company		
					Number of shares (no. of shares)	Shareholding ratio	Number of shares (no. of shares)	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship
Director	Taiwan, R.O.C.	Guo-Jeng Chen	Male	2016.05.18	–	–	20,000	0.00%	–	–	Master Degree in Electronic Engineering, National Taiwan University of Science and Technology Assistant Engineer, Chunghwa Telecom	None	–	–	–
Director	Taiwan, R.O.C.	Jacky Yan	Male	2016.05.18	110,000	0.00%	10,000	0.00%	–	–	Master Degree in Business Management, Kao Yuan University Business Manager, Dawang International	None	–	–	–
Director	Taiwan, R.O.C.	Jerry Liu	Male	2016.08.22	–	–	–	–	–	–	Master Degree in International Trade, National Cheng Chi University Director, Marketing Department, Krispy Kreme & Jamba Juice Taiwan Director, Marketing Department, CoCo Fresh Tea & Juice Director, Marketing Department, MDBS Digital Technology Co., Ltd. Director, Marketing Division Vibo Telecom Inc Director, Marketing Division, Asia Pacific Telecom	None	–	–	–
Director	Taiwan, R.O.C.	Hermes Wang	Male	2016.10.26	–	–	–	–	–	–	Bachelor Degree in Physics, National Tsing Hua University Senior Technical Divisional Lead, Etu Business Development Division, Etu Corporation	None	–	–	–
Director	Taiwan, R.O.C.	Azucena Lin	Female	2016.12.01	–	–	33,000	0.00%	–	–	Bachelor Degree in Spanish Language, Fujen Catholic University PR Director, Pilot PR Manager, Corporate Communication Division, HTC Corporation	None	–	–	–

Title	Nationality	Name	Gender	Date Elected	Shares held		Shares held by spouse or minor children		Shares held in the name of other persons		Education and Work Experience	Positions currently held in other companies	Managers who have spousal or second-degree family relationships within the Company		
					Number of shares (no. of shares)	Shareholding ratio	Number of shares (no. of shares)	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship
Director	Taiwan, R.O.C.	Nicole Chen	Female	2017.08.07	—	—	—	—	—	—	MBA (Specialized in Finance), Oklahoma City University New Business Development Manager, Smart Life & Application SBG, Lite-On Technology Senior Specialist, Strategic Investment Department, TSRC Corporation	None	—	—	—
Director	Taiwan, R.O.C.	Nancy Lo	Female	2017.09.01	—	—	—	—	—	—	Master Degree in Landscape Architecture, University of Georgia, USA Special Assistant of CEO Office, Accton Technology Corporation Director, Product Management Department, Interactive Digital Technologies Inc.	None	—	—	—
Director	Taiwan, R.O.C.	Alan Hsu	Male	2017.12.01	—	—	—	—	—	—	EMBA, National University of Kaohsiung Vice Director, Franchise Sales Division, Taiwan Star Telecom Corporation Limited Vice Director, Franchise Sales Division, Vibo Telecom Corporation Manager, Sales Department, Arcoa	None	—	—	—
Director	Taiwan, R.O.C.	Catheleen Huang	Female	2018.06.19	—	—	—	—	—	—	Master Degree in Management, National Chia Yi University Divisional Head, Operations and Management, Taiwan Star Telecom Co., Ltd. Senior Manager, Operation Service Division, Yuan Hsin Digital Payment Co., Ltd.	None	—	—	—

Title	Nationality	Name	Gender	Date Elected	Shares held		Shares held by spouse or minor children		Shares held in the name of other persons		Education and Work Experience	Positions currently held in other companies	Managers who have spousal or second-degree family relationships within the Company		
					Number of shares (no. of shares)	Shareholding ratio	Number of shares (no. of shares)	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship
Director	Taiwan, R.O.C.	Richard Wu	Male	2018.11.15	—	—	—	—	—	—	Master Degree in Mechanical Engineering, National Chung Cheng University Regional Senior Category Manager, PointNext, HPE Senior Business Development Manager, NFV Team, QCT Senior Project Manager, SaaS Team, Trend Micro Project Manager, GTS, IBM	None	—	—	—
Director	Taiwan, R.O.C.	Jeff Chen	Male	2018.12.05	—	—	—	—	—	—	EMBA in International Trade, Soochow University Marketing Manager, Taiwan Star Telecom Co., Ltd. Senior Marketing Manager, Vibo Telecom Inc Assistant Marketing Manager, Commonwealth Publishing Co., Ltd.	None	—	—	—
Director	Taiwan, R.O.C.	Christine Lu	Female	2018.12.05	—	—	—	—	—	—	Junior College in Secretary Science, Ming Chuan University Senior Manager, Device development management Department, Taiwan Star Telecom Co., Ltd Manager, Merchandise Department, Tsann Kuen Enterprise Co., Ltd. Manager, Device Department, Aurora Corp.	None	—	—	—
Director	Taiwan, R.O.C.	Jack Chen	Male	2019.01.02	—	—	—	—	—	—	Bachelor Degree in Animal Science, National Chung Hsin University Sales Director, Southern District Sales, Far EasTone Telecommunications Co., Ltd. Marketing & SMB Manager, Far EasTone Telecommunications Co., Ltd. Sales Director, BU3, Digital United Inc. (Seednet)	None	—	—	—

Title	Nationality	Name	Gender	Date Elected	Shares held		Shares held by spouse or minor children		Shares held in the name of other persons		Education and Work Experience	Positions currently held in other companies	Managers who have spousal or second-degree family relationships within the Company		
					Number of shares (no. of shares)	Shareholding ratio	Number of shares (no. of shares)	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relationship
Director	Taiwan, R.O.C.	Mike Yu	Male	2019.03.01	－	－	－	－	－	－	EMBA, Feng Chia University Manager, Senao International Co. Ltd.	None	－	－	－
Director	Taiwan, R.O.C.	Sam Lin	Male	2019.04.01	－	－	－	－	－	－	Junior College in Mechanical Engineering, Tungnan University Vice President,Department of Sales, XIE XUN International Group Senior Director, Department of Sales ,Vibo Telecom Inc.	None	－	－	－

Note: shareholding less the second decimal place in the registered shares owned listed above will be calculated as “0.00,” while those that did not hold Company shares will be expressed as “-”

III. Remuneration Paid to Directors, the General Manager, and Vice Presidents in the Most Recent Year

(I) Remuneration Paid to Directors in 2018

Unit: NT$1000

Title	Name	Director's remuneration								Percentage of the total sums of A, B, C, and D on the net profit		Employee remuneration for other activities								Percentage of the total sums of A, B, C, D, E, F, and G on the net profit		Whether or not the person receives remuneration from other non-subsidiary companies that this company has invested in
		Remuneration (A)		Retirement pension (B)		Director's remuneration (C)		Expense on professional practice (D)				Salaries, bonuses and special expenses (E)		Retirement pension (F)		Employee benefits (G)						
		This Company	All companies listed in the financial report	This Company	All companies listed in the financial report	This Company	All companies listed in the financial report	This Company	All companies listed in the financial report	This Company	All companies listed in the financial report	This Company	All companies listed in the financial report	This Company	All companies listed in the financial report	This Company		All companies listed in the financial report		This Company	All companies listed in the financial report	
																Cash Sum	Shares	Cash amount	Shares			
Chairman	Baoxin International Investment Co., Ltd. Representative: Fang-Ming Lu	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Director	Baoxin International Investment Co., Ltd. Representative Yung-Cheng Chen	—	—	—	—	—	—	141	141	(0.0043)	(0.0043)	3,090	3,090	23	23	—	—	—	—	(0.0988)	(0.0988)	—
Director	Baoxin International Investment Co., Ltd. Jui-Ying Fan	—	—	—	—	—	—	141	141	(0.0043)	(0.0043)	—	—	—	—	—	—	—	—	(0.0043)	(0.0043)	—
Director	Baoxin International Investment Co., Ltd. Representative: Chia-Hsiang Chang	—	—	—	—	—	—	141	141	(0.0043)	(0.0043)	—	—	—	—	—	—	—	—	(0.0043)	(0.0043)	—
Director	Taiwan Railways Administration, MOTC Representative: Jen-Tsai Hsu	—	—	—	—	—	—	201	201	(0.0061)	(0.0061)	—	—	—	—	—	—	—	—	(0.0061)	(0.0061)	—
Director	Taiwan Railways Administration, MOTC Representative: Tung-Chun Tsao	—	—	—	—	—	—	141	141	(0.0043)	(0.0043)	—	—	—	—	—	—	—	—	(0.0043)	(0.0043)	—
Director	Yu Sheng Investment Co., Ltd. Representative: Chung-Cheng Tseng	—	—	—	—	—	—	201	201	(0.0061)	(0.0061)	—	—	—	—	—	—	—	—	(0.0061)	(0.0061)	—
Director	Hua Eng Wire & Cable Co., Ltd. Representative: Baoxin Min-Shiang, Lin	—	—	—	—	—	—	201	201	(0.0061)	(0.0061)	—	—	—	—	—	—	—	—	(0.0061)	(0.0061)	—
Independent Director	Ting-Wong Cheng	—	—	—	—	—	—	1,014	1,014	(0.0308)	(0.0308)	—	—	—	—	—	—	—	—	(0.0308)	(0.0308)	—
Independent Director	Yi-Wen Chen	—	—	—	—	—	—	894	894	(0.0271)	(0.0271)	—	—	—	—	—	—	—	—	(0.0271)	(0.0271)	—

Title	Name	Director's remuneration								Percentage of the total sums of A, B, C, and D on the net profit		Employee remuneration for other activities								Percentage of the total sums of A, B, C, D, E, F, and G on the net profit		Whether or not the person receives remuneration from other non-subsidiary companies that this company has invested in
		Remuneration (A)		Retirement pension (B)		Director's remuneration (C)		Expense on professional practice (D)				Salaries, bonuses and special expenses (E)		Retirement pension (F)		Employee benefits (G)						
		This Company	All companies listed in the financial report	This Company	All companies listed in the financial report	This Company	All companies listed in the financial report	This Company	All companies listed in the financial report	This Company	All companies listed in the financial report	This Company	All companies listed in the financial report	This Company	All companies listed in the financial report	This Company		All companies listed in the financial report		This Company	All companies listed in the financial report	
																Cash Sum	Shares	Cash amount	Shares			
Independent Director	Shi-Nine Yang	—	—	—	—	—	—	894	894	(0.0271)	(0.0271)	—	—	—	—	—	—	—	—	(0.0271)	(0.0271)	—
Director	Baoxin International Investment Co., Ltd. Representative: Hsieh, Chi-Chia (Released of duty)	—	—	—	—	—	—	69	69	(0.0021)	(0.0021)	—	—	—	—	—	—	—	—	(0.0021)	(0.0021)	—
Director	Baoxin International Investment Co., Ltd. Representative: Nan-Ren Huang (Released of duty)	—	—	—	—	—	—	69	69	(0.0021)	(0.0021)	3,881	3,881	29	29	—	—	—	—	(0.1208)	(0.1208)	—
Director	Representative Ming-Yun Kao from Taiwan Railways Administration (Released of duty)	—	—	—	—	—	—	69	69	(0.0021)	(0.0021)	—	—	—	—	—	—	—	—	(0.0021)	(0.0021)	—
Director	Representative Hsiu-Mei Liu from Hua Eng Wire & Cable Co., Ltd. (Released of duty)	—	—	—	—	—	—	69	69	(0.0021)	(0.0021)	—	—	—	—	—	—	—	—	(0.0021)	(0.0021)	—
*In addition to the information disclosed in the table above, has any director of the Company (CCSB) provided services to any of the companies included in the consolidated financial statements and received compensations for such services (e.g. provided consultation services in a non-employee capacity): None.																						

Note 1: Remuneration paid to Director Yung-Cheng Chen in 2018 include directorial allowances, compensations for his position as General Manager from January 2018 to March 2018, and unrealized employee stock options, as well as pension funds. Compensations for the General Manager's driver from January 2017 to December 2017: NT$711 thousand.

Note 2: Remuneration paid to Director Nan-Ren Huang in 2018 include directorial allowances (released of duty on June 20, 2018), compensations for his position as General Manager from March 2018 to June 2018, and unrealized employee stock options, as well as pension funds. Compensations for the General Manager's driver from January 2017 to December 2017: NT$711 thousand.

Note 3:Compensations for the General Manager's driver from January 2018 to June 2018: NT$359 thousand.

Note 4: Directors Ming-Yun Kao, Hsiu-Mei Liu, Chi-Chia Hsieh, and Nan-Ren Huang have been released of duty on June 20, 2018 after the directorial re-election on the same day.

(II) Remuneration Paid to General Manager and Vice President in 2018

Unit: NT$1000

No.	Job Title	Name	Salary (A)		Retirement pension (B)		Bonuses and Special fees etc. (C)		Employee's remuneration (D)				Percentage of the total sums of A, B, C, and D on the net profit		Whether or not the person receives remuneration from other non-subsidiary companies that this company has invested in
			This Company	All companies listed in the financial report	This Company	All companies listed in the financial report	This Company	All companies listed in the financial report	This Company		All companies listed in this financial report (Note 5)		This Company	All companies listed in the financial report	
									Cash amount	Shares	Cash amount	Shares			
A	General Manager	Yung-Cheng Chen													
B	General Manager	Nan-Ren Huang													
C	Chief Financial Officer, CFO	Annie Hung													
D	Senior Vice President	Aga Shih													
E	Chief Operating Officer, COO	Michael Lee													
F	Chief Technology Officer, CTO	CP Chen (Note 2)	45,007	45,007	1,116	1,116	13,331	13,369	–	–	–	–	(1.8049)	(1.8061)	–
G	Vice President	Didy Teng													
H	Vice President	Klim Huang													
I	Vice President	Tim Liu													
J	Chief Auditor	Frances Chen													
K	Vice President	JM Chien													
L	Vice President	Shang-Chen Kao (Note 3)													
M	Vice President	Roger Wang (Note 4)													

Note 1: General Manager Yung-Cheng Chen has been released of duty on March 15, 2018. (The motion for the appointment of the new General Manager, Nan-Ren Huang has been effective as of March 15, 2018.)
Note 2: Chief Technology Officer (CTO) CP Chen has filed for retirement in accordance with the law on January 1, 2019.
Note 3: The motion for the appointment of Vice President Sheng-Chen Kao has been effective as of November 8, 2018.
Note 4: The motion for the appointment of Vice President Roger Wang has been effective as of November 8, 2018.
Note 5: Compensation for General Manager's driver has been NT$714 thousand.
Note 6: No surplus is available for distribution for the year of 2018.
Note7: Including unrealized employee stock option fee。

Table of Remuneration Ranges for the General Manager and Vice Presidents

Levels of compensation paid to each individual General Manager and Vice President of the Company	Name of the General Manager and Vice President	
	This Company	All companies listed in the financial report
Less than NT$ 2,000,000	L, M	L, M
Between NT$2,000,000 (inclusive) to NT$5,000,000 (excl.)	A, E, F, G, H, I, J, K	A, E, F, G, H, I, J, K
Between NT$5,000,000 (inclusive) to NT$10,000,000 (excl.)	C, D	C, D
Between NT$10,000,000 (inclusive) to NT$15,000,000 (excl.)	B	B
Between NT$15,000,000 (inclusive) to NT$30,000,000 (excl.)		
Between NT$30,000,000 (inclusive) to NT$50,000,000 (excl.)		
Between NT$50,000,000 (inclusive) to NT$100,000,000 (excl.)		
More than NT$ 100,000,000		
Total	13 persons	13persons

(III) Name of managerial officer who has received employee bonus and conditions: not applicable.

(IV) Compare and analyze the total remuneration paid to each of the Company’s Directors, Supervisors, General Managers, and Vice Presidents over the past two years by all companies listed in the Company’s individual and consolidated financial statement as a percentage of net income after tax (NIAT) listed in the individual financial report and describe the policies, standards, and packages for payment of remuneration, the procedures for determining remuneration, and its linkage to business performance and future risk exposure.

1. The total remuneration as a percentage of NIAT stated in the parent company only financial reports or individual financial reports, paid by the Company and by all companies listed in the consolidated financial statements in the most recent two years to each of the Company’s Directors, Supervisors, President, and Vice Presidents are as follows:

Unit: NT$1000

Year	2017		2018	
Type	This Company	All companies listed in the financial report	This Company	All companies listed in the financial report
Percentage of remuneration paid to Directors and Supervisors over net income after tax on the individual financial statement	(0.1187%)	(0.1187%)	(0.1289%)	(0.1289%)
The percentage of remuneration paid to President and Vice Presidents over net income after tax on the individual financial statement	(1.7617%)	(1.7617%)	(1.8049%)	(1.8061%)

2. The policy, criteria, composition, process to set remuneration for Directors, General Manager and Vice Presidents and the correlation with operational performance and future risk:

(1) Compensations for Directors are processed in accordance with the Company’s Articles of Association, and if the Company has gained profits within a fiscal year, no more than 1% shall be allocated as compensations for Directors. However, when the Company sustains accumulated losses, the compensations shall be made up in later years. Independent Directors are paid with fixed monthly compensations and

the Board of Directors has been delegated with the authority to propose compensations in accordance with industry standards. Independent Directors do not partake in the Company's surplus distribution.

(2) The Board of Directors is delegated with the authority to propose honorary fee and meeting attendance fee for the Chairman and Directors as well as compensations for the Chairman in accordance with industry standards.

(3) No surplus is available for distribution to the Directors in 2018.

(4) Compensations paid to the General Manager are set upon industry standards, the Company's operating performance and individual contributions, and proposed after approval from the Board. Compensations paid to the Vice Presidents are set upon the Company's Rules of Standards for Compensation Management, work responsibilities, industry standards, and adjusted according to the Company's operating performance and individual contributions. In addition, the Company's Remuneration Committee also regularly reviews the reasonableness of the compensations to seek for a balance between the Company's sustainable management and risk control.

IV. Implementation of Corporate Governance

(I) The Composition and Operations of the Board of Directors

The Board Meetings were convened (7) times (A) in 2018.

Job Title	Name	Attendance in person (B)	By Proxy	Rate of actual presence (Attendance rate in person) (%) 【B/A】	Remarks
Chairman	Baoxin International Investment Co., Ltd. Representative: Fang-Ming Lu	7	0	100%	
Director	Baoxin International Investment Co., Ltd. Representative: Yung-Cheng Chen	6	1	86%	
Director	Baoxin International Investment Co., Ltd. Representative: Jui-Ying Fan	7	0	100%	
Director	Baoxin International Investment Co., Ltd. Representative: Chia-Hsiang Chang	6	1	86%	
Director	Taiwan Railways Administration, MOTC Representative: Jen-Tsai Hsu	7	0	100%	
Director	Taiwan Railways Administration, MOTC Representative: Tung-Chun Tsao	7	0	100%	
Director	Yu Sheng Investment Co., Ltd. Representative: Chung-Cheng Tseng	7	0	100%	
Director	Hua Eng Wire & Cable Co., Ltd.	7	0	100%	

	Representative: Baoxin Min-Shiang, Lin				
Independent Director	Ting-Wong Cheng	7	0	100%	
Independent Director	Yi-Wen Chen	7	0	100%	
Independent Director	Shi-Nine Yang	7	0	100%	
Director	Baoxin International Investment Co., Ltd. Representative: Chi-Chia Hsieh (released of duty)	2	1	67%	(Resigned on June 20, 2018) Required Attendance: 3 times
Director	Baoxin International Investment Co., Ltd. Representative: Nan-Ren Huang (released of duty)	3	0	100%	(Resigned on June 20, 2018) Required Attendance: 3 times
Director	Taiwan Railways Administration, MOTC Representative: Ming-Yun Kao (released of duty)	3	0	100%	(Resigned on June 20, 2018) Required Attendance: 3 times
Director	Hua Eng Wire & Cable Co., Ltd. Representative: Hsiu-Mei Liu (released of duty)	3	0	100%	(Resigned on June 20, 2018) Required Attendance: 3 times

Other items that shall be recorded:

I. Should any of the following takes place in a board meeting, the date and number of the meeting, the content of proposal, independent director’s opinions and the Company’s response to such opinions should be recorded.

(I). Matters stipulated in Article 14-3 of the Securities and Exchange Act: The Company has established an Audit Committee. For relevant matters please see Operations of the Audit Committee.

(II). Other than the matters mentioned above, other resolutions that are objected and reserved by the Independent Directors and are documented or stated: None.

II. When Directors abstain themselves for being a stakeholder in certain proposals, the name of the Directors, the content of the proposal, reasons for abstentions and the results of voting counts should be stated.

(I). 19th Meeting from the 7th Board (Convened on March 15, 2018):

1. Motion for the proposal of nominees of members of the 8th Board and Independent Directors: besides the nominated candidates of directors and Independent Directors abstaining from the discussion and voting to refrain from conflict of interest, the motion has been passed without dissent from all other directors in attendance.
2. Motion for the proposal of releasing the newly appointed members of the 8th Board from the non-competitive restriction: besides the newly appointed directors or Independent Directors abstaining from the discussion and voting to refrain from conflict of interest, the motion has been passed without dissent from all other directors in attendance.
3. Appointment and the release of the Company’s General Manager from non-competitive restrictions: besides Directors Nan-Ren Huang and Yung-Cheng Chen who abstained from the discussion and voting to refrain from conflict of interest, the motion has been passed without dissent from all other directors in attendance.

(II). 20th Meeting from the 7th Board (Convened on May 4, 2018):

1. Review of the list of nominees for directors and Independent Directors in the Company’s 2018 General Shareholders’ Meeting: besides the nominated candidates of directors and Independent Directors abstaining from the discussion and voting to refrain from conflict of interest, the motion has been passed without dissent from all other directors in attendance.
2. Motion of the Company’s procurement to subsidiary Foxconn Global Network Corporation for the “2018 All area procurement project for optical copper transmission network”: besides Directors Nan-Ren Huang abstaining from the discussion and voting to refrain from conflict of interest, the motion has been passed without dissent from all other directors in attendance.

(III). 1st Meeting from the 8th Board (Convened on June 20, 2018):

1. Appointment of members of the 4th Remuneration Committee: besides the three Independent Directors abstaining from the discussion and voting to refrain from conflict of interest, the motion has been passed without dissent from all other directors in attendance.

(IV). 2nd Meeting from the 8th Board (Convened on August 9, 2018):

1. Compensations of the 8th Independent Directors and members of the Remuneration Committee and Audit Committee: besides the three Independent Directors abstaining from the discussion and voting to refrain from conflict of interest, the motion has been passed without dissent from all other directors in attendance.
2. Compensations of the members of the 8th Board of Directors: besides the Chairman and the directors abstaining from the discussion and voting to refrain from conflict of interest, the motion has been passed without dissent from all Independent Directors in attendance.

(V). 5th Meeting from the 8th Board (Convened on March 14, 2019):

1. Motion for the proposal of releasing the director from the non-competitive restriction : besides Director Jui-Ying Fan abstained from the discussion and voting to refrain from conflict of interest, the motion has been passed without dissent from all other directors in attendance.
2. The company intends to sign the real estate leasing contract with the related parties: besides Directors Jen-Tsai Hsu and Tung-Chun Tsao who abstained from the discussion and voting to refrain from conflict of interest, the motion has been passed without dissent from all other directors in attendance.

III. Goals for enhancing the functions of the Board of Directors (such as establishing an Audit Committee or increasing information transparency) for the current fiscal year and the most recent fiscal year as well as assessments of the actions implemented:

(I). Two functional committees, the Audit Committee and the Remuneration Committee, have been established under the Board of Directors and formed by all Independent Directors. Each committee regularly reports to the Board to assist the Board in fulfilling its supervisory functions.

(II). Directors are arranged to attend corporate governance-related continuing education courses or seminars in each year to continuously build the Directors' professional knowledge in terms of corporate governance, ethical management, securities and exchange laws, sustainable management, and corporate social responsibility.

(III). The Company files liability insurance for all directors and staff in critical functions in each year, so that directors and managerial officers are protected while implementing their duties and responsibilities, as well as to moderately reduce the Company's risks. Material contents including the insured amounts and insurance fee rates for the aforementioned liability insurance are submitted to the Board.

(IV). The Company discloses relevant information in accordance with legal regulations and has implemented a spokesperson system to timely and adequately disclose various material information in order to protect shareholders' rights.

(II) Operations of the Audit Committee

The Company has instilled an Audit Committee to replace the existing supervisor system in 2015. 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. Members of the Audit Committee is comprised of all Independent Directors (three seats), where all committee members will nominate one convener who will also preside over committee meetings. The convener of the Audit Committee in this term is Independent Director Ting-Wong Cheng.

Major responsibilities of the Audit Committee:

- Supervision over the fair presentation of the Company's financial statements.
- Appointment (and termination), independence, and performance of the Company's CPA.
- Effective implementations of the Company's internal control.
- The Company's legal compliance.
- Management of existing or potential risks.

A total of seven meetings (A) were held by the Audit Committee in the most recent fiscal year (2018). The attendance of Independent Directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy (B)	Attendance rate in person (%) (B/A) (Note)	Remarks
Independent Director	Ting-Wong Cheng	7	0	100%	
Independent Director	Yi-Wen Chen	7	0	100%	
Independent Director	Shi-Nine Yang	7	0	100%	

Other items that shall be recorded:

I. The date of the Board meeting, the term, contents of the proposals, resolutions of the Audit Committee, and the Company's handling of the resolutions of the Audit Committee shall be recorded under the following circumstances in the operations of the Audit Committee meeting:

(I).Items listed in Section 5, Article 14 of Securities and Exchange Act:

Date	Term	Agenda	Audit Committee Resolution results	The Company's response to the opinion of the Audit Committee
2018.01.18	7th Board 18th Meeting	Proposal of the Company's 2018 Business Plan and Budget Plan.	Unanimously approved by all members present in the meeting.	Not applicable
2018.03.15	7th Board 19th Meeting	Proposal of the Company's 2017 Business Report and Financial Statements. The Company's Proposal of 2017 Deficit Makeup. Amendment to the Company's internal control system. Amendment to the Company's internal audit system. The Company's 2017 Declaration of the Internal Control System.	Unanimously approved by all members present in the meeting.	Not applicable
2018.05.08	7th Board 20th Meeting	Proposal of the Company's Q1 2018 Consolidated Financial Statements. Proposal of the Company's "2018 All area procurement project for optical copper transmission network"	Unanimously approved by all members present in the meeting.	Not applicable
2018.08.09	8th Board of Directors 2nd Meeting	Proposal of the Company's Q2 2018 Consolidated Financial Statements. Amendment to the Company's internal control system. Amendment to the Company's internal audit system.	Unanimously approved by all members present in the meeting.	Not applicable
2018.11.08	8th Board of Directors 3rd Meeting	Proposal of the Company's Q3 2018 Consolidated Financial Statements. Proposal of the Company's 2019 Internal Audit Plan. Proposal to change the Company's certified public accountant. Motion to regularly evaluate the independence and suitability of the Company's CPA. The Company's "2018 Wireless Network Improvement Plan_Nokia Large-Scale Base Station Engineering Procurement Project"	Unanimously approved by all members present in the meeting.	Not applicable
2018.12.19	8th Board of Directors 4th Meeting	Proposal of the Company's 2019 Business Plan and Budget Plan.	Unanimously approved by all members present in the meeting.	Not applicable

2019.03.14	8th Board of Directors	Proposal of the Company's 2018 Business Report and Financial Statements. The Company's Proposal of 2018 Deficit Makeup. The Company's 2018 Declaration of the Internal Control System. Amendment to the "Handling Procedure for Acquisition and Disposal of Assets". Amendment to the "Procedures for Dealing with Derivatives Transactions". The company intends to sign a real estate leasing contract with the relationship	Unanimously approved by all members present in the meeting.	Not applicable

(II).Other resolutions passed by two-thirds of all directors, but without approval of the Audit Committee: None.

II. Ways in which Independent Directors have abstained from motions that pose a conflict of interest, the Independent Director's name, the content of the motion, cause of the conflict of interest, and the circumstances of the vote shall be elaborated: none.

III. Communication between directors and head of internal audit and CPA (including material issues, audit methods and results relating to the Company's finances and business).

Besides quarterly meeting and discussions, the Company's Independent Directors also have direct access to communicate with Internal Audit Manager and CPAs including email correspondence. Face-to-face or discussions over the phone are also arranged when necessary.

(I). Audit Manager participates in the Audit Committee and Board meetings in each quarter and communicates with the Independent Directors in regards to the contents of the Audit Report, as well as submits the summary of the Audit Report to the Independent Directors for review on a monthly basis.

(II). The Company's certified public accountants (CPA) reports the results and findings from review of the financial statements to Independent Directors during Audit Committee and Board meetings in each quarter.

Below is a summary of the communications between the Independent Directors and Internal Audit Manager, as well as between Independent Directors, Internal Audit Manager, and the CPA in 2018:

Date	Communication Outlines with Internal Auditor	Communication Outlines with CPA
On March 15, 2018	Audit Report from November 2017 to February 2018. Discussion pertaining to proposal of amendments to the internal control system, approved by the Audit Committee and submitted to the Board for subsequent discussion. Discussion pertaining to proposal of amendments to the internal audit system, approved by the Audit Committee and submitted to the Board for subsequent discussion. Discussion pertaining to the 2017 Declaration of Internal Control System, approved by the Audit Committee and submitted to the Board for subsequent discussion.	Discussion pertaining to the 2017 financial statements, approved by the Audit Committee and submitted to the Board for subsequent discussion.
On May 8, 2018	Audit Report from March 2018 to April 2018.	Discussion pertaining to the Q1 2018 consolidated financial statements, approved by the Audit Committee and submitted to the Board for subsequent discussion.
On August 9, 2018	Audit Report from May 2018 to June 2018. Discussion pertaining to proposal of amendments to the internal control system, approved by the Audit Committee and submitted to the Board for subsequent discussion. Discussion pertaining to proposal of amendments to the internal audit system, approved by the Audit Committee and submitted to the Board for subsequent discussion.	Discussion pertaining to the Q2 2018 consolidated financial statements, approved by the Audit Committee and submitted to the Board for subsequent discussion.

On November 8, 2018	Audit Report from July 2018 to September 2018. Discussion pertaining to the 2019 Internal Audit Plan, approved by the Audit Committee and submitted to the Board for subsequent discussion.	Discussion pertaining to the Q3 2018 consolidated financial statements, approved by the Audit Committee and submitted to the Board for subsequent discussion.

(III) Corporate Governance Execution Status and Deviations from the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies"

Assessed items	State of operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of the said gaps
	Yes	No	Summary	
I. Has the Company established and disclosed its code of practice on corporate governance based on "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies"?	✓		The Company has established "Asia Pacific Telecom Corporate Governance Best Practice Principles" based on the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the Principles have been disclosed on the Company website.	No discrepancy has been found between the policies and the implementation.
II. Equity structure and shareholders' rights of the Company				
(I). Does the Company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		(I). The Company's Corporate Governance Best Practice Principles has established relevant standards to protect the shareholders' rights. The Company has set up a spokesperson and a point of contact for shareholders. The Company's stock transfer agency "Capital Group Registrar Agency System" also facilitates the Company in handling shareholder related questions and opinions.	No discrepancy has been found between the policies and the implementation.
(II). Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		(II). The Company regularly possesses a list of major shareholders as well as the ultimate owners of these shares, and declares the list of directors, managerial officers, and substantial shareholders holding more than 10% of shares and the number of shares held according to information disclosure procedures.	No discrepancy has been found between the policies and the implementation.
(III). Does the Company establish and execute the risk management and firewall system within its conglomerate structure?	✓ .		(III). Operating procedures have been established by the Company to regulate the financial operations and procedures between the Company, Group entities and related parties. The Company's internal control system has also implemented the "Management Procedures for Transactions with Related Parties" and "Supervisory Procedures for Subsidiaries." Relevant risk control and firewall mechanisms have been adequately implemented.	No discrepancy has been found between the policies and the implementation.
(IV). Does the Company establish internal rules against insiders trading with undisclosed information?	✓		(IV). The Company has set up "Internal Material Information Processing Procedures" and promotes relevant regulations on insider trading prevention and equity transfer to internal personnel on a monthly basis.	No discrepancy has been found between the policies and the implementation.
III. Composition and responsibilities of the Board of Directors:				
(I). Does the Board develop and implement a diversified policy for the composition of its members?	✓		(I). The Company's Corporate Governance Best Practice Principles and Procedures for Election of Directors	No discrepancy has been found between the policies

Assessed items	State of operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of the said gaps
	Yes	No	Summary	
			have set relevant procedures for the composition of the Board of Directors, qualifications, and election and nomination of Board members. The Company’s Board composition takes diversity into consideration, and besides mandating that the seats of directors who concurrently serve in managerial positions at the Company can be no more than one-third of all Board members, the Company has also established appropriate diversified objectives based on its operations, business model, and developmental needs. This should include but shall not be limited to the following two perspectives: 1. Basic conditions and values: gender, age, nationality, culture, and so on. 2. Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industry experience, etc. Board members must possess knowledge, skills, and quality that are adequate for carrying out their duties. To achieve the goals of corporate governance, the Board of Directors on the whole shall possess the following abilities: 1. The ability to make judgments about operations. 2. Accounting and financial analysis ability. 3. Business management ability. 4. Crisis management skills. 5. Knowledge of the industry. 6. An international market perspective. 7. Leadership ability. 8. Decision-making ability. *The Company’s diversification policy for the composition of the Board is also disclosed on the Company website (About Us --> Corporate Citizenship --> Corporate Governance --> Directors).	and the implementation.
(II). Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?		✓ .	(II). Two functional committees, the Audit Committee and the Remuneration Committee, have been established under the Board of Directors and formed by all Independent Directors. Each committee regularly reports to the Board to assist the Board in fulfilling its	No discrepancy has been found between the policies and the implementation.

Assessed items	State of operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of the said gaps
	Yes	No	Summary	
			supervisory functions. The need for other functional committees will be evaluated based on actual operational needs in the future to continually enhance the quality of corporate governance.	
(III). Does the Company establish a standard to measure the performance of the Board, and implement it annually?		✓	(III). The Company has yet to establish “Procedures for Evaluation of Performance of the Board,” and currently the Remuneration Committee regularly reviews the performance of directors and managerial officers, and the policy, system, standards, and structure of their compensations and submits recommendations for discussion at the Board.	No discrepancy has been found between the policies and the implementation.
(IV). Does the Company regularly evaluate the independence of CPAs?	✓		(IV). The Company regularly evaluates the independence (including criteria for independence, independent operations, and review of suitability) of its certified public accountants (CPA) on an annual basis. The independence and suitability review of the CPA for this fiscal year has been approved at the 2nd Audit Committee meeting (2nd meeting of the current committee) convened on November 8, 2018, and submitted and approved by the 3rd Board meeting from the 8th Board of Directors. Below is a summary of the review items and contents: 1.Review of the CPA’s personal background. 2.Whether the CPA has been consecutively commissioned for seven years. 3.Whether a Declaration of Independence has been issued by the CPA. 4.Whether the CPA or his/her related parties hold investment relations or share financial interests with the Company. 5.Whether the CPA or the audit service team members currently serve or had served within the past two years as the Company’s director, manager, or other positions that could seriously impact the audit. 6.Whether the CPA holds direct or material indirect conflict of interest in his/her assigned tasks, and whether such interest has been refrained and the task has not been undertaken. 7.Whether the CPA has had disciplinary records from the CPA Discipline Committee within the past two years. 8.Whether the accounting firm has sufficient scale, resources, and regional coverage rate in handling the Company’s audit services.	No discrepancy has been found between the policies and the implementation.

Assessed items	State of operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of the said gaps
	Yes	No	Summary	
			9. Whether the accounting firm has sufficient audit quality and management. Review has indicated compliance to all aforementioned criteria, and no conditions that could possibly impact the CPA's independence or suitability has been found.	
IV. Does the TWSE/GTSM listed company have a dedicated unit/staff member in charge of the Company' corporate governance affairs (including but not limited to providing information required for director/supervisor's operations, convening board/shareholder meetings in compliance with the law, apply for/change company registry and producing meeting minutes of board/shareholder meetings)?	✓		The Company has set up the corporate governance unit as the secretary of the board of directors responsible for corporate governance related matters, and appointed the chief financial officer to be the head of corporate governance, the chief executive responsible for corporate governance related matters, which should be qualified as a lawyer, accountant or in securities, finance, A futures-related institution or a publicly-issued company shall hold the supervisory position of a legal, financial, shareholding or corporate governance related unit for more than three years. The matters related to corporate governance in the preceding paragraph should at least include the following: 1. Handling matters related to the meetings of the board of directors and shareholders meeting in accordance with the law. 2. Production of board of directors and shareholders' meeting. 3. Assist the directors to take up their duties and continue their studies. 4. Provide the information required by the directors to perform their business. 5. Assist the directors to follow the law. 6. Other matters as stipulated in the Company's articles of association or contract.	No discrepancy has been found between the policies and the implementation.
V. Has the Company set up channels of communication for stakeholders (including but not limited to shareholders, employees, customers and suppliers), dedicated a section of the Company's website for stakeholder affairs and adequately responded to stakeholders' inquiries on significant corporate social responsibility issues?	✓		To provide positive, fluent channel of communications, "Stakeholder Communications" section has been established on the Company website (https://www.aptg.com.tw/corporate/interestedparties.htm), in which points of contact for each stakeholder (including employees, shareholders, customers, suppliers, community, telecommunications industry, media, competent authority, and ratings institutions) have been established.	No discrepancy has been found between the policies and the implementation.
VI. Does the Company commission professional shareholder services agency to hold Shareholders' Meeting and other relevant affairs?	✓		The Company has appointed a professional share transfer agency, "The Capital Group Registrar Agency System" to hold Shareholders' Meeting and process other relevant matters.	No discrepancy has been found between the policies and the implementation.
VII. Information disclosure				

Assessed items	State of operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of the said gaps
	Yes	No	Summary	
(I). Does the Company have a corporate website to disclose both financial standings and the status of corporate governance? (II). Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesperson system, uploading the proceedings of investor conferences)?	✓ ✓		(I). A designated section has been set up on the Company website to disclose financial standings and the status of its corporate governance. The Company's website can be accessed at: https://www.aptg.com.tw (II). The Company has established an English website, a spokesperson has been designated, and designated personnel are also responsible for collection and disclosure of Company information. Information on Investors' Conference is also disclosed on the Company website.	No discrepancy has been found between the policies and the implementation. No discrepancy has been found between the policies and the implementation.
VIII. Has the Company disclosed other information to facilitate a better understanding of its corporate governance (Including but not limited to employee's rights, employee care, investor relations, supplier relations, stakeholders' rights, further studies of Directors and Supervisors, implementation of risk management policies and measurement standards, implementation of customer policies and purchase of liability insurance for the Directors and Supervisors of the Company)?	✓		(I). Employee Rights: The Company's procedures are in accordance with Employees' Handbook and Labor Standards Act. (II). Employee Welfare: The Company strives to achieve targets including enhancing the quality of workplace environment, emphasis on employees' rights, listening to employees' opinions, continuous enhancement, and communications with employees, as well as construing educational training system. (III). Investor Relations: A dedicated Investor Section has been set up on the Company website to provide financial and operating information so that investors can understand the Company's developmental objectives and planning. (IV). Supplier Relations: We gradually establish fair communication channels with suppliers by implementing Supplier Management Method. (V). Stakeholder Rights: A Stakeholder Section has been established on the Company website to build fair, fluent channel of communication with various stakeholders. (VI). Continuing Studies of Directors: The Company's directors all possess academic and industry background and hands-on managerial experiences. To further establish relevant professional competencies to the Board of Directors, Board members participate in continuing education courses and forums. (Please see the following Attachment for Directors' Continuing Studies in 2018) (VII). Liability Insurance for Directors: The Company files liability insurance for all directors and staff in critical functions in each year.	No discrepancy has been found between the policies and the implementation.

Assessed items	State of operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of the said gaps
	Yes	No	Summary	
			Material contents including the insured amounts and insurance fee rates for the aforementioned liability insurance are submitted to the Board.	

IX. Please specify the Company’s measures to improve the items listed in the corporate governance review result by Taiwan Stock Exchange’s Corporate Governance Center and the improvement plans for items yet to be improved.

* The Company has disclosed the communication status of independent directors, internal audit supervisors and CPAs on the Company website.
* The Company has established a Corporate Social Responsibility section on the Company website to explain about the unit responsible for promotions of CSR, project plan, current status, and current effectiveness.
* In addition to preparing the name of the unit responsible for promoting ethical management, promotional objective and status of implementation on the Annual Report, such information has also been disclosed on the Company website.
* A Stakeholder Section has been established on the Company website to provide point of contact and information for various stakeholders.
* The method of reporting unethical conduct has been disclosed on the Company website, so that internal and external personnel can report unethical conduct or inappropriate actions.

Appendix:

1. Director's Continuing Studies in 2018:

Title	Name	Organizer	Course title	Hour
Director	Jui-Ying Fan	Taiwan Academy for Banking and Financial	Corporate Governance Forum: Family Business Succession	3
		Taiwan Stock Exchange Corporation	2018 ESG Investment Forum	3
Director	Chia-Hsiang Chang	Taiwan Academy for Banking and Financial	Corporate Governance Forum: Family Business Succession	3
		Taiwan Stock Exchange Corporation	Listed companies' new corporate governance blueprint summit forum	3
Director	Jen-Tsai Hsu	Taiwan Academy for Banking and Finance	Corporation	3
		Securities and Futures Institute	2018 Advocacy Meeting for Insider Trading Prevention	3
Director	Tung-Chun Tsao	Taiwan Academy for Banking and Financial	Corporate Governance Forum: Family Business Succession	3
		Securities and Futures Institute	2018 Advocacy Meeting for Insider Trading Prevention	3
Director	Chung-Cheng Tseng	Taiwan Academy for Banking and Financial	Corporate Governance Forum: Family Business Succession	3
		Securities and Futures Institute	2018 Advocacy Meeting for Insider Trading Prevention	3
Director	Min-Shiang, Lin	Securities and Futures Institute	2018 Advocacy Meeting for Insider Trading Prevention	3
		Taiwan Institute of Directors	Governance Challenges for Rebuilding and Transforming Corporate Competitive Values	3
Independent Director	Ting-Wong Cheng	Taiwan Corporate Governance Association	Adaptability of Local Company Laws for Overseas Subsidiaries of Multinational Companies (MNC) and Management of Local Board of Directors	3
		The Business Council for Sustainable Development of Taiwan (BCSD-Taiwan)	Description of the current situation of enterprise sustainable development and non-financial information disclosure	3

Title	Name	Organizer	Course title	Hour
Independent Director	Yi-Wen Chen	Securities and Futures Institute	Seminar for Legal Compliance of Publicly-listed Company Insider Equity Trading	3
		Business Council for Sustainable Development of Taiwan (BCSD Taiwan)	Correlation of CSR and Trading - Sustainable Supply Chain Management	3
Independent Director	Shi-Nine Yang	Taiwan Academy for Banking and Financial	Corporate Governance Forum: Family Business Succession	3
		Taiwan Stock Exchange (TWSE)	Listed companies' new corporate governance blueprint summit forum	3

2. Continuing Studies of Managerial Officers in 2018

Number of participants	Total hours of continuing studies	Date of studies		Organizer	Course title
		Start Date	End Date		
1	12	2018.01.22	2018.01.23	Accounting Research and Development Foundation	Continuing Training Class for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges
1	12	2018.09.25	2018.09.26	Accounting Research and Development Foundation	Continuing Training Class for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges
1	6	2018.04.16	2018.04.16	Accounting Research and Development Foundation	"Comprehensive Policy Against Leakage and Fraud" - Analysis of Corporate Fraud of Secret Leakage and Discussion on Fraud-Prevention Audit for Compliance with Trade Secrets Act
1	6	2018.07.31	2018.07.31	Accounting Research and Development Foundation	Internal Audit and Internal Control Practices of the New IFRS 16 Lease Accounting

(IV) Composition, Duties, and Operations of the Remuneration Committee

1. Information on the members of the Remuneration Committee

Identity	Condition / Name	Has more than 5 years of work experience and the following professional qualifications: Currently serving as an instructor or higher post in a private or public college or university in the field of business, law, finance, accounting, or the business sector of the Company	Currently serving as a judge, prosecutor, lawyer, accountant, or other professional practice or technician that must undergo national examinations and specialized license.	Has professional experience necessary for business administration, legal affairs, finance, accounting, or business sector of the Company.	Compliance to Independence (Note 1): 1	2	3	4	5	6	7	8	Number of salary and remuneration committee memberships concurrently held in other public companies	Remarks
Independent Director	Ting-Wong Cheng	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	✓
Independent Director	Yi-Wen Chen	–	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Independent Director	Shi-Nine Yang	✓	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	✓

Note 1: For members that are recruited two years prior to election and met the criteria below, please check (✓) the boxes below each criterion.

(1) Not employed by the Company or an affiliated business.

(2) Not a Director or Supervisor at the Company or its affiliated companies. This does not apply in cases where the person is an independent director of the Company, its parent company, or subsidiary where the Company holds, directly and indirectly, more than 50% of the voting shares.

(3) Not a shareholder that hold more than 1% of the Company's total shares or rank among top-ten shareholders, this applies for the Director him/herself, spouse, minor children, or shares held under others' names.

(4) Not a spouse, second-degree relative, or direct, blood-related five-degree relative of the personnel listed in the first three criteria.

(5) Not a Director, Supervisor, or employee of a corporate shareholder that holds more than 5% of the Company's total shares, nor a Director, Supervisor, or employee of a top-five ranked corporate shareholder.

(6) Not a Director, Supervisor, manager, or a shareholder that holds more than 5% of shares at a company or institution that has financial or business exchanges with the Company.

(7) Not a professional, business owner, partner, director, supervisor, manager, or their spouse at a sole proprietor, partnership, company, or institution that offers business, finance, or accounting services or consultancy for the Company or its affiliated companies.

(8) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.

Note 2: Functions of the Remuneration Committee:

(1) Establish and regularly review the performance evaluation of directors, supervisors, and managers with ranks of associate manager and above, and policy, system, standards, and structure of compensations and remunerations.

(1) Regularly evaluate and establish remunerations for directors, supervisors, and managers with ranks of associate manager and above.

2. Operations of the Remuneration Committee

(1) There are three members in the Remuneration Committee of the Company.

(2) Duration of the current term: June 20, 2018 to June 19, 2021. The Remuneration Committee has held four meetings in 2018 (A). The table below shows the qualifications of the committee members and their attendance:

<table>
<tr><th>Job Title</th><th>Name</th><th>Actual presence (B)</th><th>Delegated presence</th><th>Rate of actual presence (%) (B/A)</th><th>Remarks</th></tr>
<tr><td>Convener</td><td>Ting-Wong Cheng</td><td>4</td><td>0</td><td>100%</td><td rowspan="3">The convener of the meeting will represent the local representative and will be responsible for convening and presiding over the meeting.
The functions of the Remuneration Committee are as follows:
1.Responsible for formulating and regularly reviewing the policies, systems, standards and structures for performance evaluation and salary remuneration of directors and associates.
2.Regularly assess and set the salary remuneration of directors and managers above the association level.</td></tr>
<tr><td>Member</td><td>Yi-Wen Chen</td><td>4</td><td>0</td><td>100%</td></tr>
<tr><td>Member</td><td>Shi-Nine Yang</td><td>4</td><td>0</td><td>100%</td></tr>
<tr><td colspan="6">Other items that shall be recorded:
I. If the Board of Directors does not adopt or amend the recommendations made by the Audit Committee, the date and session of the Board of Directors' meeting, resolutions, voting results and handling of opinions of the Remuneration Committee by the Company should be disclosed (if the remuneration approved by the Board of Directors is better than that of the Remuneration Committee, the discrepancies and related reasons should be stated): None.
II. For the decisions made by the Remuneration Committee, if there are members who vetoed or withheld from the decision and there are documented records, the date, number, content of the motion, all members' opinions, and ways in handling these opinions should be elaborated: None.</td></tr>
</table>

(V) Corporate Social Responsibility

Assessed items	State of operations			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No	Summary	
I. Corporate Governance Implementation (I). Has the Company set up corporate social responsibility (CSR) policies or systems and reviewed the effectiveness of CSR actions?	✓		(I). To fulfill corporate social responsibility, and to promote economic, social, and environmental balance and sustainable development, the Company has established the "Corporate Social Responsibility Best Practice Principles" on March 8, 2013 and the Principles have been publicly disclosed and implemented after approval from the Board. At the same time, the Company also fulfills CSR through the following aspects: 1. The Company has incorporated CSR into its business activities and developmental activities. 2. Proposed CSR mission (or vision and value) and proposed a Declaration of Corporate Social Responsibility. 3. Ensures information disclosure regarding CSR. The Company has established Corporate Social Responsibility Best Practice Principles and formed a CSR Committee in 2015. The Chairman is the chair of the meeting while senior managerial officers serve as its members. The committee is responsible for planning CSR strategies and system, review and improvement of the implementation results, and promotes and fulfills CSR through four work teams, including Corporate Governance, Corporate Commitment, Environmental Protection, and Social Participation.	No gaps
(II). Does the Company provide educational training on corporate social responsibility on a regular basis?	✓		(II). To instill CSR into the mind-set of all employees and reinforce the concept that everyone is responsible toward the society, the Company has organized a CSR educational training seminar in 2018 and invited Foxconn's CSR consultant to serve as the lecturer for the program. Courses were focused on the differences between previous and current standards, and explanation and discussion were made concerning case studies and examples to convey the current CSR trends and development. In addition, promotions for internal energy conservation and carbon reduction activities and policy were also undertaken.	No gaps
(III). Has the Company established a dedicated unit or appointed a unit for promoting CSR? Is the unit authorized by the Board of Directors to implement CSR activities at upper management levels? Does the	✓		(III). The committee has also designated officer roles (Public Relations Department) in accordance with regulations, and these roles would be responsible for coordinating joint promotions between departments. A three-year work plan has been proposed for subsequent	No gaps

Assessed items	State of operations			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No	Summary	
unit report the progress of such activities to the Board of Directors? (IV). Does the Company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?	✓		implementation, and the auditing unit also regularly reports CSR implementation progress during Board meetings. (IV). The Company has established a Remuneration Committee in accordance with “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.” The committee regularly evaluates the overall salaries, compensations, and benefits policy, and has achieved a stable and fair operating status.	No gaps
II. Sustainable Environment Development (I). Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		(I). The Company continues to promote energy-efficient measures such as turning off the lights when not in use, water conservation, taking the stairs rather than elevators whenever possible, using both sides of the paper, and turning the air conditioners to low setting. In addition, the Company also encourages electronic correspondence for administrative work to reduce paper consumption. Furthermore, the Company also effectively recycles and reuses the removed telecom cables and scrap.	No gaps
(II). Does the Company establish proper environmental management systems based on the characteristics of their industries?	✓		(II). Based on the nature of Asia Pacific Telecom’s operating industry, the Company has designated dedicated personnel in charge of network equipment and environmental management system at the Network Management Division and the Network Maintenance Management Division in the Network Technology Center. We implement energy-saving and carbon reduction policy, and has also received the ISO50001 Energy Management Certification in November 2017.	No gaps
(III). Does the Company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?	✓		(III). The Company’s primary energy consumption comes from machine room operations, and we continue to rigorously monitor the air conditioning temperature in the machine rooms. The removal of 3G equipment has reduced the power consumption in machine rooms. Furthermore, in terms of energy management in office buildings, LED energy-saving lamps have been adopted for all lighting within offices. Air conditioners with inverters have been adopted and temperature is fixed at 26 degrees Celsius. These settings are implemented within offices and monitored from a central setting. We strengthen video conference equipment, environmental friendly concept and educational training to reduce the emission of indirect greenhouse	No gaps

Assessed items	State of operations			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No	Summary	
			gases (GHG) through decreasing commuting needs and waste.	
III. Preserving Public Welfare (I). Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		(I). The Company has established Work Procedures and various standards and regulations for each procedure. Besides serving as reference for employee conduct and protecting fair treatment of employees, we have also established an Employee Welfare Committee to promote various employee benefit measures. In terms of management method, the Company adopts performance evaluation system and regularly reviews compensation structure. We implement value-oriented incentive management to inspire employee morale.	No gaps
(II). Has the Company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?	✓		(II). The Company has established fluent internal channels of communication, including employee whistleblowing mailbox, employee opinion website, and corporate instant messaging software etc., in order to instantly handle employee grievances.	No gaps
(III). Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		(III). 1. The Company has set up a dedicated labor safety and health management unit to handle various labor safety and health management affairs. We implement monthly routine machinery, equipment, and processing audit and procedural and workplace environment inspection for engineering contractors, in order to continuously improve various safety and health measures to build a safe and healthy workplace environment. 2. We have expanded the staff labor safety and health educational training, promotion, and drills. A total of 12 rounds of related safety and health education and training courses have been organized in 2017. In addition, we also commission professional physicians to undertake onsite service to identify and evaluate target groups of employees with elevated risks, as well as to organize activities including health instruction and health checkup result consultancy. We organize employee health checkup and organize workplace health promotions in each year to care for and to enhance employee's physical and mental health. 3. The Company has designated dedicated full-time onsite medical staff at the labor safety and health management unit. A medical center is available to arrange for employee medical attention, health consulting, and occupational disease prevention and more. Smoking	No gaps

Assessed items	State of operations			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No	Summary	
			is prohibited within the Company, and office is furnished with first-aid kit and nursing rooms. We organize CPR training and various major disease screening and health seminars to strengthen both physical and mental health and disease prevention in our employees. 4. Our internal website also provides information including relevant labor safety and health regulations, rules, and policies, labor safety e-bulletin, and Labor Safety Committee meeting reports for our employees. 5. Starting in 2018, the Company has also introduced ISO 45001 Occupational Safety and Health System to provide employees with a more structured and standardized safe and healthy work environment.	
(IV). Does the Company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	✓		(IV). An “employee opinion” internal online forum has been set up to provide a space for employees to provide recommendations and to voice their opinions at all times. At the same time, we also announce relevant material information to employees through email from time to time.	No gaps
(V). Does the Company provide its employees with career development and training sessions?	✓		(V). Internal promotions will take employee’s duties, responsibilities, and performance into consideration and will be submitted by employees’ supervisors. The Company also adjusts compensations in each year based on Company’s operating standings and the status of the telecom industry.	No gaps
(VI). Has the Company established any consumer protection mechanisms and grievance procedures for issues arising from research development, procurement, production, operation and services?	✓		(VI). To protect consumers’ rights, the Company discloses various services and information on the Company website, and clearly defines consumers’ rights in directly-operated stores and on service contracts. To enhance levels of satisfaction, the Company has established a 24-hour customer service hotline and email inbox. We continuously provide consumers standardized processing procedures through transparent and effective grievance-reporting channel via mobile customer app and online written customer service.	No gaps
(VII). Does the Company advertise and label its goods and services according to relevant regulations and international standards?	✓		(VII). All Company products and services are in compliance with regulations set forth by the National Communications Commission (NCC).	No gaps
(VIII). Has the Company assessed any record of a supplier’s impact on the environment and society before engaging in commercial dealings with the said supplier?	✓		(VIII). The Company promotes green procurement through a fair and just principle, and conveys the targets and standards of green supply chain during Supplier Conference. In addition, the Company also undertakes CSR questionnaire survey for annual critical suppliers. The content of	No gaps

<table>
<tr><th rowspan="2">Assessed items</th><th colspan="3">State of operations</th><th rowspan="2">Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>(IX). Do contracts between the Company and its major suppliers include terms where the Company may terminate or rescind the contract at any time if the said supplier has violated the Company's corporate social responsibility policy and have caused significant impact upon the environment and society?</td><td>✓</td><td></td><td>the survey encompasses four major aspects including corporate governance and ethical standards, labor rights and human rights, health and safety, and environment. We encourage suppliers to focus on CSR issues in practice with us, and include these topics into factors of consideration during supplier screening.
(IX). The Company has requested suppliers to sign Declaration of Contracting Suppliers to comply with Clean Procurement and other trade-related procedures and environmental requirements. We wish our partner suppliers can work toward environmental sustainability along with Asia Pacific Telecom. In accordance with labor safety's efforts in promoting ISO 45001, we have established Contractor and Supplier Management Procedures in 2018 to regulate relevant environmental and labor safety affairs. In addition, to protect suppliers' rights and to establish a transparent and fair procurement environment, the Company has established an "Audit Box" whistleblowing email account to receive written or electronic whistleblowing cases from suppliers, contracting partners, and customers.</td><td>No gaps</td></tr>
<tr><td>IV. Reinforcement of information disclosure
(I). Does the Company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?</td><td>✓</td><td></td><td>(I). The Company's Corporate Social Responsibility Report is prepared in reference to the internationally accepted Global Reporting Initiative (GRI) G4, and is completed before the end of June and submitted to the MOPS in accordance with legal regulations. In addition, users of the Report may also download the Report at the Company website. A CSR Section has also been set up on the Company's website, where open information on CSR promotions, communications with stakeholders, and Topics of Materiality Questionnaire Survey can be found.</td><td>No gaps</td></tr>
<tr><td colspan="5">V. If the Company has established the corporate social responsibility principles based on "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies"," please describe any discrepancy between the Principles and their implementation:</td></tr>
<tr><td colspan="5">VI. Other important information that facilitate the understanding of the implementation of corporate social responsibility:
1. To promote labor management relations, the Company regularly hosts labor relations meeting to discuss relevant matters.
2. In terms of investor relations, the Company has established a designated unit to regularly disclose material operating information from the Company, so as to continuously enhance information transparency.
3. All Company directors are equipped with relevant professional knowledge, and the Company provides relevant legal information that directors shall pay attention to at all times. In addition, the Company's management team also regularly undertakes sales and other relevant briefing to directors.</td></tr>
</table>

Assessed items	State of operations			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No	Summary	
4. The Company has already purchased liability insurance for Company directors. 5. The Company has always been committed to CSR implementations. In addition to participating or organizing activities to care for disadvantaged groups and the society, we also continue to be dedicated to caring for customers, employees, and green, environmentally-friendly topics. We see being a corporate citizen and a member of this planet as our responsibility.				
VII. A clear statement should be made if the Company's corporate social responsibility report complies with verification standards of relevant certification bodies: 1. The Company is not part of the industry required to establish ISO 14000 series of Environmental Management Standards; nevertheless, to protect customer rights and Company information safety, we have already obtained ISO 27001/27011 Information Safety certification, and the BS 10012 Personal Information Management certification has also been obtained in October 2017, serving as evidence of the Company's fulfillment of obligations as a prudent administrator. 2. We fulfill energy management policy and have achieved ISO 50001 Energy Management System certification in November 2017. 3. From 2015 to 2017, our CSR Reports have achieved AA1000 third-party assurance. In 2018, we have planned to continue achieving third-party assurance to achieve the Company's sustainable management objective and to increase long-term competitiveness.				

(VI) Ethical corporate management at the Company and related implementation

Assessed items	State of operations			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of the said gaps
	Yes	No	Summary	
I. Establishment of ethical corporate management policies and programs				
(I). Does the Company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?	✓		(I). Besides complying with Ethical Management Principles in all business activities, the Company has also established a set of Ethical Management Principles in practice.	No gaps
(II). Does the Company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?	✓		(II). The “Ethical Corporate Management Best-Practice Principles” clearly establishes working procedures and code of conduct to prevent unethical behavior, punitive measures for breaching the Principles, and grievance mechanism. All employees are required to sign the Declaration for Compliance to Ethical Corporate Management Best-Practice Principles. We prohibit directors, managerial officers, employees and contracted workers to directly or indirectly provide, accept, promise, or request any inappropriate interest, or to undertake any action of dishonesty, illegal means, or breaches his/her committed obligations.	No gaps
(III). Does the Company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?	✓		(III). When entering into contracts with others, the Company shall include in such contracts terms requiring compliance with ethical corporate management policy and that in the event the trading counterparts are involved in unethical conduct, the Company may terminate or rescind the contracts at any time upon verification.	No gaps
II. Fulfill operations integrity policy				
(I). Does the Company evaluate business counterparty’s ethical records and include ethics-related clauses in business contracts?	✓		(I). Besides clearly stating relevant regulations in the Ethical Management Principles, the Company also utilizes credit evaluation procedures when working with external entities, and utilizes contracts to clearly define the scope of rights and obligations for both parties.	No gaps
(II). Does the Company establish a dedicated (or part-time) unit for implementation of ethical corporate management directly under the Board of Directors and have this unit report to the Board of	✓		(II). The Company’s Human Resources department is responsible for promoting ethical management policy and to instill and implement measures to prevent unethical conduct. Furthermore, the Auditing Office will regularly review status of compliance with the Ethical	No gaps

Assessed items	State of operations			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of the said gaps
	Yes	No	Summary	
Directors regularly for the status of implementation?			Management Policy and reports implementation status at the Board meeting at least once every year. The Board's supervision ensures that the Company is fulfilling the highest guiding principle of ethical management. The Company has separately established the Asia Pacific Telecom Ethical Management Policy and Asia Pacific Telecom Ethical Corporate Management Best-Practice Principles in 2013. In addition, to fulfill ethical management in practice, the Company also continuously advocates and reminds the importance of ethical management as well as organizes relevant courses (e.g. ethical management and legal seminars). In 2018, a total of 3,219 persons (headcount) have participated in these studies, achieving a cumulative 3,219 hours of training.	
(III). Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		(III). The Ethical Management Policy has clearly defined rules pertaining to conflicts of interest, and a responsible point of contact has been set up for each business activity. Relevant work procedures and whistleblowing mailbox for unethical conduct have also been disclosed on the Company website to allow for inquiry and compliance.	No gaps
(IV). Does the Company establish effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	✓		(IV). The Company has set up a dedicated auditing unit and regularly undertakes internal control review.	No gaps
(V). Does the Company regularly hold internal and external educational training on operational integrity?	✓		(V). The Company regularly organizes ethical management training and online testing in each year to advocate for ethical management. We strengthen employee's awareness for compliance by allowing them to fully understand the Company's regulations for ethical management.	No gaps
III. Operation of the integrity channel				
(I). Does the Company establish reporting and reward/punishment systems and a convenient reporting channel, as well as designating appropriate personnel to handle whistleblowing incidents?	✓		(I). The Company has set up "Whistleblowing Management Procedures," and established a reporting fax direct-line and dedicated email to allow for easy access to whistleblowing.	No gaps
(II). Can the accused be reached by an appropriate person for follow-up?	✓		(II). The Company's whistleblowing system has clearly defined the standardized operating procedure for investigating a whistleblowing	No gaps

Assessed items	State of operations			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the cause of the said gaps
	Yes	No	Summary	
(III). Does the Company establish standard operating procedures for confidential reporting on investigating accusation cases?	✓		incident, confidentiality mechanism, and other regulations. (III). The Company's whistleblowing system clearly states a protection system, and maintains confidentiality over the identity of the whistleblower to prevent any inappropriate treatment.	No gaps
IV. Reinforcement of information disclosure (I). Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company's website and MOPS?	✓		(I). Based on the principles of corporate governance, the Company discloses Ethical Management Principles and implementation results on the Company website and MOPS.	No gaps
V. Where the Company has stipulated its own best practices on ethical corporate management according to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe any gaps between the prescribed best practices and actual activities taken by the Company: The Company's collaboration with each supplier and organization is all handled under the principle of ethical management, and no gap has been found with the established principles.				
VI. Other information helpful to understand the integrity operation of the Company: (e.g., the Company's amendment of its principles of integrity operation) The Company is founded on ethical management and seeks for all employees to be responsible to the investors, users, and the society based on the philosophy of integrity. The Company has set up online forum, website, and grievance and whistleblowing mailbox. If any incident that may breach the Ethical Management Principles or harm the reputation of the Company is found, employees may submit a grievance or whistleblowing report online. Moreover, the Company, relevant vendors, and partnering firms are mostly long-term partners, and contracts are always signed to protect the rights of both parties. The Company has also designated dedicated personnel to participate in such partnerships to maintain long-term stable partnerships.				

(VII) Method of inquiring Corporate Governance Best Practice Principles and related regulations, if any.

Please see the Company's website for "Corporate Governance Best Practice Principles" and related regulations (About Us --> CSR --> Corporate Governance --> Articles of Association and Related Regulations).

(VIII) Other important information to achieve better understanding on the state of corporate governance activities

1. The Company and persons in charge of financial information transparency have obtained the following certificates designated by the regulator:
   (1) International Internal Auditor: 1 person in the Auditing Office.
   (2) Computer Audit Software Application: 1 person in the Auditing Office.
   (3) Basic qualified training for procurement professional: 1 person in the Auditing Office and 2 in Procurement Department.
   (4) Procurement Management certification: 1 person in Procurement Department.
   (5) Basic Procurement certification: 3 persons in Procurement Department.
   (6) Public Certified Accountant, R.O.C.: 2 persons in Finance Center.
   (7) Basic Corporate Internal Control Competency Test organized by Securities & Futures Institute (SFI): 4 persons in Finance Center.
   (8) Share Transfer Personnel Competency test organized by Securities & Futures Institute (SFI): 1 person in Chairman's Secretarial Office.
2. Other material information from the Company have all been announced on the MOPS pursuant to regulations from the competent authority.
3. The Company is deeply aware of the fact that enterprises shall fulfill social responsibility while pursuing for profit and being responsible to shareholders, so as to realize the enterprise's objectives of achieving economic, environmental, and social sustainable development. The Company's website has set up a CSR section to disclose the Corporate Social Responsibility Report prepared in each year. This will help us to report the objectives and results of the Company's CSR promotions to the public.

(IX) Implementation of Internal Control System

1. Statement of Internal Control System

Asia Pacific Telecom Co., Ltd.

Statement of the Internal Controls

Date: March 14, 2019

According to the examination on internal control system done by the Company itself in 2018, we hereby states as follows:

(1)The Company's Board of Directors and management team understand their responsibilities of developing, implementing and maintaining the Company's internal control system, and such a system has been established. The purpose of establishing the internal control system is to reasonably assure the following objectives: (a) The effectiveness and efficiency of business operation (including earnings, operation performance and the safeguard of company assets); (b) Achieve the reliability, timeliness, transparency, and compliance objectives according to the relevant laws and regulations in order to provide reasonable assurances.

(2)Due to the innate limitation in designing a faultless internal control system, this system can only assure the reasonableness of the above three objectives have been fairly achieved. In addition, the effectiveness of internal control system could alter over time due to the change of business environment or situation. Since the Company's internal control system has included self-examination capability, the Company will make immediate corrections when errors are detected.

(3)The evaluation of effectiveness of the internal control system design and implementation is made in accordance with the "Guidelines for the Establishment of Internal Control Systems by Public Companies" (the Guidelines). The Guidelines are made to examine the following five factors during the management and control process: (1) control environment, (2) risk assessment and response, (3) control activities, (4) information and communication, and (5) supervision. Each factor also includes several items. Details of each factor can be found in the Guidelines.

(4)The Company has examined the effectiveness of each respected area in the internal control system based on the Guidelines.

(5)The examination result indicated that the Company's internal control system (including subsidiary governance) dated December 31, 2018 has effectively assured that the following objectives have been reasonably achieved during the assessing period: (a) The degree that effectiveness and efficiency of business operation; (b) The reliability of the financial and related reports; (c) The compliance of the relevant laws/regulations and company policies 49

(6)This Statement is a significant part of the Company's annual report and prospectus available to the general public. If it contains false information or omits any material content, the Company is in violation of Article 20, Article 32, Article 171 and Article 174 set forth in the Taiwan's Security and Exchange Act.

(7)The Company hereby declares that this statement had been approved by the Board of Directors on March 14, 2019. Among the 11 attending Directors, no one raised any objection to the contents of this statement.

Asia Pacific Telecom Co., Ltd.

Chairman of the Board: Fang-Ming Lu

General Manager: Nan-Ren Huang

2. The Company is required by the Security and Futures Bureau to hire an accountant to audit the Companyrch 14, 2019. Among the 11 attending Directors, no one raised any objection to：None.

(X) From the most recent fiscal year up to the publication of the Annual Report, explain the circumstances in which the Company and its personnel have been punished by law, the disincentives measures put in place for breaching the internal control system, and any material deficiencies and revisions:

1. In 2018 and as of the date of publication of This Report, we have accumulated a penalty of NT$5.4 million for use of unauthorized service.
2. Subsequently, we have continued to undertake various improvement plans pertaining to regulations from competent authority, including "the principle where 4G service providers who do not construct a proprietary network or utilizes its own network and uses other's network is in violation of business plan monitoring" and "Regulations for Administration of Mobile Broadband Businesses."
3. Currently, the competent authority, National Communications Commission, has approved of the modification of mobile broadband business plan. Besides, we have completed the implementation of 700/900MHz network, and also completed the implementation of new added 2600MHz (adopts TDD technology) network and obtained approval from NCC's system review. We are accelerating the process of re-routing the traffic which originally used the access network of Taiwan Mobile Co., Ltd. back to our proprietary network, and have stopped using 4G access network of Taiwan Mobile Co., Ltd. since October 31, 2018, in order to comply with relevant legal telecommunications laws and regulations.

(XI) Material Resolutions of Shareholders Meeting and Board of Directors Meeting

1. Implementation Status of Resolutions from the Shareholders' Meeting in 2018

※ Implementation Status of Resolutions from the 2018 General Shareholders' Meeting (June 20, 2018):

※ Reporting items:

I. The Company's 2017 Business Report.

II. 2017 Audit Committee's Review Report

※ Matters to be Ratified:

I. Adoption of the Company's Business Report and Financial Statements for 2017.

II. Adoption of the Company's 2017 Deficit Makeup Plan.

※ Discussion Items:

I. Adoption of the motion to amend the Company's Articles of Association.

Implementation status: The amended Articles have received amendment approval from the Ministry of Economic Affairs, R.O.C. on July 16, 2018, and operations have been following the amended Articles since.

※ Election:

I. Eleven directors for the Company's 8th Board of Directors, including 3 Independent Directors.

Implementation status: Below is a list of elected Directors:

Representatives of Baoxin International Investment Co., Ltd.:
Fang-Ming Lu, Yung-Chen Chen, Jui-Ying Fan, and Chia-Hsiang Chang.
Representatives of Taiwan Railways Administration, MOTC:
Jen-Tsai Hsu and Tung-Chun Tsao.
Representative of Yu Sheng Investment Co., Ltd:
Chung-Cheng Tseng.
Representative of Hua Eng Wire & Cable Co., Ltd.:
Min-Shiang, Lin.
Elected Independent Directors:
Ting-Wong Cheng, Yi-Wen Chen, and Shi-Nine Yang.
The list of elected directors has been posted on the MOPS immediately following the Shareholders' Meeting.

※Other motions:

I. Adoption of the motion to remove the "Non-competing Clause" on the Company's newly appointed directors.
Implementation status: Resolution has been posted on the MOPS immediately following the Shareholders' Meeting.

2. Material Resolutions from the Board in 2018 (up to the Date of Publication of this Annual Report)

Date/Meeting	Material Resolutions
2018.01.18 18th meeting of the 7th Board	1. Approved the Company's 2018 Business Plan and Budget Plan.
2018.03.15 19th meeting of the 7th Board	1. Approved 2017 Business Report and Financial Statements of the Company.
	2. Approved the Company's 2017 Deficit Makeup Plan.
	3. Approved the amendment of the Company's internal control system.
	4. Approved the amendment of the Company's internal audit system.
	5. Approved the Company's 2017 Internal Control System Statement.
	6. Approved the amendment of the Company's Articles of Association.
	7. Approved the amendment of the Company's Rules of Procedure for Board of Directors Meetings.
	8. Approved the amendment of the Company's Corporate Governance Best Practice Principles.
	9. Approved the motion to elect 11 seats of directors for the Company's 8th Board (inclusive of three Independent Directors).
	10. Approved the list of nominees for the director and independent directors' elections for the 8th Board.
	11. Approved the date, venue, meeting agenda, acceptance of shareholders' nomination of directors, shareholders' proposals and review standards for the Company's 2018 General Shareholders' Meeting.
	12. Removed the "Non-compete Clause" on the Company's newly appointed directors for the 8th Board.
	13. Appointment of the Company's General Manager and removing the "Non-compete Clause" from the General Manager.
	14. Approved the Company's motion to apply for short-term comprehensive credit line from financial institution.
	14. Approved the Company's motion to apply for short-term credit line from financial institution.

Date/Meeting	Material Resolutions
2018.05.08 20th Meeting from the 7th Board	1. Approved the list of nominees for the director and independent directors' elections in the Company's 2018 General Shareholders' Meeting.
	2. Approved the motion of the Company's procurement to subsidiary Foxconn Global Network Corporation for the "2018 All area procurement project for optical copper transmission network."
	3. Approved the amendment and addition of Article 2 in the Company's Articles of Association.
2018.06.20 1st Meeting from the 8th Board	1. Approved the motion to elect Mr. Fang-Ming Lu as the Chairman of the Company's 8th Board of Directors.
	2. Approved the appointment of the members of the 4th Remuneration Committee.
2018.08.09 2nd Meeting of the 8th Board	1. Approved compensations of the 8th Independent Directors and members of the Remuneration Committee and Audit Committee.
	2, Approved the compensations of the members of the 8th Board of Directors.
	3. Approved the amendment of the Company's internal control system.
	4. Approved the amendment of the Company's internal audit system.
	5. Approved the Company's motion to apply for short-term loan from financial institution.
	6. Approved the Company's motion to apply for short-term loan from financial institution.
	7. Approved the Company's motion to apply for short-term credit line from financial institution.
	8. Approved the Company's motion to apply for short-term credit line from securities financing company.
2018.11.08 3rd Meeting from the 8th Board	1. Approved the Company's 2019 Internal Audit Plan.
	2. Approved the motion to change the Company's certified public accountant.
	3. Approved the motion to regularly evaluate the independence and suitability of the Company's CPA.
	4. Approved the Company's "2018 Wireless Network Improvement Plan_Nokia Large-Scale Base Station Engineering Procurement Project" and proposed procurement from subsidiary Foxconn Global Network Corporation.
	5. Approved the appointment of the Company's Vice President.
	6. Approved the removal of the "Non-compete Clause" from the Company's managerial officers.
	7. Approved the Company's motion to apply for short-term comprehensive credit line from financial institution.
	8. Approved the Company's motion to apply for short-term loan from financial institution.
	9. Approved the Company's motion to apply for short-term comprehensive credit line from financial institution.
2018.12.19 4th Meeting from the 8th Board	1. Approved the Company's 2019 Business Plan and Budget Plan.
108.03.14 5th meeting of the 8th Board	1. Approved the Company's 2018 Business Plan and financial statements.
	2. Approved the Company's 2018 Deficit Makeup Plan.
	3. Approved the Company's 2016 Internal Control System Statement.
	4. Approved the amendment of the Company's Articles of Association.
	5. Approved the amendment of the Company's Procedure for Acquisition or Disposal of Assets.
	6. Approved the amendment of the Company's Procedures for Financial Derivatives Transactions.
	7. Approved the amendment of the Company's Corporate Governance Best Practice Principles.
	8. Approved the Company's proposal for establishing a governing body for corporate governance and appointment of a governance manager.
	9. Removed the "Non-compete Clause" on the Company's newly appointed directors.
	10. Approved the date, venue, meeting agenda, acceptance of shareholders' nomination of directors, shareholders' proposals and review standards for the Company's 2019 General Shareholders' Meeting.
	11. Approved the Company's proposal for signing property lease contract with a related party.

(XII) Major content of any dissenting opinion on record or submitted in a written statement by the Directors on material resolutions of the Board of Directors meeting during the past year up to the publication of this Report: None.

(XIII) A summary of the resignation and dismissal of the Company personnel (including Chairman, General Manager, Accounting Manager, Finance Manager, Internal Audit Manager and R&D Manager) in the past fiscal year and as of the date of publication of the Annual Report:

April 22, 2018

Title	Name	Date of arrival	Date of dismissal	Reason for resignation or dismissal
General Manager	Yung-Cheng Chen	2016.01.11	2018.03.15	Newly appointed General Manager

V. Information on CPA Professional Fees

Name of the accounting firm	Name of CPA		Audit period	Remarks
PwC Taiwan	Lin, Chun-Yao	Huang, Shih-Chun	2018	

CPA Name of the firm	Name of the CPA	Audit Fee	Non-audit Fee					Period covered by CPA's Audit	Notes
			System Design	Business Registration	Human Resource	Others	Total		
PwC Taiwan	Lin, Chun-Yao Huang, Shih-Chun	4,866	0	0	0	240	240	2018.01.01~ 2018.12.31	Non-audit fees were transfer pricing report and business registration etc.

Interval of the amount \ Professional fees		Audit Fee	Non-audit Fee	Total
1	Less than NT$ 2,000,000		✓	
2	NT$ 2,000,000 (inclusive) to NT$ 4,000,000			
3	NT$ 4,000,000 (inclusive) to NT$ 6,000,000	✓		✓
4	NT$ 6,000,000 (inclusive) to NT$ 8,000,000			
5	NT$ 8,000,000 (inclusive) to NT$ 10,000,000			
6	NT$ 10,000,000 and more			

(I) If the non-audit fees paid to the CPAs, their accounting firm and affiliated companies of their accounting firm exceed one-fourth of the audit fees paid to them, the amount of audit and non-audit fees, and the content of non-audit services should be disclosed: not applicable.

(II) When the Company has changed the accounting firm, and in that particular fiscal year, the audit fees paid was less than those of the fiscal year before that, the Company must disclose the decreased amount and reason: Not applicable.

(III) When the audit fees decrease 15% or more than the last fiscal year, the Company must disclose the decreased amount, ratio, and reason: Not applicable.

VI. Information of CPA Replacement

(I) Regarding to the Former CPA

As of April 22, 2019

<table>
<tr><td>Date of Replacement</td><td colspan="4">November 8, 2018</td></tr>
<tr><td>Replacement reasons and explanations</td><td colspan="4">Due to internal work rotation and arrangement from PwC Taiwan, former CPA Chun-Yao (Kevin) Lin and CPA Shih-Chun Huang will be succeeded by CPA Yu-Lung Wu and CPA Shih-Chun Huang, and effective as of the review of Q1 2019 Financial Statements.</td></tr>
<tr><td rowspan="3">Was the termination of audit services initiated by the company or by the CPA</td><td colspan="2">Party / Conditions</td><td>CPA</td><td>The Company</td></tr>
<tr><td colspan="2">Service terminated by</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td colspan="2">Service no longer accepted (continued) by</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td>Other issues (except for unqualified issues) in the audit reports within the last two years</td><td colspan="4">Not applicable</td></tr>
<tr><td rowspan="6">Different opinions from the Company</td><td rowspan="4">Yes</td><td>－</td><td colspan="2">Accounting principles or practices</td></tr>
<tr><td>－</td><td colspan="2">Disclosure of financial report</td></tr>
<tr><td>－</td><td colspan="2">Scope or procedure of auditing</td></tr>
<tr><td>－</td><td colspan="2">Others</td></tr>
<tr><td>None</td><td colspan="3">✓</td></tr>
<tr><td colspan="4">Notes</td></tr>
<tr><td>Other disclosing items (Paragraph 6-1-4 to 6-1-7 of Article 10 of the Principle shall be disclosed)</td><td colspan="4">None</td></tr>
</table>

(II) Regarding to the Successing CPA

As of April 22, 2019

Name of the firm	PwC Taiwan
Name of the CPA	CPA Yu-Lung Wu and CPA Shih-Chun Huang
Date of appointment	Approved by the Board of Directors on November 8, 2018.
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the Company's financial reports that the CPA might issue prior to the engagement.	Not applicable
Succeeding CPA's written opinion of disagreement toward the former CPA	Not applicable

(III) The former CPA's response to Article 10, Subparagraph 6, Item 1 and Item 2-3 of the Principles: Not applicable.

VII. The Company's directors, general manager, managerial officer in charge of finance or accounting who has served in a CPA's accounting firm or its affiliated companies in the most recent fiscal year: None.

VIII. Equity transfer or changes to equity pledge of directors or managerial officers holding more than ten percent (10%) of Company shares during the year prior to the publication date of this Report:

(I) Transfer of shares and changes in equity pledge relating to the directors, managers and substantial shareholders:

Unit: shares

Title	Name	2018		As of April 22, 2019	
		Addition (reduction) of shares	Addition (reduction) of hypothecation	Addition (reduction) of shares	Addition (reduction) of hypothecation
Chairman	Baoxin International Investment Co., Ltd. Representative: Fang-ming Lu	0	0	0	0
Director	Baoxin International Investment Co., Ltd. Yung-Cheng Chen	0	0	0	0
Director	Baoxin International Investment Co., Ltd. Jui-Ying Fan	0	0	0	0
Director	Baoxin International Investment Co., Ltd. Representative: Chia-Hsiang Chang	0	0	0	0
Director	Taiwan Railways Administration, MOTC Representative: Jen-Tsai Hsu	0	0	0	0
Director	Taiwan Railways Administration, MOTC Representative: Tung-Chun Tsao	0	0	0	0
Director	Yu Sheng Investment Co., Ltd. Representative: Chung-Cheng Tseng	0	0	0	0
Director	Hua Eng Wire & Cable Co., Ltd. Representative: Min-Shiang, Lin	0	0	0	0
Independent Director	Ting-Wong Cheng	0	0	0	0
Independent Director	Yi-Wen Chen	0	0	0	0
Independent Director	Shi-Nine Yang	0	0	0	0
Director	Baoxin International Investment Co., Ltd. Representative: Chi-Chia Hsieh (released of duty on June 20, 2018)	0	0	0	0
Director	Baoxin International Investment Co., Ltd. Representative: Nan-Ren Huang (released of duty on June 20, 2018)	0	0	0	0
Director	Taiwan Railways Administration, MOTC Representative: Ming-Yun Kao (released of duty on June 20, 2018)	0	0	0	0
Director	Hua Eng Wire & Cable Co., Ltd. Representative: Hsiu-Mei Liu (released of duty on June 20, 2018)	0	0	0	0
Substantial shareholders	Hon Hai Precision Industry Co., Ltd.	0	0	0	0
Director	Madeleine Lee	4,000 (2,000)	0	(2,000)	0

(II) Information on equity transfer: No conditions of equity transfer where the counterparty is a related party.

(III) Information on equity pledge: No conditions of equity pledge where the counterparty is a related party.

IX. Relationship information of anyone among the ten largest shareholders who is a related party, or is the spouse or a relative within the second degree of kinship of another:

Unit: Share; % As of April 22, 2019

Name	Shares held by the shareholder Shares held		Shares held by spouse or minor children		Shares held in the name of other persons		Title or name and relationships of the 10 largest shareholders where they are related parties, spouses, or relatives within the second degree of kinship.		Remarks
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Title (or name)	Relations	
Hon Hai Precision Industry Co., Ltd. Person in Charge: Terry Gou	843,760,000	19.63%	0	0	0	0	0	0	-
Taiwan Railways Administration, MOTC Representative: Jen-Tsai Hsu Representative: Tung-Chun Tsao	399,477,000	9.29%	0	0	0	0	0	0	-
Taiwan Mobile Co., Ltd. Person in Charge: Daniel Tsai	148,255,000	3.45%	0	0	0	0	0	0	-
Hua Eng Wire & Cable Co., Ltd. Representative: Min-Shiang, Lin	135,922,500	3.16%	0	0	0	0	0	0	-
Hsin Kuang Hwa Co., Ltd. Person in Charge: Shuh Chen	43,431,000	1.01%	0	0	0	0	0	0	-
Mega International Commercial Bank Person in Charge: Michael Chang	35,748,000	0.83%	0	0	0	0	0	0	-
Hung Yung Construction Co., Ltd. Person in Charge: Yan-Kun Chang	33,432,000	0.78%	0	0	0	0	0	0	-

JPMorgan Chase Bank as custodian of Vanguard Group Emerging Market Fund Investment Account	32,815,848	0.76%	0	0	0	0	0	0	-
JPMorgan Chase Bank as custodian of Vanguard Star Vanguard Total International Stock Index	27,799,000	0.65%	0	0	0	0	0	0	-
Standard Chartered custodian of iShares Emerging Market ETF	843,760,000	19.63%	0	0	0	0	0	0	-

X. Shareholding in other companies by the Company, managerial officer, company's director, supervisor, managerial officer, or an entity directly or indirectly controlled by the Company

Unit: Shares; %
March 31, 2019

Investments in other companies (Note1)	Investment by the Company		Investments by the Directors, Supervisors, managerial officers, and companies directly or indirectly controlled by this Company		Comprehensive	
	Number of shares	Shareholding Percentage	Number of shares(Note2)	Shareholding Percentage	Shares	Shareholding Percentage
Asia Pacific Telecom Hong Kong Co., Ltd.	7,800,002	100.00%	—	—	7,800,002	100.00%
Foxconn Global Network Corporation	14,180,000	55.53%	1,000,000	3.92%	15,180,000	59.45%
Hon Conn Innovation Corp.	510,000	63.75%	—	—	510,000	63.75%
Shenzhen Hongyu Network Co., Ltd.	—	—	RMB521,114.16	55.53%	RMB521,114.16	55.53%

Note1: Invested by the Company using the equity method.

Note2: Shenzhen Hongyu Network Co., Ltd. is denominated in the amount of capital contribution (NT$), and the rest is shown in number of shares.

Chapter IV Funding Status

I. Source of Capital Stock

(I) Source of capital shares

As of April 22, 2019; Unit: 1000 shares or NT$1000

Year and month	Par Value	Authorized capital		Shares Outstanding		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Non-Monetary Capital Expansion	Others
2000.05	10	6,568,000	65,680,000	6,568,000	65,680,000	Incorporation	—	Approved by Letter (089) 114263 as of May 5, 2000
2007.10	10	6,568,000	65,680,000	3,284,000	32,840,000	Capital reduction of NT$32,840,000 thousand for covering accumulated deficits	—	Approved by Letter 09701131490 as of June 6, 2008
2013.08	10	6,568,000	65,680,000	3,305,627	33,056,270	Issuance of new shares NT$216,270 thousand	—	Approved by Letter 10201170460 as of August 20, 2013
2014.07	10	6,568,000	65,680,000	3,888,515	38,885,155	Issuance of new shares NT$5,828,885 thousand	—	Approved by Letter 10301150140 as of July 28, 2014
2015.12	10	6,568,000	65,680,000	4,300,627	43,006,270	Stock issued for pursuant to acquisitions NT$9,950,000 thousand; Reduction for pursuant to acquisition NT$5,828,885 thousand	—	Approved by Letter 10501034120 as of February 19, 2015
2017.12	10	6,568,000	65,680,000	4,298,232	42,982,322	Treasury stock capital retired reduction of NT$23,948 thousand	—	Approved by Letter 10601169580 as of December 18, 2017

As of April 22, 2019; Unit: 1000 shares or NT$1000

Share Type	Authorized capital			Remarks
	Shares outstanding	Unissued Shares	Total	
Common shares	4,298,232	2,269,768	6,568,000	Listed shares

Information for Shelf Registration: Not Applicable.

(II) Shareholder structure

As of April 22, 2019; Unit: shares

Shareholder Structure / Number	Government institutions	Financial institutions	Institutional shareholders	Individual shareholders	Foreign institutions and individual shareholders	Total
Numbers	3	7	444	130,904	167	131,525
Shares	400,233,000	73,700,439	1,429,362,830	2,167275,854	227,660,046	4,298,2323,169
Shareholding ratio(%)	9.31%	1.72%	33.26%	50.42%	5.29%	100.00%

(III) Share distribution

1. Common stock

As of April 22, 2019; Unit: shares

Shareholder Ownership (Unit: Share)	Number of shareholders	Shares held	Shareholding percentage
1 to 999	18,878	1,146,670	0.03%
1,000 to 5,000	60,089	173,707,149	4.04%
5,001 to 10,000	20,414	181,490,772	4.22%
10,001 to 15,000	6,752	92,227,801	2.15%
15,001 to 20,000	6,118	117,916,979	2.74%
20,001 to 30,000	5,965	158,860,303	3.70%
30,001 to 40,000	2,685	99,548,441	2.32%
40,001~50,000	3,885	189,788,742	4.42%
50,001 to 100,000	3,877	297,098,435	6.91%
100,001 to 200,000	1,602	232,027,888	5.40%
200,001 to 400,000	746	207,729,113	4.83%
400,001 to 600,000	183	90,493,033	2.11%
600,001 to 800,000	88	62,643,675	1.45%
800,001 to 1,000,000	61	56,582,119	1.31%
1,000,001 and above (The Company can further classify this range where necessary)	182	2,336,971,049	54.37%
Total	131,525	4,298,232,169	100.00%

2. Preferred shares: Not Applicable.

(IV) Major Shareholders

As of April 22, 2019; Unit: shares

Shares / Name of Substantial Shareholders	Shares held	% of Owner-ship
Hon Hai Precision Industry Co., Ltd.	843,760,000	19.63%
Taiwan Railways Administration, MOTC	399,477,000	9.29%
Taiwan Mobile Co., Ltd.	148,255,000	3.45%
Hua Eng Wire & Cable Co., Ltd.	135,922,500	3.16%
Hsin Kuang Hwa Co., Ltd.	43,431,000	1.01%
Mega International Commercial Bank Co., Ltd.	35,748,000	0.83%
Hung Yong Construction Co., Ltd.	33,432,000	0.78%
JPMorgan hosting Sanskrit Vanguard Emerging Markets Equity Index Fund account	32,815,848	0.76%
JPMorgan Managed Advanced Stars advanced aggregate International Equity Index	27,799,000	0.65%
Standard Chartered custodian of iShares Emerging Market ETF	843,760,000	19.63%

(V) Share price, Net value, Earnings, Dividends and related information in last 2 years

Unit: 000 shares or NT$1000

Year / Item			2017	2018	Up to April 22, 2019 (Note 4)
Share price (Note 1)	High		11.30	10.35	9.18
	Low		9.31	5.40	6.80
	Average		10.06	8.02	7.86
Net value per share	Before distribution		7.21	7.15	6.86
	After distribution (Note 2)		7.21	7.15	6.86
Earnings per share	Weighted Average Outstanding Shares (thousand shares)		4,298,232	4,298,232	4,298,232
	Earnings per share (NT$)		(0.93)	(0.77)	(0.30)
Dividends per share	Cash dividend		—	—	—
	Stock dividend	Distribution of surplus	—	—	—
		Additional paid-in capital	—	—	—
	Accumulated un-distributed dividend		—	—	—
Return on investment analysis	P/E Ratio (Note 3)		(10.82)	(10.42)	—
	P/D Ratio (Note 3)		—	—	—
	Yield on cash dividend (Note 3)		—	—	—

Note 1: Source of information: website of Taiwan Stock Exchange (TWSE); highest and lowest are price comparisons during transaction hours.

Note 2: The Company’s 2017 Shareholders’ Meeting has approved the resolution not to distribute dividend for the year. The Board of Directors has also approved the resolution not to distribute dividend and is pending for approval by the Shareholders' Meeting.

Note 3: No dividend has been distributed for the years 2017 and 2018; hence, Price/Dividend Ratio and Cash Dividend Yield cannot be calculated;

Price-to-Earnings ratio = average price per share for that year/Earnings per share;

Price-Dividend ratio = average price per share for that year/cash dividend per share;

Yield on cash dividend = cash dividend per share/average price per share for that year;

Note 4: Net worth per share and earnings per share (EPS) are CPA-audited information from Q1 of 2019, while all the other items are current data for the year as of the date of publication of this Annual Report.

(VI) Dividend Policy and Earnings Distribution Implementation Status

1. Dividend Policy under the Company's Articles of Association: Cash dividend shall be no less than 50% of the total dividend distribution for the year. The ratio of dividend distribution and cash dividend will be approved by resolution at the Shareholders' Meeting based on the Company's working capital needs as well as capital expenditure plans.
2. Dividend distributions: No surplus is available for distribution, and the Company's Board of Directors have resolved not to distribute dividend.
3. Explanation for anticipated material change in dividend policy: No material changes in the Company's dividend policy is expected.

(VII) The impact from the stock dividend proposed during the Shareholders' Meeting on business performance and earnings per share : 5.Not applicable as no stock dividend was distributed in 2018

(VIII) Employee Compensations and Directors' Remuneration

1. The Company's Articles of Association has stated the ratio and scope of employee's compensations and directors' remuneration: if profit is made during a year, 1~3% shall be allocated as employee's compensations, and no higher than 1% shall be allocated as directors' remuneration. However, when the Company sustains accumulated losses, the compensations shall be covered in later years.

   Employee's compensations could be distributed in shares or cash, and the counterparty to whom shares or cash are distributed as employee's compensations may include the employees of its subordinate companies that meet certain criteria.

   The term "profit for the current year" mentioned in the preceding item 1 refers to earnings of the pretax benefit of the current year deducts employees' compensations and Directors' remuneration.

   Directors' remuneration shall be distributed in cash and employees' compensation may be distributed in shares or cash. A resolution by a majority voting of the directors present at a meeting of the Board of Directors attended by two-thirds or more of the directors of the Company shall be obtained, and a report shall be submitted to the Shareholders' Meeting.

2. Accounting treatment for when the estimated amount of compensations to be distributed for employees and directors, and share dividend to be distributed to employees and directors for the period is different with the actual amount of distribution: no surplus occurred in 2018; hence employees' compensations and directors' remuneration have not be no estimated.
3. Status of compensation distribution to the Broad of Directors: No surplus was available for distribution to employees or directors.
4. Employees' and directors' compensations for the previous year: No surplus was available for distribution to employees or directors.

(IX) Shares Buyback by the Company: None.

II. Issuance of Corporate Bonds: None.

III. Preferred Shares: None.

IV. Issuance of GDR/ADR: None.

V. Status of Employee Stock Option Plan:

(I) Impacts of unrealized employee reserved share rights on the shareholders' rights:

April 22, 2019

Type of employee share option	First subscription	Second subscription
	Employee stock share options	Employee share options
Announced effective date	104.09.22	104.09.22
Date of Issuance (Undertaking)	105.04.20	105.05.18
Issues distributed	77,123 units	7,338 units
Ratio of subscription shares to total issued and outstanding shares (%)	1.7943	0.1707
Share option duration	5 years	5 years
Contract fulfillment	Issuance of new shares	Issuance of new shares
Duration and ratio of restricted shares (%)	2 years: 60%	2 years: 60%
	3 years: 100%	3 years: 100%
Shares received	0	0
Monetary values of shares received	0	0
Shares not yet received	77,123 units	7,338 units
Individuals with share options can purchase shares at:	NT$10.7	NT$10.7
Proportion of the quantity of unsubscribed shares of total issued and outstanding shares (%)	1.7943	0.1707
Impacts on the shareholders	No impact	No impact

(II) Names and conditions of managerial officers and employees who have received substantial amount of employee share options as of the date of publication of this Annual Report:

As of April 22, 2019; Unit: NT$1,000

	Title	Name	Stock subscriptions obtained (thousand shares)	Proportion of subscribed shares acquired to the total issued and outstanding shares	Realized				Unrealized			
					Number of stock subscribed (thousand shares)	Stock subscription price	Exercise amount	Ratio of realized shares from employee options on the total shares issued and outstanding	Number of stock subscriptions (thousand shares)	Subscription Price	Subscription Sum	Ratio of realized shares from employee options on the total shares issued and outstanding
Managerial officer	Chief Financial Officer (CFO)	Annie Hung	18,880	0.44%	0	10.7	0	0	18,880	10.7	202,016	0.44%
	Chief Operating Officer (COO)	Michael Lee										
	Vice President	Tim Liu										
	Vice President	Klim Huang										
	Chief Technology Officer (CTO)	CP Chen (Note 1)										
	Senior Vice President	Aga Shih										
	Vice President	Didy Teng										
	Vice President	JM Chien										
	Vice President	Shang-Chen Kao (Note 2)										
	Chief Audit Officer	Frances Chen										
	Senior Director	Susan Wang										
	Senior Director	Dennis Liu										
	Senior Director	Anita Lin										
	Senior Director	Michael Ko										
	Senior Director	Wilson Huang										
	Senior Director	Stan Shen										
	Senior Director	Louis Lin										
	Senior Director	Patrick Chang										
	Director	Eric Hsu										
	Director	Ruby Wu										
	Director	Sheng-Chang Chen										

	Title	Name	Stock subscriptions obtained (thousand shares)	Proportion of subscribed shares acquired to the total issued and outstanding shares	Realized				Unrealized			
					Number of stock subscribed (thousand shares)	Stock subscription price	Exercise amount	Ratio of realized shares from employee options on the total shares issued and outstanding	Number of stock subscriptions (thousand shares)	Subscription Price	Subscription Sum	Ratio of realized shares from employee options on the total shares issued and outstanding
Managerial officer	Director	Michael Chien										
	Director	Madeleine Lee										
	Director	Jimmy Huang										
	Director	HY Chang										
	Director	Calvin Tsai										
	Director	Kuang Chen										
	Director	Johnson Lee										
	Director	Angus Yang (Note 3)										
	Director	Chung-Yi Chen										
	Director	Chunliang Lu										
	Director	Jacqueline Huang										
	Director	Guo-Jeng Chen										
	Director	Dennis Wu (Note 4)										
	Director	Jacky Yan										
	Director	Azucena Lin										
	Director	Mandy Huang										
	Director	Powei Chen										
	Director	Jeff Chen (Note 5)										
	Director	Christine Lu (Note 6)										
	Director	Mike Yu (Note 7)										
Employee	Director (Subsidiary)	Wen-Chang Hsiao (Note 8)	2,920	0.07%	0	10.7	0	0	2,920	10.7	31,244	0.07%
	Director (Subsidiary)	Chan-Pen Lin										
	Executive Specialist	Chun-Shen Lin										
	Director (Subsidiary)	Wen-Chung Wang (Note 9)										
	Vice President (Subsidiary)	Chung-Tao Lu (Note 10)										
	Manager	Mei-Chun Chi										
	Manager	Ming-Ta Chen										
	Manager	Ya-Fen Liang										
	Manager	Chun-Lan Tung (Note 11)										
	Assistant Manager	Hui-Yu Chiu										

Note 1: Retired on December 21, 2018.

Note 2: Title has been changed as of November 8, 2018.

Note 3: promoted, title has been changed as of January 1, 2019.

Note 4: promoted, title has been changed as of March 1, 2019.

Note 5: Promoted, title has been changed as of December 5, 2018.

Note 6: Promoted, title has been changed as of December 5, 2018

Note 7: promoted, title has been changed as of March 1, 2019.

Note 8: Transferred to subsidiary Foxconn Global Network Corporation as of July 31, 2018.

Note 9: Transferred to Foxconn Global Network Corporation as of November 1, 2018.

Note 10: Transferred to subsidiary Foxconn Global Network Corporation as of November 1, 2018.

Note 11: Title has been changed as of June 1, 2018.

VI. New Employee reserved share rights handing: None.

VII. Mergers or transferee to other companies and issuance of new shares: None.

VIII. Implementation of capital utilization plan: Up to the quarter preceding the date of printing of the Annual Report, the Company has no incomplete issuance or placement of private securities or completed placement where the benefits of the plan have yet to be realized in the past three years.

Chapter V Operational Highlights

I. Business Activities

(I) Business Scope

1. Major business items:

Asia Pacific Telecom is an integrated telecommunication services provider whose primary services include local networks, long distance networks, international networks, and mobile broadband services (4G).

2. Business proportion:

For the year of 2018, revenue from mobile telecom accounted for 57%; fixed web telecom accounted for 15%; other business accounted for 28% on the total revenue respectively; while mobile broadband service (4G) was officially launched on December 24, 2014.

3. Current Products (Services):

(1) Fixed web service

The Company's fixed web services include:

A. Basic service:

Domestic voice calls, long-distance calls, international voice calls, cloud operator, parallel ring, circular ring, call waiting, caller ID display, call forwarding, call waiting, three-way calling, automatic hunting, voicemail, restrict dialing numbers, anonymous call rejection, and advanced 0809 receiver payment, and 020 paid voice information and more

B. Short Code Service:

104/105/105 number query service, 112 trouble reporting, 117 speaking clock, 119 fire emergency call, 110 police emergency call, 116 weather reporting in Mandarin, 168 freeway condition information, 113 hotline for domestic violence, 165 anti-fraud call, 1950 consumer protection call, 1968 traffic condition information, 1980 Teacher Chang guidance hotline, 1995 lifeline, 1999 hotlines for city governments, 1922 epidemic prevention hotline, 1985 consultation helpline, 1958 welfare hotline, the 1XX and 19XY special number services authorized by competent authority.

C. Fixed Line Data Service:

Domestic Private Leased Circuit, Long Distance Private Leased Circuit, Ethernet Leased Line (ELL), International Private Leased Circuit, Internet Access Line for Businesses, FiberLink Broadband Internet Service, ADSL/FTTx Broadband Internet Service, Internet Data Center, IP Transit Service, ADSL VPN, Ethernet VPN, IPVPN Service, SSL VPN Secure Remote Access Service, etc.

D. Network as a Service (NaaS):

Unified Load Balancer (ULB) Service, Unified Performance Management

(UPM) Service, Unified Threat Management (UTM) Service, Application Content Management (ACM) Service, Anti-DDos Service, Managed Wi-Fi Service, etc.

E. Cloud-based Service:

Enterprise Virtual Server Service (EZWeb), Enterprise Virtual Mail Server Service (EZMail), Cloud PBX Service (Cloud Centrex), Cloud Advanced Threat Protection Plus, Virtual Mail Backup System, Cloud EDM, Enterprise Instant Message Solution (team+), JadeCloud Cloud Computing Service, etc.

(2) Mobile Telecommunication Service:

The Company introduced 4G telecommunication Service based on IMT-Advanced standard in December of 2014, the mobile services include:

A. Basic service:

Ability to dial and receive domestic calls, international calls, mobile calls, and 070 numbers.

B. Short Code Service:

110, 119, 112, 105 directory information desk, 117 speaking clock, 166 Mandarin Weather Reporting, 167 Taiwanese Weather Reporting, 168 Freeway Condition Reporting, etc.

C. Mobile value-added service:

560 Ringback Tone Service, Short Message Service, Lifestyle Information and Multimedia Entertainment Service, NFC Gt Pay Mobile Pay Service, Google Play DCB, iTunes DCB, Small Collection and Payment Transfer Service, and Mobile Phone Insurance Service, etc.

D. Mobile Data Service:

This is the primary method for telecom service providers to increase Average Revenue Per User (ARPU) and revenue, other than voice services. Asia Pacific Telecom launched the 4G LTE service in December 2014 and provides the following 4G mobile data services:

1) Movies and video streaming service (Gt mobile cinema)
2) Music download and streaming service (Gt mobile music)
3) Supports EPUB format e-book service (Gt mobile bookstore)
4) Standardized definition (SD) and high definition (HD) video service (Gt TV)
5) High-quality voice call service (Gt VoLTE)
6) Wireless environment voice call service (Gt Vo Wi-Fi)

To continuously optimize the indoor service quality of 4G users and to provide domestic calling rates while on international roaming, the Company was the first telecommunications service provider to introduce Wi-Fi call service in June 2016. We also continue to actively collaborate with the cell phone industry and system developers. Nearly 100% of the phones sold by APTG are compatible with APTG’s 4G users; furthermore, we will also study relevant upgrade service and applications to enhance the breadth and depth of customers’ utilization.

(3) Gt Intelligent Life and IoT Service

Differentiating ourselves from industry competitors, APTG strives to enhance traditional telecommunications services to intelligent life applications through integrating the resources from various partner vendors, making life smarter and more convenient. Currently, APTG has been developing the following services step-by-step in the area of intelligent life:

A. Smart Life APP
  a. Transportation and Tourist Convenience Service (Gt Go)
  b. Selected Shops and Discounts Service (CJApp EZ)
  c. Smart GPS Navigation Service (KARDI NAVI GPS)

B. Interactive Robot
  a. Pepper & Cloud Pepper Robot

  APTG offers commercial service robot Pepper from Softbank to provide commercial applications for various business services ranging from smart guest reception, product introduction, events and performances, and customer service, etc. Furthermore, we will launch Cloud Pepper service, with reinforced audio Q&A functions in Q1 of 2019. This provides customized Q&A databank and remote customer service solutions for business entities, enhancing the quality of customer service and diversity in event planning.

  b. Corporate Customized Application of Kebbi

  Kebbi targets home market, and provides the commercial and retail market through functions including companionship, education, and entertainment. APTG also offers corporate customized applications for businesses, allowing corporate customers to provide services through corporate applications version of the Kebbi robot, bringing their services to home environment and enhancing brand perception and sales revenue.

  c. Cross-Community Chatbot - Text Based Customer Service

  Social media is the focus of our business operations. APTG provides cross-community Chatbot to build more service functions and interactions for businesses, and enhance the service conversion rate and brand satisfaction level through providing 24-hour continuous, conversational text-based Q&A service.

C. Face Recognition Service

APTG is the agency for domestic and overseas face recognition service and has introduced 1:1 face attestation and 1:N face identification technologies to the Taiwanese market. We provide ID verification, access control time attendance, and customer traffic analysis application services, realizing smart branch service for banks. By using the strengths of service characteristics and cloud-based service platform, we can provide services including non-contact access control and time attendance management for factories or hospitals, and mobile app payment and business trend analysis for retail industry.

Currently, APTG's high-end face recognition system has already been successfully implemented at several iconic clients in the precision manufacturing industry. In addition to the basic attendance and trespassing alert, APTG's face recognition system also planned to provide advanced functions such as "cross-site work dispatching and calculation of labor hours" and "contractor management" to satisfy the needs of the manufacturing industry. In addition to high-end plans, APTG also launched basic face recognition products at the same time. In contrast to the complex structure of the advanced system, these are focused on single-machine products and target small businesses with 50 persons or less, attendance system, or customer traffic systems for small businesses.

D. Internet of Things (IoT) Services

APTG is dedicated to develop the Internet of Things (IoT) and to innovate new industry applications to service our extensive group of corporate clients. Since launching the IoT by Gt Intelligent Life IoT brand in August 2016, we have been committed to developing IoT applications in coordination with Low Power Wide Area Networks (LPWAN), 4G LTE broadband network, and NB-IoT services. We are the first telecommunications service provider with the widest selection of IoT network choices as well as the first NB-IoT to fulfill coverage of all areas within Taiwan's six major cities. The Scope of IoT Services include:

a. Smart Home - Build home security surveillance and care service through IoT devices.
b. Smart City - To gradually realize the objectives of smart living and smart city, APTG collaborates with private strategic partners to gradually launch solutions including smart lighting, smart parking, smart grid, and smart air monitor and more, fulfilling the government's smart infrastructure plan and solve the needs of the public.
c. High-tech fishery - Build smart aquaculture environment through diversified surveillance and detection technology.

4. Planning and Development of New Products (services):

Besides continuing to promote existing services, APTG will also launch various new products and services step-by-step, including IoT applications, Gt BOSS++ cloud-based platform, high performance computing (HPC) and more. This will further allow the Company to provide even more diversified service applications for mobile and fixed network users.

(1) Gt BOSS++ Cloud-based Platform
Gt BOSS++ is an Internet cloud-based video conference platform. We plan to build a diversified cloud-based video conferencing service through integrating mobile with fixed networks. The emphases of this product include quick joining rate and compatibility with multi-screens, also known as the “3A” cloud-based service of “anytime, anywhere, and any device.” Primary target group range from freelancing individuals to corporate clients, all of whom can enjoy advantages including low-cost and quick installation. Businesses that purchase this platform service can enjoy quicker, better results at less cost, effectively catering to the video conferencing needs of every industry.

(2) High Performance Computing (HPC)
The HPC service provided by Asia Pacific Telecom had integrated CPU and graphics processing unit (GPU) with innovative inter-connectivity technology. Through the connection of the green modules, the service can provide the computing performance equivalent to 5.4 million iPhone X, with 4.13 GFLOPS per watt-hour, which is far better than the average of the world’s top 50 supercomputers, and is the most energy efficient super computer in Taiwan. Through resource integration of the Group with our partners, combined with APTG’s island-wide fiber optics network, we can transmit eight major living-related applications including precise medical reading, sports data analysis, and arts animation throughout Taiwan. Furthermore, we can also provide application services for customers by APTG and cloud-based high technology.

(3) 5G Mobile Network Technology
The first draft of 5G specification will be completed in 2018. The current 5G specification is divided into NSA (Non Standalone) and SA (Standalone) architectures according to the actual network planning of the telecom service providers. Taking the initial investment cost and the integration with LTE networks, Asia Pacific Telecom will begin to plan for NSA networks and prepare for preliminary test runs with the majority of telecom service providers in the world. The 5G architecture will be integrated with LTE to enable 5G users to enjoy the faster network speed of 5G with NR (New Radio) coverage, and switch to LTE network when travelling to areas without NR base station coverage, achieving seamless transfers.

The specification of 5G has been classified into three major components since initial definition. In other words, the specifications of 5G have been planned according to types of service through the following three technologies:

A. Enhanced Mobile Broadband (eMBB)

B. Ultra-reliable and Low Latency Communications (URLLC)

C. Massive Machine Type Communications (mMTC)

As a whole, 5G emphasizes service applications, and set appropriate specifications through the expectation of future services.

Currently, APTG has already begun preparations for 5G-related application services. For instance, the low-latency service characteristics can be experienced through the MEC structure. At present stage, APTG is already using MEC function to launch Face++ face recognition system. The low-latency service provided through MEC function has also improved the effectiveness of face recognition, accelerating the time it takes to identify people’s faces. Furthermore, the Company is also planning various application services. Low latency and high speed will be two critical technologies in 5G, and through 5G technology, more applications can be realized. For example, in terms of remote medical care and unmanned vehicles, the low latency technology can be used to reduce the delay caused by the network distance, so as to improve the success rate of operation and the occurrence of accidents.

Asia Pacific Telecom is pushing networking towards 5G architecture, and massive MIMO, mobile IoT, Cloud RAN will all be gradually introduced into the current LTE systems to prepare for the future in the hopes of leading the industry to provide various innovative applications and services.

(4) Intelligent Life and IoT

Service is the most important factor in the world of IoT. Whether it’s LoRA or NB-IoT, they are merely types of connectivity technologies, and what’s more important is to connect smart devices with business applications through smart platforms so that consumers can fully experience the convenience brought by smart life. Year 2018 was a year for the Company to truly delve into the field of IoT. By adopting the model of integrated projects, we could provide customers solutions that came with optimized IoT application user experience as well as to rapidly acquire learn relevant industry knowledge, helping to develop an industry chain

Furthermore, besides developing integrated projects to coordinate with customer developments, we will also invest in new business models. The future era of IoT will not only be limited to simple interactive relationships, but rather, will develop as an industry ecosystem. By entering the industry chain using the industry knowledge we have acquired through integrated projects, we can also undertake connectivity and device management services and data collection for customers through broadband IoT platforms and IoT device management platforms on top of traditional sales of telecommunications industry. Through the collection of big data, we can further provide customers with data analytics services in the future to assist customers to provide more well-rounded consumer experience step-by-step.

With the expansion of services and connectivity sales, the Company will also evaluate the types of IoT services and the actual environment to provide optimized wireless transmission solutions. We also proactively work with related companies such as Foxconn Technology Group and Foxconn Global Network Corporation to innovate blue ocean business through the competitive advantage of three-way partnership and maintain our leadership position over the industry. We plan to offer the following service in the near future,

in order to establish a comprehensive IoT ecosystem connecting upstream and downstream.

A. Increase the fields of application and cultivate smart city solution. The scope includes integrated services such as high-performance environmental detectors, safety surveillance, water detection and flood prevention application, smart street lamps, smart grid, and smart campus.

B. Enhance existing IoT by Gt Intelligent Life IoT application services and develop applications that better meet market needs:

    a. High-tech fishery: to respond to the increased public awareness of food safety, APTG has built a fishery platform that detects data such as temperature, acidity, and the levels of dissolved oxygen in the water, and links corresponding solutions and e-commerce platforms to build comprehensive agricultural and aquaculture technology solution.

    b. In recent years, the method of medical care has shifted from traditional in-hospital services to home care services for chronic illnesses and institutional services, and the focus of health care development has also shifted from treating acute diseases to preventive health care. In the view of this, APTG provides an innovative service model for medical and health care, an integrated home surveillance system with emergency button that allows family members and caretakers to provide immediate rescue when accidents occur, such as when a senior citizen trips and falls. Furthermore, APTG also provides various detectors and physiological measurement tools through resource integration and collaboration with strategic partners. Patients can comprehensively record physiological and daily monitoring data and submit the data to health care institution or family members through technological intervention and monitoring technology, making the complex health care service more well-rounded.

C. Smart home security service application: service is focused on video surveillance that has been integrated with various detectors to ensure home security. Finally, it is linked to a comprehensive cloud-based service to build an even safer home environment for the consumers. Integrated peripheral home terminals, including door and window detectors, remote surveillance and smart smoke detectors and more. To create differentiated product sales from competitors in the field of smart home, we will coordinate with service providers in relevant industries to provide more comprehensive services for consumers.

(II) Industry Overview

1. Current State and Development of the Industry

(1) Fixed web service

According to statistical data announced by the National Communications Commission (NCC), there were 11.18million landline users in Taiwan at the end of February 2019, showing a 0.14% decrease from the previous month and a 2.05 decrease from the previous year. There are on average 47.4 users per 100 persons, showing a 0.13% decrease from the previous month and a 2.13% decrease YoY. In addition, the cumulative number of minutes in international calls had decreased by 39.35% YoY, while data circuit leasing had increased by0.41% YoY.

(2) Mobile Telecommunication Service:

According to statistical data published by NCC, at the end of February in 2019, there were 29,143 thousand mobile phone users in Taiwan. Penetration rate of cell phone numbers has reached 123.5%, showing a 0.28% increase from the previous month, and a 1.67% increase YoY.

(3) Intelligent Life and IoT

A. Intelligent Life

The “smart home industry” has been developed in recent years from the “home smart remote control industry” that everyone knows of. Traditionally, the smart remote control mostly uses television as a core in home entertainment and limited video integration services. With the advancement of mobile technology and remote control technology, the traditionally fixed family smart remote control has gradually been replaced by applications on mobile devices (apps on smartphones). In the future, by coordinating more remote control applications, the demand for security surveillance will be further integrated with smart home services, becoming the focus for a new generation of smart home applications.

With the emergence of 4G services, there has been a boom for smart home apps. Though mobile devices have brought convenience to users, they present certain barriers for senior citizens and children. Hence, smart interactive voice service will definitely play a critical role, bringing new opportunities for the next generation of smart home industry.

B. Internet of Things (IoT)

The ICT industry is accelerating the development of IoT applications, including Industry 4.0 and smart city, both of which have generated much attention and are material scopes of IoT applications. Overall, the application service layer within IoT structure, for instance, professional vertical fields including medical, retail, family, and transportation, will account for more than 50% of the revenue in total IoT applications. Businesses and the government have already sought various IoT solutions for many topics and are strongly committed to investing in IoT related services. They are also integrating technical suppliers, telecommunications and transmission service providers to achieve vertical integrations to further develop and realize IoT services.

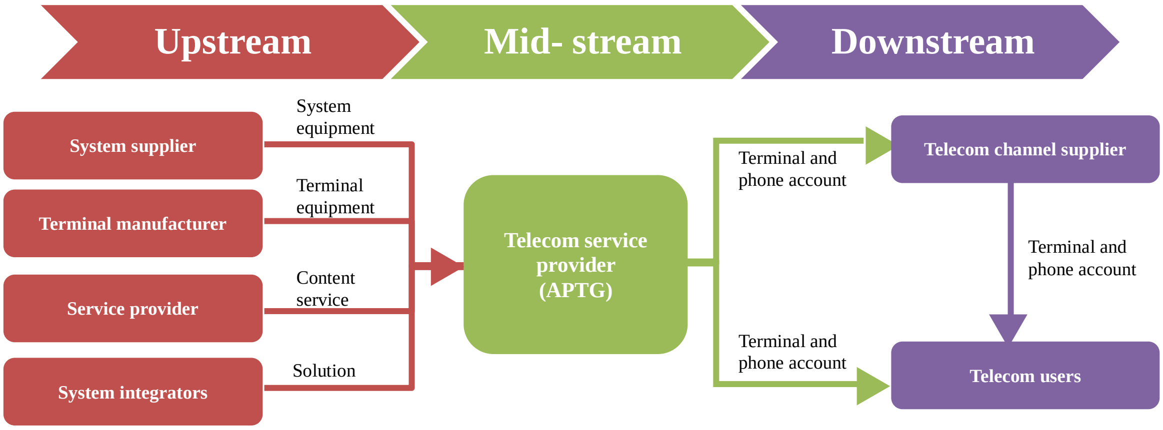
2. Correlation with Upstream, Midstream, and Downstream Sections of the Industry

(1) Fixed Network and Mobile Network Services

The upstream, midstream and downstream relations within the telecom industry can basically be classified as telecommunications equipment supplier (upstream), telecom service providers (midstream), and channel retails (downstream). The more mature the market becomes, the more detailed the division of duty will be. Fixed network telecom service providers shall establish proprietary cable or wireless telecom networks to provide fixed line voice or data service products. They serve in a midstream telecom service supplier role in the overall telecommunications service industry. Upstream is mainly comprised of telecom industry market (e.g. NSN or Ericsson) formed by telecom equipment companies, while the downstream consists of channel suppliers who facilitate in sales service (e.g. AURORA Telecom, Synnex Technology International Corp., and other small-scaled dealers).

The comprehensive upstream, midstream and downstream industry in mobile telecom industry is formed by telecom equipment producers (NSN or Ericsson), cell phone manufacturers (Apple, HTC, OPPO, Samsung, ASUS, Infocus, Sony, Sharp, and LG and more), content service providers (mobile phone games, Autra, FTV, Pubu and Vas Creative and more), mobile telecom company (Asia Pacific Telecom and more) and telecom channel providers (Synnex Technology and AURORA).

The mobile telecom company procures telecom equipment from equipment providers upstream, finishes installation testing and starts to provide mobile telecom services; while cell phone manufacturers produce and provide cell phones that are compatible with the telecom equipment for mobile telecom companies and telecom channel suppliers. On the other hand, content service suppliers provide video entertainment application services for mobile telecom companies, who make the content available for users to download or to view online, and the mobile telecom companies will provide phone accounts and cell phones to channel suppliers. Users or consumers can apply for mobile services and purchase phones from the channel suppliers or directly from mobile telecom companies. Industry relations of the mobile telecom is as follows:



(2) Intelligent Life and IoT

Building a complete industry chain will be critical for the success in introducing Intelligent Life and IoT products, and below is an explanation for the relevant industry chain:

A. Terminal manufacturers

Including manufacturers who provide surveillance cameras, smart detectors, various sensors, various wireless controllers and telecom control modules.

B. Service providers

Including smart interactive voice assistant and application services provided to the Company such as news, music, video, movie tickets, food and beverage, shopping, weather, and living database. These applications are available for Intelligent Life users to download or to directly use online.

C. System integrators

Mostly vendors who provide integrated solutions for Intelligent Life including terminal, smart detectors, cloud computing functions and various data. For instance, smart interactive voice control is a solution created by integrating interactive voice control with various services.

In terms of downstream industry, APTG’s Intelligent Life brand provides comprehensive smart home sales and services that integrates entertainment, security, smart control and interactive voice assistant to home users. In terms of IoT, we provide vertically integrated services and solutions for industries and users with various IoT application needs.

3. Product Development Trends and Competition Status

(1) Mobile Network

A. Accelerate the Development of 5G

5G is a key focus in the development of mobile telecommunications industry. Its standards will be proposed in 2018 to 2019 at the earliest, and each telecom service provider has already invested in the strategic layout of experimental 5G network. Product types will not only be constrained to cell phones, but will also include augmented reality (AR) and virtual reality (VR), games, and cloud-based storage and more, so that we can accelerate the move toward 5G when official commercial adoption can be reached in 2020.

B. Upgrading the Specs of Smartphone Cameras

More cameras, artificial intelligence (AI), full-screen, and longer battery life will lead to an upgrade in the smartphone specifications. In the case of smartphone cameras, dual-cameras have now become standardized setting, and mid-tier to high-end smartphones even come with three or four cameras, adding more enjoyment and fun to snapping pictures. Besides enhancing the camera quality in smartphone cameras, AI and face recognition will also become more popular in smartphone applications. The 18:9 and full-screen design have also been picked up by mid-tier to lower-end phone modules after being adopted by flagship modules, making phones lighter, thinner, but geared with larger screens.

C. eSIM Cards

Through eSIM CARDS, users no longer need to replace SIM CARDS through physical card slots, but can directly select telecom providers from mobile phone software, which greatly increases the convenience. Due to space constraint on the hardware, the LTE version of Apple Watch launched by Apple last year has already adopted the eSIM card. Since the phone number application process has been simplified, wearable devices are expected to become much more popular. Not only can eSIM cards support wearable devices, but they can also support various digital devices such as cell phones, automobiles, and home appliances.

(2) Intelligent Life and IoT

A. The Gradual Emergence of Intelligent Life Interactive Voice Trend

From the initial development to the technological breakthrough, then to commercialization and the current rapid application stage, the smart home industry has already become a fairly mature industry. From a simplified viewpoint, the development of the smart home industry can be classified into three stages.

Stage 1: Initial development

The definition of the smart home industry is varied. From a product perspective, which users should be more familiar with, the black-and-white video intercom is the beginning of this entire service industry. Since then, besides being able to see video images and opening the door, the intercom also began to be linked to home alarm system, lighting system, TV system and more. This gradually forms the smart home integrated control platform, making integration among various systems at home possible. However, the integration of smart systems is mostly focused on hardware, and the fixed operating platform and costly maintenance fees have made it inaccessible to the average families.

Stage 2: Mobile technology gave more freedom to smart home

The mobile data service from 3G mobile internet gave a glimpse of hope to the connectivity service. When 4G full IP structure mobile technology began operation, turning the need for full-time connectivity into a possibility, smart home had also improved accordingly, advancing from fixed controllers to tablet controllers and have even further advanced to IP cloud-based services in recent years. Smartphone apps have replaced smart home services, allowing everyone access at any time, any place, co-sharing photos and music with the whole family and caring for family members or pets from remote locations. The entire smart home industry had boomed and experienced rapid growth.

Stage 3: Simply voice your needs

When smart home apps have become mainstream, bringing convenience and comfort for people, it also brought severe obstacles for two important segments: senior citizens and children. Alternatively, it is a time to bring smart voice technology from laboratories to the market. APTG will lead this new generation of technology by introducing smart interactive voice control, allowing close family members to control every wonder and convenience enabled by smart home through their natural voices, truly realizing a new generation where people can simply voice their needs out loud.

B. IoT Application Services: Exploration and Innovation to Create Greater Values for the City

IoT, computer, and cell phone are among the top 10 technologies to have revolutionized the future of people’s lives. As the infrastructure matures, applications of IoT are about to take flight. The industry is already full of imaginations for the technological lifestyle in the future as we work toward the intelligentization of everything. Therefore, APTG partners with system integrators to provide solutions and friendly transportation environment in the IoT economy, accelerating the implementations of IoT from smart home, Industry 4.0 to smart city.

4. Status of Market Competition

(1) Analysis of Competition in Fixed Network

Asia Pacific Telecom is the only fixed network service provider throughout Taiwan other than Chunghwa Telecom to possess underground Taiwan Railway island-wide and THSR fiber optic backbone network. By incorporating comprehensive Ring and Star fiber optic network structure, we have adopted leading SDH/xWDM transmission technology to provide dual-router support, enhancing the reliability in data transmission. APTG connects all cities from the east and west coasts of Taiwan through Multiple Triage and provides pioneering web management technology to enable 24-hour real-time national surveillance, providing stable enterprise data services ranging from Leased Line, FiberLink/IP Transit, to domestic, international, and Cross-Strait VPN services.

The Company’s Metropolitan Area Network (MAN) has been overwhelmingly popular since market launch. To date, MAN has been adopted by National Center for High-Performance Computing, Taiwan Academic Network, high-speed Internet at various universities, various financial holdings companies and high-tech companies, propelling APTG to a leadership brand in broadband data services. To fully cultivate the enterprise data services market, APTG has already completed hundreds of FTTB optic buildings throughout Taiwan as well as fiber broadband network at various industrial zones and science parks. We will be committed to promoting Ethernet Leased Lines (ELL) as the basis to subsequent adoption of network-related broadband application services, increasing the return on investment for the overall network.

Concurrently, to service enterprises in Taiwan as well as Taiwanese companies in China, we provide domestic and overseas VPN services (e.g. IPVPN/EVPN and Smart VPN applications) by utilizing diverse data exchange technologies including MPLS/VPLS respectively. In addition, we also provide different levels of QoS to optimize transmission quality, simplifying specifications in clients’ end and reducing the cost of terminal equipment from clients’ end. Furthermore, we have also established dedicated enterprise IPLC and IP VPN telecommunications network for Cross-Strait enterprises, catering to the needs of various Taiwanese companies.

To respond to market trends, we are also dedicated to developing enterprise cloud-based services, providing comprehensive and diversified cloud-based services. By integrating enterprise cloud-based services with mobile network, we can also increase client usage adhesion to promote market share.

(2) Analysis of Competition in Mobile Network

In recent years, though revenue from data services have shown significant increase, the revenue from voice services of each competitor have declined due to market competition, price reductions, the availability of IP phone calls and instant messengers (e.g. LINE and WeChat etc.), and changes in consumer behavior, leading to gradual decline in overall revenue. Hence, all industry competitors are hoping to make up for lost revenue and to reach profitability through creating new data transmission needs and introducing diversified value-added services and applications.

In the past, all competitors have strived to increase the ratio of revenue from data services; nevertheless, due to intense market competition in recent years, the designs of 4G data plan have also shifted toward low cost, unlimited data packages to increase market share. All competitors have also continued to launch various enriched value-added services ranging from video streaming, music streaming and download, online theaters, e-book stores, and cell phone games and more, in the hopes of accumulating revenue through diversified services.

In terms of video streaming service, under the intensely competitive OTT video market, APTG not only developed and launched the OTT version of Gt TV and provided TV streaming services to APTG and non-APTG users, but we have also collaborated with Taiwan Mobile and Far EasTone and KKBOX to launch a video dual package to satisfy users' many video needs. Besides continuing to launch new versions of the Gt TV OTT, we have also developed PT PUBU magazine service and Gt Music Ringtone and Music Download service to increase the revenue contribution of total data value-added services.

(3) Intelligent Living Competitive Analysis

The top three telecommunications service providers in the industry are main providers of the smart home services in the market, making them key competitors of the Company. Chunghwa Telecom has already ventured into smart home many years ago, and has been focusing on the original equipment (OE) market in collaboration with construction companies by using its advantages in the fixed networks. Chunghwa Telecom would pre-install relevant products during housing construction process before residents move in. Alternatively, Taiwan Mobile and Far EasTone have been focusing on the after-market (AM). TWM and K-Bro Co., Ltd. have co-launched home security products including 24-hour "abnormality warning" and "remote control." On the other hand, Far EasTone has launched smart home strategic layout including smart home control mainframe, IP camera, alarms, and humidity detectors.

Having entered the smart home market later than the others, APTG has won the war of this market by launching differentiated services through integrating the

Group's production technologies, mobile terminal and home appliances brands. First of all, the Company has launched BANDOTT, the home entertainment center. Under the support of its enriched and diversified contents, we have successfully entered into the core of family entertainment, and by incorporating the Group's remote control technological competencies and multiple smart sensors, we have extended smart home from entertainment to safety. In the future, we will also collaborate with Sharp to create smart home appliances and AI, so that home entertainment, security, energy-saving, healthcare, and interactive voice control can all be integrated into an intelligent lifestyle, making us the ultimate market leader in spite of our late arrival.

(III) Overview of Technologies and R&D

1. The Company had invested NT$17,717 thousand into R&D in 2018. As of Q1 of 2019, R&D expense had been NT$ 5,488 thousand, and the total expected R&D expense for 2019 is approximately NT$37,597thousand.

2. Successfully Developed Technologies or Products:

Item	Year	R&D Items	Description
1	2018	eSIM Service	Having launched wearable devices and cell phone eSIM services, APTG is also the first Taiwanese telecommunications service provider to receive certification for the eSIM services for Apple iPhone and Apple Watch. In the future, we will actively undertake network testing with various wearable devices and cell phone manufacturers and plan to introduce eSIM service to IoT to allow more convenient IoT applications. In addition, by utilizing eSIM application in multinational IoT services, they can be pre-loaded with information, such as terminal sales to all parts of the world, or they can be switched to meet service continuity.
2	2018	Massive MIMO	Massive MIMO is the pilot technology for 5G. By integrating antenna arrays and RRH, it can enhance the average user download speed by 5x to 8x. In particular, in areas with special events or high population density, besides reducing call blocking, it can also effectively enhance user perception. Furthermore, by implementing cloud-based RAN structure through Massive MIMO, we can connect to external 5G.

Item	Year	R&D Items	Description
3	2018	NFV/ SDN	Network Function Virtualization (NFV) is an equipment structural innovation, while Software Defined Networking (SDN) is a web structural innovation. NFV is a crucial factor for future network facility, and service operators will no longer be constrained by hardware through NFV structure. Through establishing standardized hardware, we can install a variety of application programs, and the NFV system will allow us to distribute hardware capacity to application services that are truly needed. This integrated concept allows us to utilize equipment capacity with more efficiency. On the other hand, SDN has been a worldwide focus in recent years. AT&T and Verison have both proposed SDN plans, while the largest five telecom service providers throughout the world have even proposed an SDN technology-backed ORAN alliance at this year's Mobile World Congress. Besides effectively reducing the cost of equipment for service providers through using NFV hardware structure and SDN network transmission structure, the utilization quality for users can also be improved. All system hardware introduced by APTG this year have adopted NFV structure, which allows effective utilization of hardware capacity. For instance, the NFV structure has been adopted by the core network system vEPC that was procured this year for IoT, and allows dynamic adjustment and distribution of various functionalities. This allows for dynamic distribution of resources when the system is busy, allowing for future hardware expansions.
4	2018	NB-IoT	Narrow Band Internet of Things (NB-IoT) is defined by 3GPP, and possesses characteristics including long-distance and low energy consumption. It doesn't need additional wireless base station and can begin service by simply launching software functions at base stations. The NB-IoT technology can provide many Internet devices such as water meters and power meters, largely reducing the need of manpower. Its collection of big data can also enable more precise data analytics. APTG was the first to begin NB-IoT service in July 2018, and we have also received the qualification for GSMA Internet of Things (IoT) Lab, finishing various IoT service certifications and have already came up with more than 100 applications. In 2019, we plan to implement the contracted NB-IoT projects. There will be 4,000 stations throughout Taiwan (including offshore islands), achieving continuous NB-IoT coverage throughout Taiwan as well as covering the major areas in offshore islands. We will increase UDC License from 300,000 to 500,000, allowing us to support 500,000 NB-IoT users.
5	2018	Gt BOSS++ Cloud-based Conferencing	Gt BOSS++ is a diversified cloud-based video conferencing service achieved by integrating cloud-based Internet platform with mobile and fixed networks.
6	2018	High Performance Computing (HPC)	We will provide even more innovative products and excellent solutions to satisfy future needs in the eight major "living-related" fields including work, education, entertainment, family and social networking, health, security, financial transaction, and environmental and transportation through cloud-based high performance computing (HPC).

Item	Year	R&D Items	Description
7	2018	Face Recognition Service	Achieve the latest applications including security protection, quick identity verification, and facial recognition payment through precise, rapid, integrated and flexible face recognition technology. Various information can be accumulated through mobile footprint tracking, which can be used to help businesses discover new opportunities through processing and analysis.
8	2018	Gt Pay 2.0	Develop Gt Pay 2.0 by in-depth collaboration with banks and ticketing services to provide APTG users with a comprehensive online/offline payment tool.
9	2018	Smart Customer Service	ChatBot robot provides 24/7 continuous online customer service with the following features: ➢The simple interface is user-friendly ➢When the robot can't find an appropriate answer, online text-based customer service can be reached ➢Supports various types of mobile devices such as smartphones and tablets ➢All Q&A records will be stored back-end, allowing for statistical analysis of customer queries ➢Customer Q&A records are analyzed for machine learning and upgrade
10	2018	5G Experimental Network	In 2018, Asia Pacific Telecom became the first telecommunications service provider to receive 5G experimental network license as approved by the NCC. We collaborated with National Chiao Tung University (NCTU) for the 5G experimental network; besides planning to build an experimental network on NTCU's campus, we also plan to collaborate on peripheral budget and network integration. At the same time, APTG also works with Small and Medium Enterprise Administration, MOEA, to build a 5G accelerator. On November 28, a selection conference was organized in Singapore, attracting more than 300 startup teams. We aim to introduce innovative application services through the process of incubating startup teams. In 2019, we plan to procure 3.5GHz RRH*2 and BBU and core networks and other equipment relevant to the plan for NSA structure in order to undertake relevant verification along with APTG's existing frequency. Planned small-area SDN service structure verification.
11	2019	Corporate Application of Kebbi Robot	Expand the sales channels and applications of the Kebbi robot through planning exclusive corporate applications not only to enhance sales revenue and brand awareness, but also to maintain the No. 1 brand position in robotics management.
12	2019	Cross-Community Chatbot	APTG provides the best social media management tool to enterprises, allowing them to understand the usage profile of their consumers through building a 24-hour continuous conversation-based commercial management model, enhancing service conversion rate and membership loyalty for corporate clients.
13	2019	Mobile IoT Alliance	Plan to establish eSIM M2M platform in response to the globalization of eSIM services for IoT. We will plan SMSR integrated IoT services through hosting. Plan to join Mobile IoT Alliance and coordinate to build the platform and connectivity needed for the alliance.

Item	Year	R&D Items	Description
14	2019	C-RAN	Build Massive MIMO and C-RAN commercial structure; plan to introduce Nokia/Ericsson equipment during phase II. The building process will be planned upon actual call distribution. The structure will be used as support for special events, and its actual benefits will be tested for future adoption. We plan to procure 3.5GHz equipment to coordinate with existing system and frequency for related verification testing. Terminal equipment suppliers are also invited to undertake network access verification. Small-scale C-RAN verification testing has also been planned.
15	2019	eSIM–M2M	Due to the development of M2M in 2019, the demand for eSIM has been on the rise. We will establish eSIM system to satisfy the subsequent adoption of M2M. Accelerate the commercial adoption and service application promotions of M2M hardware.
16	2019	CMP Expansion	Expand the supported boundaries of CMP service and to incorporate it into 2/4G network service through existing CMP B2B basis. Cultivate CMP service to 2/4G to provide enterprise clients the added-service of autonomous SIM management to satisfy business needs in B2B services.

(IV) Long-term and Short-term Development

The telecommunications industry is a capital and technologically intensive industry with intense market competition. Faced with the reality of declining voice call revenue and customer contribution margin, each telecommunications service provider is striving to maintain revenue and profitability by actively building the three-in-one (mobile network, fixed network and digital web convergence) infrastructure to provide 4-in-1 (voice call, digital, video and mobile) integrated broadband digital services to increase customer contribution margin and enhance customer loyalty. Since officially implementing the 4G LTE action data service in December 2014, the Company has also simultaneously begun short-term business development plan and started to plan long-term development.

1. Short-Term Development

To embrace the arrival of 4G era, we will continue to merge mobile network, fixed network, digital network and IoT into one through digital convergence integration. We will provide integrated broadband digital service including voice call, digital, video, and mobile services, and satisfy the expectations and needs for telecommunications and digital services from different customers through diversification to realize the APTG brand philosophy of “Gt Intelligent Life.”

Currently, we have already integrated fixed line communications, mobile communications, the Internet, digital contents, and coordinated them with mobile transmission and wireless communications, providing comprehensive telecommunications products and value-added application services for individuals and enterprises. Nowadays, mobile telecom has been upgraded to 4G service from EVDO, and APTG has seized past advantages in 3G operations and development and utilized such advantages toward planning APTG’s 4G LET network. From terminal to platform, network, service vertical integration, we provide diversified digital mobile comprehensive service applications founded on our core of mobile service to private users, family users, and enterprise users, and have become an assistant to the digital lives of our users. For instance, multimedia video service is now faster and more fluent with 4G network and cloud-based platform, allowing users to enjoy high-quality digital video contents such as TV shows and movies from anytime and anywhere via their cell phones, tablets, or TVs.

On top of the aforementioned Intelligent Life, APTG is also continuing to develop smart products and services. In particular, Pepper is still popular and we continue to upgrade both products and services to maintain our leading brand position. Furthermore, face recognition service has also been introduced and available for retail, medical, financial and factory use in identity verification, access control and time attendance, and customer traffic analysis. We create new values for industries through innovative technologies.

(1) GtTV (television version): To cater to families' needs in watching OTT videos, APTG has launched GtTV (television version) in December 2018. Besides allowing users to watch videos on larger screens, the target customers of GtTV has also been expanded.

(2) Pepper: Continue to cultivate various industries. We will develop and accumulate customized software suitable for corporate clients for industries including retail, medical, financing, education, and department stores, so that we may become the best Pepper solution provider to these industries. At the same time, we will enrich the customized software for storefront Pepper robots, maximizing store display values and turning stores into the best display and experiential center for Pepper to increase overall sales. This will further allow us to replicate successful models into more industries and to rapidly disperse throughout the market.

(3) Face recognition service: Introduce the latest, hottest application and provide identity verification, access control and time attendance, and customer traffic analytics applications and actively promote these services to the fields of retail, medical, financial, and factory affairs. We will assist enterprises to build customized solutions, gradually intelligentize and transition to service industry, thus enhancing the performance and strengthen competitive advantages for enterprises. Build enterprise smart solution programs to promote product sales.

(4) Internet of Things (IoT): APTG also sees the development of ICT/IoT/IPT as the core to our strategies. Starting out from voice content creation, videos and video viewing in Intelligent Family, we will work toward smart tracking, cloud-based storage, and web transmission and more. We aim to cater to the eight "Intelligent Living" sectors including workplace environment, education, entertainment, family/social life, security and care, health/medical, financial transactions, environment and transportation safety.

   A. We will continuously enhance the excellent brand and image of APTG IoT, seize core business advantages, collaborate with Foxconn Technology Group and strategic partners, cultivate enterprise clients, and to continue dedicating our time and effort to the Taiwanese market.

B. Through continuing to collect data from APTG's IoT platforms and statistically analyzing big data after screening out interference, we will extract valuable data and enhance our key services through information. This will help us to provide users with smarter and more personal Intelligent Life services.

C. By making good use of big data analytics, we will strengthen targeted marketing and promotions and effectively manage social media and attract new customers and building relations with existing customers, thus reaching the objective of increasing product sales.

2. Long-term Development

Over the long-term, APTG will see the development of ICT/IoT/IPT as core strategies. From content creation, information processing, cloud-based storage, network transmission, we aim to provide for the needs of the eight "Intelligent Living" sectors including work, education, entertainment, family and social, safety and security, healthcare, e-commerce or e-money, and green transportation. The big data produced from this process will be analyzed and turned into useful data, allowing users to enjoy smarter and more personal Intelligent Life services. We aim to fulfill APTG's brand philosophy of Gt Intelligent Life through surpassing the mind-sets of traditional telecommunications industry.

(1) Smart home: Still spearheaded by BANDOTT entertainment, the system will be integrated with smart home appliances, making home security and caring more convenient. In the future, we aim to lead the market to the next generation of smart home services through mature smart interactive voice control functions.

(2) Pepper sales: Focused on the development of enterprise and industry applications with enriched, diversified contents. At the same time, we also plan to launch industry-academic synergistic program of integrating on-campus Python program with Pepper, making its utilization more popular and increasing sales volume. We also regard sustainable management and development as the key purpose. Face recognition service: with the gradual expansion and continued popularization of application fields, we will co-create new business opportunities with our customers by planning innovative products and services and providing new models of service.

(3) Long-term development of IoT include:

A. Expand fields of IoT service and develop applications that meet the needs of various fields to provide diversified and innovative applications.

B. Collaborate with international industry strategic partners to cultivate overseas markets and implement global sales from Taiwan.

C. Strengthen the connectivity application of IoT; NB-IoT will be the key transmission technology in Internet devices in future developments of IoT. APTG will not lose to competitors and will invest resources to develop NB-IoT in the future to provide customers with more connection alternatives.

II. Markets and the Overview of Production and Sales

(I) Market Analysis

To correspond to the future development of the telecommunications industry, each service provider has begun consolidating mobile and fixed networks to realize the synergies of integrated services. Some have integrated fixed network, mobile network, and cable TV to launch a brand-new telecommunications brand, while others have established a so-called “telecommunications business group” by joining the related companies within their groups. They can only satisfy users’ increasingly diverse needs by consolidating group resources to launch integrated services. Therefore, it can be seen that the future trends of the telecom industry will lie in the “Triple Play” of mobile network, fixed network, and cable TV integrations.

1. Sales (Providing) Regions of the Company’s Major Products (Services)

In terms of fixed network, since the Company has received the priority to utilize Taiwan Railway’s trenches, we are the only telecommunications service provider to possess backbone network besides Chunghwa Telecom and can provide related services in regions including Hualien and Taitung.

Since the launch of mobile telecom services, the Company has continuously optimized the telecom network. Currently, our 4G LTE has already reached 98% population coverage throughout Taiwan. We have further initiated base station building plan since July 2017. Besides large base stations, we are also establishing smaller and micro-sized base stations and are gradually working toward 25,000 base stations in order to provide users with the highest quality network experience. In terms of terminal, if users are using mobile phones compatible with APTG’s CA frequency, not only can they receive stable connection, but their connection speed will also dramatically increase.

2. Market Share

In terms of fixed network communications, the total domestic call (domestic network) contains approximately 11.18 million users (as of the end of February in 2019). In terms of market overview, since new fixed network providers can’t overcome the problem of the “Last Mile,” APTG’s market share is only approximately 1.88%.

In terms of number of mobile network subscribers, APTG accounts for approximately 6.9% of the market share (2.008 million out of 29.14 million; data as of the end of February in 2019).

3. Market Supply and Demand

Statistical data from the National Communications Commission (NCC) indicates that currently, the penetration rate of mobile phone has already exceeded the number of total population in Taiwan. There won’t be material changes to the status of market penetration; in other words, there won’t be major changes to the supply or demand of personal mobile telecommunications account. Besides working toward maximizing average revenue per user (ARPU), we also need to enhance the ratio of revenue from data and added-values in addition to voice call revenue.

4. Future Market Supply and Demand and Growth

   The telecommunications market has already entered an era of network integration and digital services. Broadband mobile network is currently the mainstream in consumer market. The launch of 4G LTE will impact the existing voice call market, but the demand from smart home and IoT market still present very significant growth opportunities. Hence, besides continuing to provide CSFB and VOLTE services to users, APTG will also actively work for new subscriber acquisition, through flexible phone plans and market promotions. This will increase the number of subscribers and lead to stable growth in overall revenue and profitability.

5. Competitive Niches

   The Company’s competitive niche lies in having ownership to fixed network, mobile network, and broadband Internet at the same time, making us most suited to launching integrated services. In terms of fixed network, we have comprehensive resources from the telecom group and island-wide fiber network in addition to professional leadership team and implementation of flexible marketing strategies. These have enabled us to pioneer our industry competitors in developing the latest products and services that closely meet actual market needs and to continuously enhance the total service quality for customers, enabling us to build the telecom service benchmark of “the best service quality at the most affordable prices.” By incorporating these three services, our mobile network can provide customers with one-stop shopping service. Since launching the 4G LTE service in December 2014, we strive to maintain existing 4G users and to acquire new subscriber accounts this year in line with launching value-added and Intelligent Life related services, providing users with a brand-new happy digital lifestyle.

6. The Favorable Factors and Unfavorable Factors of the Development Prospect and Countermeasures

(1) Favorable Factors

A. APTG chose CDMA system when launching 3G, leading to the Company being unable to compete with WCDMA competitors whether in terms of the development of bandwidth speed or terminal selection. Nevertheless, when entering the era of 4G LTE, APTG has nearly become consistent to all industry competitors whether in bandwidth speed or terminal selection.

B. Moreover, we are also the only telecommunications company to possess fixed network, mobile network and broadband Internet service on top of backbone network other than Chunghwa Telecom.

(2) Unfavorable Factors

A. Due to the rapid penetration of smartphones and the waging of price wars for low-rate 4G LTE unlimited data rate plans from various competitors, the telecom industry has not been able to quickly increase its revenue.

B. The popularity of OTT application services such as free messaging or free calling, including LINE, Skype, or Facetime, have also caused the rapid decline of revenue from basic voice calls and text messages from telecom service providers. It has become even more imperative for telecom service providers to think of differentiated competitive strategies or form partnerships under the 4G LTE environment.

(3) Response Measures

A. By increasing the contribution margin per user, we can increase the number of interdisciplinary collaborations to rapidly expand market share.

B. Through utilizing customer relations management system to deeply understand the characteristics and preferences of existing users, we can develop product mixes and service structures suitable for different user groups, effectively increasing user contribution margin and loyalty; thus creating greater revenue and profit. Alternatively, we can increase differential services through interdisciplinary collaborations and accelerating potential customer development to clearly segment the market and reinforce marketing benefits.

C. We can introduce new cell phones to different customer groups, reinforce product packaging and integrated marketing/promotional communications to young customers, and promote new value-added services including mobile Internet, media services, music streaming, e-bookstore, and cell phone games.

D. Increase profitability through cost control and management performance

E. We will continuously improve internal processing procedures and reinforce cost control, as well as to stay on top of operating status by regularly reviewing the management performance. In addition, we will also lower the manpower, resources and cost associated with business executions through reinforcing information system development. We will also effectively increase back-end support and service efficiency to reach greater sales margin.

F. Strengthen Group resource integration, accelerate the enlargement of 4G LTE subscribers base and revenue contribution

G. By integrating Group resources including the Company's mobile telecom service, fixed telecom service and broadband content application services, we will develop differentiated products and value-added application services to satisfy user needs. We will gradually bridge the gap in telecommunications resources from Chunghwa Telecom's long-term monopoly over the market. At the same time, we will also continue to communicate and negotiate with the competent authority and the government to accelerate the process of breaking the operation bottleneck in the current telecom market.

(II) Major Uses and Production Process of the Primary Products

1. Major Uses or Functions of Primary Products

Fixed network communications service include domestic calls, long-distance calls, international calls, circuit lease, broadband switching communications and data switching communications.

Mobile network communication service includes 4G mobile broadband service and value-added services.

2. Production Processes of the Primary Product

Founded on the Company's proprietary fiber network throughout Taiwan, the Company continuously enhances the quality of traditional voice calls while also developing more user-friendly products and value-added services using the latest technologies. We coordinate with interdisciplinary partners to establish comprehensive domestic and overseas telecommunications network, providing one-stop shopping high quality telecommunications service to users. In terms of mobile communications, we adopt networks and service systems from internationally renowned system suppliers such as Alcatel-Lucent or NSN to provide basic voice call and data services. In addition, we will also work with domestic and internationally acclaimed service providers to continue promotions of value-added services including voice call and data.

(III) State of Supply of Primary Materials

The Company operates in the fixed telecommunications network business and is not a manufacturing company; hence, we do not have primary materials.

(IV) Names of customers whose gross purchases or gross sales account for 10% or more in the latest two years

1. Information of major suppliers in the 2 most recent years

Presented in NT$1,000

	2017				2018				Q1 of 2019			
Item	Title	Sum	% of annual net purchase	Relationship with the issuer	Title	Sum	% of annual net purchase	Relationship with the issuer	Title	Sum	% of annual net purchase	Relationship with the issuer
1	Company C	1,303,515	22.39%	Shareholder of the Company	Company B	1,472,642	22.39%	None	Company D	255,894	19.40%	None
2	Company A	929,981	15.97%	None	Company D	847,995	12.89%	None	Company B	243,129	18.44%	None
3	Company B	898,900	15.44%	None	Company A	747,237	11.36%	None	Company E	145,038	11.00%	None
4	Others	2,689,905	46.20%		Others	3,510,721	53.36%		Others	674,665	51.16%	
	Net purchase	5,822,301	100.00%		Net purchase	6,578,595	100.00%			1,318,726		

2. Information of major customers for the last 2 years

   Revenue from any single customer has not reached 10% of total operating revenue in the last 2 years.

3. Reasons for change:

   There is no significant change in major purchasing suppliers in the last 2 years.

(V) Production Volume/Value in the Most Recent Two Years

Not applicable as the Company is not a manufacturer.

(VI) Sales quantity and value in the last two years

Presented in NT$1,000

Year / Staple Product	2017		2018	
	Sales volume	Sales value	Sales volume	Sales value
Mobile telecommunications (number of users at the end of the year)	1,839 (thousand users)	8,969,962	2,057 (thousand users)	8,175,229
Domestic Fixed Communications Service	156,075 (thousand minutes)	322,371	135,949 (thousand minutes)	284,742
International Communications Service	205,649 (thousand minutes)	724,530	125,514 (thousand minutes)	834,256
Data Communications Service	29 (thousand lines)	952,610	29(thousand lines)	975,066
Other income	—	2,738,025	—	4,296,666
Total	—	13,707,498	—	14,565,959

III. Information of employees over the 2 past years up to the date of the publication of the report

As of April 22, 2019

Year		2017	2018	As of April 22, 2019
Number of employees	Managerial officer	53	53	54
	Technical personnel	581	591	613
	Staff	1,349	1,620	1,542
	Total	1,983	2,264	2,209
Average age		38.8	38.2	38.3
Average year of service		6.8 years	6.4 years	6.6 years
Percentage Distribution Of Academic Qualifications	Ph. D.	0.1%	0%	0%
	Master's degree	12.4%	11.8%	11.8%
	University/College	80.5%	79.2%	79.2%

Year		2017	2018	As of April 22, 2019
	High School	7.0%	9.0%	9.0%
	Below High School	-	-	-

IV. Environmental Expenses Information

Total losses (including damage awards) and fines for environmental pollution for the two most recent fiscal years, and during the current fiscal year up to the date of the Annual Report, and explanations of the measures and possible disbursements to be made in the future:

Asia Pacific Telecom is not in the manufacturing business; therefore, we do not directly produce wastewater and greenhouse gases (GHG). As for business waste including optical fiber cables, copper cables, and lead-acid batteries, the Company has commissioned a qualified professional manufacturer as announced on the website of the Recycling Fund Management Board, Environmental Protection Administration (EPA) for waste treatment. In addition, the Company has always remitted air pollution prevention payments while applying for pipeline works in every city and county. The Company has always been focused on environmental development issues and supports the government's energy-saving and carbon reduction policy to protect the precious natural and land environment in Taiwan. The Company looks to co-create a sustainable environment that values both economic development and environmental and energy conservation. Future response policies will include: green procurement, promote energy-saving and energy consumption management in offices, computer rooms and base stations. Water resource management in office areas, Electronic Document On-line Approval System, paperless administrative works, and recycling used cables and batteries. We will actively promote measures including the recycling of used cell phones and computer, communication and consumer electronics (3C), and to encourage users to adopt e-bills.

V. Labor Relations

(I) The Company's various employee benefit measures, education, training, retirement system and implementations, labor relations mediation and status of various employee benefits

1. Employee benefit measures and implementation

(1) Insurance: all employees have participated in Labor Insurance, Health Insurance, and Group Insurance.

(2) To provide a sound and stable lifestyle for our employees and thus increase productivity, the Company has established the Employee Welfare Committee. The committee organizes various employee benefit-related tasks including New Year's and holiday and birthday gift coupons, wedding, funeral, and childbirth incentives, health checkup, and subvention for employee travel.

2. Implementation of retirement system

The Company has established an Employee Retirement Procedure pursuant to the Labor Standards Act. Besides paying pension to eligible employees when they retire (having worked for 15 years at the age of 50 or having worked for 20 years), the Company also allocates 2% of employees' total monthly salaries into pension fund. The fund is deposited into the Bank of Taiwan under the account name of Pension Supervisory Committee. Since July 1, 2005, the Company has asked current employees to choose the basis of pension allocation pursuant to regulations of the Labor Pension Act. Eligibility of retirement established by the Company's Retirement Procedure:

(1) Criteria for voluntary retirement:

A. Accumulated 15 years of service and over the age of 50

B. Accumulated 20 years of service

C. Accumulated 10 years of service and over the age of 60

(2) Criteria for compulsory retirement:

A. Employees who are 65 years old

B. In which employees are unable to perform their duties due to mental disorders or physical disabilities.

3. Continuing Studies or Training of Employees and Implementations

(1) Employee's continuing studies can be classified as three types: internal training, external training, and e-learning.

Currently, the Company's objectives in organizing training courses include: to enhance the performance of the management team, to enhance managers' managerial competency, and to strengthen work competencies of employees, and are carried out in the following manners:

A. Internal training: The HR unit will plan relevant courses based on the annual training program. Types of course for each level is defined in the following manner:

Employees: Self-management, executive ability, innovation, and team consensus

Entry-level managers: Upward management, communications and mediation and target management

Mid-tier managers: Problem solving, cultivating and inspiring subordinates and team leadership

Senior managers: Strategic planning, leadership, integration, and crisis management

B. External training: Professional skill-based courses for each department as designated by departmental managers.

C. e-learning: Employees will read the materials and complete tests online.

(2) The planning of employee education and training program includes the following six factors:

A. The Company's annual policy and objectives.

B. Annual talent need and cultivation plan.

C. Departmental annual education and training needs.

D. Annual education and training budget.

E. Review of last year's education and training program.

F. Other special matters.

(3) Times of employee training, number of participants and hours trained

As of the end of 2018, a total of 135 classes of training have been organized. A total of 19,129 persons (headcount) have received training, with a cumulative 47,795.5 hours of training given.

Types of course		Total number of training	Number of participants	Total hours of training
Internal training	Professional Project Training	72	6,229	18,136
	New employee	6	573	3,345.5
External training	Professional skills training	42	61	565
e-learning		15	12,266	25,749
Total		135	19,129	47,795.5

4. Status of various employee benefits: please elaborate on the aforementioned items 1, 2, and 3.

5. Status of Labor Mediation

(1) Managers of every level are constantly communicating with entry-level employees and facilitating them to solve problems or difficulties.

(2) The Company has established an employee opinion website, allowing employees to express opinions and recommendations for the Company. The website is operated by the Public Relations department. Employees can also propose opinions or recommendations to the Company via grievance mailbox.

(3) The Company has established an "employee proposal reward system","" in which employees who have proposed ideas to promote Company process improvements or ideas that are beneficial to operations will be given reward as encouragement.

(4) We also organize motivational monthly conferences, allowing employees to better understand the Company's management status, industry trends, and also serve as channels of interaction and exchange for employees to enhance their professional knowledge.

(5) The Company organizes labor relations mediation in accordance with the law, and regularly hosts labor relations meetings in each quarter to discuss employer and employee partnership tasks and relevant topics.

(6) The Company has established an Employee Welfare Committee which regularly organizes quarterly meetings to discuss employees' benefits.

(II) Employee Conduct and Ethics Policy

1. Work Rules

Clearly state the rights and obligations of both employer and employees, establish the Company's management system and sound organizational functions to promote harmonious employment relations and consensus in order to achieve the goal of sustainable management. Work Rules are submitted to the Department of Labor, Taipei City Government for verification and filing, and are available on the Company's internal website for employees' reference.

2. Code and Standards of Ethical Conduct

   For the purpose of encouraging directors, managerial officers and all employees to act in line with ethical standards, and helping stakeholders to better understand the ethical standards of the Company, the Code of Ethical Conduct is established.

3. Corporate Ethics Policy

   To establish a corporate culture of ethical management and sound development in order to build a fair business operating model, the Company has established the Ethical Management Policy and the Ethical Corporate Management Best-Practice Principles. All employees are required to sign the Declaration for Compliance to Ethical Corporate Management Best-Practice Principles, while store personnel are required to sign "Description of the Penalties for Violations of Disciplines in the Direct Sales Division." In addition, the Company also provides relevant training and testing to strengthen employees' awareness for integrity.

4. Sexual Harassment Prevention and Handling Measures

   To prevent sexual harassment behavior, which damages professional work relations and ethics, as well as to ensure gender equality at work, the Company has established relevant regulations and also provides grievance channel. In addition, the Company also provides relevant training and testing to prevent sexual harassment.

5. Implementation of Trade Confidentiality, Information and Communication Security, and Personal Data Security Measures

   Employees are obliged to maintain confidentiality to ensure business interests, effective management over network information security, and ensure material sensitive data and personal data is not leaked. All employees are required to sign confidentiality agreement, and the Company also provides relevant training and testing to strengthen the awareness of information security in employees.

6. Incentive and Punitive Measures

   To strictly abide by incentive and punitive policy to achieve fair, just and transparent requirements, the "Personnel Incentive and Punitive Policy" has been established.

(III) Estimated losses incurred from labor disputes in the most recent years and as of the date of the publication of this Annual Report, and current and potential estimated loss and response measures:

The Company holds true to the philosophy that employees are part of our family and all operations are carried out in accordance with the law (Labor Standards Act). We emphasize employee welfare and treatment, have a healthy management system, and have established a fair labor relationship under the basis of collective participation, communication and mediation. In the last two years and up to the date of publication of the annual report, there has been no loss caused by labor disputes.

VI. Material Contracts

As of April 22, 2019

Nature of contract	Party	Commencement date/expiration date	Main content	Restrictive terms
Procurement	Nokia Solutions and Networks Taiwan Co., Ltd., Xunwei Technologies Co., Ltd., Synnex Technology International Corporation, Tai Tung Communication Co., Ltd., Apple Asia LLC, Taiwan Branch, The Investigation Bureau of the Ministry of Justice, Netmaker Technology Co., and Systex Software & Service Corporation	2014.05.09~2020.03.31	APT LTE Network Procurement, Antenna Procurement, Cell phone Procurement, Optical Fiber Cable Procurement, iPhone Agreement, Lawful Investigation System Procurement, “Signaling Trace and Call Trace” Procurement, AP software for employee email system and office automation project	Confidentiality Clause
Equipment	Stark Technology, Inc., Foxconn Global Network Corporation, Advanced Communication Technology and Solutions Corporation, FLNet Co., Ltd., Delta Electronics Inc., and Ericsson Taiwan Ltd.	2014.05.09~2019.08.16	LTE Backhaul Network Construction Procurement, Base Station Antenna Material and Engineering replacement Procurement, 4G Antenna Procurement, 4,000 Small Cell and Network Management System Equipment Procurement, DC Power Supply Equipment (650 sets of switch module rectifiers) Procurement, Supply Contract of APT LTE CSFB Network	Confidentiality Clause
Lease	Taiwan Railways Administration	25 years from the date of the license issuance on October 1, 2000	Transfer and utilization expense for island-wide fiber optic core cables and property lease contract	. Duration of trench usage is up to 25 years, and the boundaries of usage is 50% of the cross-sectional area of the trench along both sides of the cross-island railway lines (30 cm wide on each side, and approximately 992.9 km long). . Lessee, the Company, shall use the leased property within the boundaries as permitted by the governmental laws, and shall be held solely responsible in case of violations of the contract.
Maintenance	Taiwan International Standard Electronics Ltd. and Nokia Solutions and Networks Taiwan Co., Ltd.	2016.4.1~2018.11.18	Equipment Maintenance of ALU CDMA, NG CORE Network and 4G LTE network, Nokia Network Equipment Maintenance and Technical Support Service Agreement	Confidentiality Clause

Nature of contract	Party	Commencement date/expiration date	Main content	Restrictive terms
Loans and Credit Business Contracts	Taiwan Cooperative Bank, Mega International Commercial Bank, Chang Hwa Bank, Taishin International Bank, Shanghai Commercial & Savings Bank, Land Bank of Taiwan, , Mega Bills Finance Co., Ltd.	2018.05~2019.09	Short-term credit facilities	Confidentiality Clause
Engineering Project	Foxconn Global Network Corporation	2016.03.08~2018.04.17	RRU Station Construction Project, Base Station Construction and Equipment Replacement Project, APTG Telecommunication Facilities maintenance and demolition Project, Optical Fiber Cable and Copper Cable Construction Project, Optical Fiber Cable Maintenance Project, 4G Mobile Communication Engineering Project (from Siaogang station to Zuoying station on the Red Line of Kaohsiung Rapid Transit), TD 2600 Network Construction Procurement	Confidentiality Clause
Construction	Nokia Solutions and Networks Taiwan Co., Ltd., NEC Taiwan Ltd., Why-Not Universal Co., Ltd.	2014.04.17~2018.09.21	Nokia L200 A3 carrier 500 station Procurement, Lawful Investigation System Procurement (f-Nokia LI system expansion), TD2600 Small-Cell Construction, TMS Construction, CGNAT system Construction,	Confidentiality Clause
Others	Ambit Microsystems Co., Ltd, Taiwan Mobile Co., Ltd., Taiwan Star Telecom Corporation Limited	2014.06.18~109.10.14	Company merger between Asia Pacific Telecom Co., Ltd. and Ambit Microsystems Co., Ltd, APTG's utilization of Taiwan Mobile's access network, agreement of frequency spectrum return	Confidentiality Clause

Material Contracts to Foxconn Global Network Corporation

Equipment transaction	Chun Chien Cable TV Co., Ltd., Best Cable TV Co., Ltd., Nan Taoyuan Cable TV Co., Ltd., Chi Yuan Cable TV Co., Ltd., Shin Ho Cable TV Co., Ltd., Asia Pacific Telecom Co., Ltd., Tzu Serng Industrial Co., Ltd., Taiwan Intelligent Fiber Optic Network Consortium, Interactive Digital Technologies Inc., RichTW Co., Ltd., Logicalis Singapore Pte. Ltd. Taiwan Branch, AvisoTech Inc., Oceanic Technology Corporation,	2017.09.26-2018.12.31	TBC battery procurement project, bidding project for low-pressure AMI telecommunications interface unit batch one (including procurement and installation, procurement project number: 0080700042), 2018 second procurement of APT LTE antenna, 2018 wireless network equipment requisition project (D1 Type), central Taiwan joint-development generator procurement agreement, procurement	None

Nature of contract	Party	Commencement date/expiration date	Main content	Restrictive terms
	Genton Tech Corporation, Vertiv Ethics & Compliance		agreement for fiber optics layout engineering for National Taiwan University Cancer Center, network equipment procurement agreement for National Taiwan University Cancer Center, procurement agreement for wireless network construction for National Taiwan University Cancer Center, 2018 telecommunications material procurement agreement - Coaxial cable type, 2018 telecommunications joint-development material procurement agreement - Coaxial cable type, 2018 telecommunications joint-development material procurement agreement - splitter Pol type etc., TWM indoor and outdoor type 200A dual LVDS SMR_(capacity 200A) procurement project	
Sales service	NTT Taiwan Ltd., Hon Hai Precision Industry Co., Ltd., FLNet Co., Ltd., Asia Pacific Telecom Co., Ltd.	2017.12.25-2019.12.31	Sharp Corporation Southeast Asia MPLS network SD-WAN lease project, Sharp Corporation Southeast Asia MPLS network project - technical service contract, telecommunications network basic service contract, 2017 Asia Pacific Telecom machine room facility comprehensive maintenance and demolition project procurement agreement, 2017 fiber optic cable and bronze cable construction engineering contract - engineering deferral contract, reception of machine room technology maintenance and service contract, 2018 fiber optic cable and bronze cable transmission network maintenance and repair project	None
Contractual engineering projects	China Mining Development Co., Ltd., Pu Want Engineering Co., Ltd., Lian Chieh Dentsu Co., Ltd., idtech. Inc., Logicalis Singapore	2017.12.18-2020.04.30	2018~2019 Central Taiwan construction/maintenance /repair open contract agreement, network equipment procurement	None

Nature of contract	Party	Commencement date/expiration date	Main content	Restrictive terms
	Pte. Ltd. Taiwan Branch, Hsiang Cheng Co., Ltd., Li-Heng Engineering Co., Ltd., Ding Kuan Co., Ltd., Kao-Tung Telecom Engineering Co., Ltd., Taiwan Intelligent Fiber Optic Network Co., Ltd., X-ABLE System Technology Co., Ltd., Chien-Hua Co., Ltd., You-Cheng Technology Co., Ltd., Yao Sheng Technology Co., Ltd., Chun Ling Engineering, Xing-Yu Telecom Technology Co., Ltd., Ding Kuan Co., Ltd., Yi-Hong International Co., Ltd., Core Rock Inc., An-Shun Telecom Engineering Co., Ltd., Kao Hsiang Telecom Engineering Co., Ltd., Hsiang-Li Telecom Co., Ltd., Yang-Sheng Co., Ltd., Chian-Feng Technology Co., Ltd., Kuo-Chung Engineering Co., Ltd., Anliantung Telecommunications Co., Ltd., Yung Yi Telecom Co., Ltd, Yong-Chee Co., Ltd., Chi-Tung Communications Technology Co., Ltd., Hon-Fu Cable System Engineering Co., Ltd., Tai-Kuang Technology Co., Ltd., Kai-Yuan Telecom Co., Ltd., United Telecom Engineering Co., Ltd., Hsin-Chang Co. Ltd., Yu-Ma Technology Co., Ltd., Chuan Chao Engineering Co., Ltd., Cheng-Yi Telecom Engineering Co., Ltd., Li-Heng Engineering Co., Ltd., Chien-Feng Technology Co., Ltd., Kuo-Chung Engineering Co., Ltd., Anliantung Telecommunications Co., Ltd., Yung Yi Telecom Co., Yong-Chee Co., Ltd., Chi-Tung Communications Technology Co., Ltd., Hon-Fu Cable System Engineering Co., Ltd., Tai-Kuang Technology Co., Ltd., Kai-Yuan Telecom Co., Ltd., United Telecom Engineering Co., Ltd., Hsin-Chang Co. Ltd.,		agreement for National Taiwan University Cancer Center, procurement agreement for wireless network construction for National Taiwan University Cancer Center, TD2600 ERT East Coast 40 station contract engineering, APTG TD 2600 base station construction project - 40 large-scale base station construction project (Ericsson), National Taiwan University Cancer Center 1F fiber optics power supply project contract agreement, National Taiwan University Cancer Center 1F big screen and 2F fire prevention broadcasting engineering project agreement, National Taiwan University Cancer Center 5F meeting room engineering project agreement, 2018 APTG all-area machine room comprehensive maintenance and demolition engineering contract (4-in-1) (north, central, and south region), 2018 fiber optic cable and bronze cable transmission network maintenance and report (north, central, and south) engineering contract, TWM indoor-outdoor type 200A dual LVDS_SMR (capacity 200A) installation engineering, 2018 fiber optic cable and bronze cable construction (north, central and south) engineering contract, 2018-2019 Central mobile phone base station construction and repair maintenance cosmetic treatment co-development project, National Taiwan University Cancer Center information network construction engineering contract, National Taiwan University Cancer Center project engineering contract, 2018 APTG machine room facility	

Nature of contract	Party	Commencement date/expiration date	Main content	Restrictive terms
	five major industry suppliers, Renown Information Technology Corp., Yonglin Healthcare Foundation, Asia Pacific Telecom Co., Ltd.		comprehensive maintenance and demolition project	
Loans and Credit Business Contracts	Chang Hwa Bank, Taishin International Bank, First Bank	2018.08~2019.11	Short-term credit facilities	Confidentiality Clause

Chapter VI Financial Highlights

I. Condensed balance sheets and statements of comprehensive income for the most recent 5 years

(I) Consolidated Condensed balance sheet

Unit: NT$1,000

Item \ Year		Financial information for the most recent 5 years (Note1)					2019/01/01~2019/03/31 (Note2)
		2014	2015	2016	2017	2018	
Current assets		21,067,120	16,748,499	10,127,739	5,778,385	4,118,645	3,793,252
Property, Plant and Equipment		9,368,544	10,858,023	11,991,461	12,538,880	12,104,127	11,454,712
Intangible assets		7,553,407	12,256,326	13,182,141	12,630,881	12,128,141	11,952,170
Other assets		4,428,410	5,667,687	5,326,768	5,376,054	9,372,845	12,697,819
Total assets		42,417,481	45,530,535	40,628,109	36,324,200	37,723,758	39,897,953
Current liabilities	Before appropriation	5,149,441	4,913,354	5,012,377	4,709,071	6,054,468	7,523,464
	After appropriation	5,149,441	4,913,354	5,012,377	4,709,071	6,054,468	7,523,464
Non-current liabilities		389,171	448,298	518,261	541,2018	805,839	2,752,071
Total liabilities	Before appropriation	5,538,612	5,361,652	5,530,638	5,250,178	6,860,307	10,275,535
	After appropriation	5,538,612	5,361,652	5,530,638	5,250,178	6,860,307	10,275,535
Equity attributable to owners of the parent		36,878,869	40,054,080	34,986,525	30,986,189	30,748,506	29,479,937
Paid-in Capital		38,885,155	43,006,270	43,006,270	42,982,322	42,982,322	42,982,322
Capital Surplus		5,886,742	6,630,344	6,689,801	6,754,926	6,786,827	6,798,134
Retained Earnings	Before appropriation	(7,846,808)	(9,536,314)	(14,663,326)	(18,751,059)	(19,020,664)	(20,300,570)
	After appropriation	(7,846,808)	(9,536,314)	(14,663,326)	(18,751,059)	(19,020,664)	(20,300,570)
Other Equity		–	–	–	–	21	51
Treasury stock		(46,220)	(46,220)	(46,220)	–	–	–
Non-controlling interests		–	114,803	110,946	87,833	114,945	142,481
Total Equity	Before appropriation	36,878,869	40,168,883	35,097,471	31,074,022	30,863,451	29,622,418
	After appropriation	36,878,869	40,168,883	35,097,471	31,074,022	30,863,451	29,622,418

Note 1: All financial data have been duly audited by independent auditors.
Note 2: The financial statements for the first quarter of 2019 have been reviewed by independent auditors.

(II) Consolidated Condensed Statement of Comprehensive Income

Unit: NT$1,000

Item / Year	Financial information for the most recent 5 years (Note1)					2019/01/01~2019/03/31 (Note2)
	2014	2015	2016	2017	2018	
Operating revenue	16,302,527	14,848,518	14,153,429	13,707,498	14,565,959	3,474,014
Gross profit (loss)	4,712,052	1,293,383	(710,972)	1,587,570	1,365,604	181,715
Operating profit (loss)	47,253	(4,041,854)	(7,037,130)	(4,190,887)	(4,927,164)	(1,289,767)
Non-operating income and expenses	(10,253,442)	2,266,953	832,369	(62,407)	172,818	(3,433)
Profit (loss) before income tax	(10,206,189)	(1,774,901)	(6,204,761)	(4,253,294)	(4,754,346)	(1,293,200)
Income (loss) from continuing operations	(8,412,424)	(1,600,913)	(5,132,577)	(4,034,617)	(3,267,732)	(1,290,796)
Loss from discontinued operations	—	—	—	—	—	—
Profit (loss) for the year	(8,412,424)	(1,600,913)	(5,132,577)	(4,034,617)	(3,267,732)	(1,290,796)
Other comprehensive income (after tax)	(827)	(24,953)	1,708	(57,645)	9,430	54
Total comprehensive income (loss) for the year	(8,413,251)	(1,625,866)	(5,130,869)	(4,092,262)	(3,258,302)	(1,290,742)
Profit (loss) attributable to owners of parent	(8,412,424)	(1,600,935)	(5,128,720)	(4,011,504)	(3,293,990)	(1,279,906)
Profit (loss) attributable to non-controlling interests	-	22	(3,857)	(23,113)	26,258	(10,890)
Comprehensive income (loss) attributable to owners of parent	(8,413,251)	(1,625,888)	(5,127,012)	(4,069,149)	(3,284,576)	(1,279,876)
Comprehensive income (loss) attributable to non-controlling interests	-	22	(3,857)	(23,113)	26,275	(10,866)
Earnings per share	(2.35)	(0.41)	(1.19)	(0.93)	(0.77)	(0.30)

Note 1: All financial data have been duly audited by independent auditors.
Note 2: The financial statements for the first quarter of 2019 have been reviewed by independent auditors.

(III) Stand-alone Condensed balance sheet

Unit: NT$1,000

Item \ Year		Financial information for the most recent 5 years (Note1)				
		2014	2015	2016	2017	2018
Current assets		21,063,237	16,514,959	9,794,357	5,509,116	3,445,166
Property, Plant and Equipment		9,368,544	10,856,873	11,983,004	12,530,179	12,100,437
Intangible assets		7,553,407	12,254,709	13,180,524	12,626,042	12,124,636
Other assets		4,432,233	5,814,209	5,471,072	5,489,434	9,510,826
Total assets		42,417,421	45,440,750	40,428,957	36,154,771	37,181,065
Current liabilities	Before appropriation	5,149,381	4,938,272	4,924,388	4,629,439	5,638,065
	After appropriation (Note 2)	5,149,381	4,938,272	4,924,388	4,629,439	5,638,065
Non-current liabilities		389,171	448,398	518,044	539,143	794,494
Total liabilities	Before appropriation	5,538,552	5,386,670	5,442,432	5,168,582	6,432,559
	After appropriation (Note 2)	5,538,552	5,386,670	5,442,432	5,168,582	6,432,559
Paid-in Capital		38,885,155	43,006,270	43,006,270	42,982,322	42,982,322
Capital Surplus		5,886,742	6,630,344	6,689,801	6,754,926	6,786,827
Retained Earnings	Before appropriation	(7,846,808)	(9,536,314)	(14,663,326)	(18,751,059)	(19,020,664)
	After appropriation (Note 2)	(7,846,808)	(9,536,314)	(14,663,326)	(18,751,059)	(19,020,664)
Other Equity		—	—	—	—	21
Treasury stock		(46,220)	(46,220)	(46,220)	—	—
Total Equity	Before appropriation	36,878,869	40,054,080	34,986,525	30,986,189	30,748,506
	After appropriation	36,878,869	40,054,080	34,986,525	30,986,189	30,748,506

Note 1: All financial data have been duly audited by independent auditors.

Note 2: No surplus available for distribution during 2014~2018.

(IV) Stand-Alone Condensed Statement of Comprehensive Income

Unit: NT$1,000

Year / Item	Financial information for the most recent 5 years (Note1)					
	2013	2014	2015	2016	2017	2018
Operating revenue	20,125,362	16,302,527	14,820,078	13,911,150	13,591,959	14,291,467
Gross profit (loss)	6,972,899	4,712,052	1,287,640	(721,369)	1,576,854	1,270,086
Operating profit (loss)	1,868,766	47,472	(4,041,815)	(7,025,286)	(4,132,719)	(4,989,804)
Non-operating income and expenses	(13,304)	(10,253,661)	2,266,892	824,382	97,462	206,856
Profit (loss) before income tax	1,855,462	(10,206,189)	(1,774,923)	(6,200,904)	(4,230,181)	(4,782,948)
Income (loss) from continuing operations	1,842,776	(8,412,424)	(1,600,935)	(5,128,720)	(4,011,504)	(3,293,990)
Loss from discontinued operations	-	-	-	-	-	—
Profit (loss) for the year	1,842,776	(8,412,424)	(1,600,935)	(5,128,720)	(4,011,504)	(3,293,990)
Other comprehensive income (loss) (after tax)	1,933	(827)	(24,953)	1,708	(57,645)	9,413
Total comprehensive income (loss) for the year	1,844,709	(8,413,251)	(1,625,888)	(5,127,012)	(4,069,149)	(3,284,577)
Earnings per share	0.56	(2.35)	(0.41)	(1.19)	(0.93)	(0.77)

Note 1: All financial data have been duly audited by independent auditors.

(V) Independent auditors' names and their audit opinions for the most recent 5 years

Year	Accounting firm	Name of CPA	Opinion
2014	PricewaterhouseCoopers, Taiwan	Wu, Yu-Lung, Chou, Chien-Hung	Modified unqualified opinion
2015	PricewaterhouseCoopers, Taiwan	Wu, Yu-Lung, Chou, Chien-Hung	Modified unqualified opinion
2016	PricewaterhouseCoopers, Taiwan	Wu, Yu-Lung, Chou, Chien-Hung	Unqualified opinion
2017	PricewaterhouseCoopers, Taiwan	Lin, Chun-Yao, Huang, Shih-Chun	Unqualified opinion

II. Financial analysis for the most recent 5 years

(I) Consolidated Financial analysis

Item	Year	Financial analyses for the most recent 5 years (Note)					2019/01/01~2019/03/31
		2014	2015	2016	2017	2018	
Financial Structure(%)	Liabilities to assets ratio	13.05	11.77	13.61	14.45	18.18	25.75
	Long-term fund to PP&E ratio	397.79	374.07	297.00	252.13	261.64	282.63
solvency(%)	current ratio	409.11	340.87	202.05	122.70	68.02	50.41
	Quick ratio	396.55	330.66	191.64	110.37	51.44	37.41
	Interest coverage ratio	0	0	0	0	0	0
Operations	Accounts receivable turnover (times)	9.91	10.26	8.41	7.31	8.74	8.67
	Average collection days	36.83	35.57	43.40	49.93	41.76	42.09
	Inventory turnover (times)	6.52	9.36	10.86	9.85	7.40	4.91
	Accounts payable turnover (times)	4.93	6.27	7.10	4.83	4.90	4.29
	Average days sales	55.98	38.99	33.60	37.05	49.32	74.33
	properties, plants and equipment turnover (times)	1.32	1.46	1.23	1.11	1.18	1.17
	Total asset turnover (times)	0.39	0.33	0.32	0.35	0.39	0.35
Profitability	Return on assets (%)	(20.51)	(3.64)	(11.91)	(10.48)	(8.82)	(13.27)
	Return on equity attributable to owners of the parent (%)	(23.34)	(4.15)	(13.63)	(12.19)	(10.55)	(17.07)
	Pre-tax income to Capital (%)	(26.24)	(4.12)	(14.42)	(9.89)	(11.06)	(12.03)
	Net Income margin (%)	(51.60)	(10.78)	(36.26)	(29.43)	(22.43)	(37.15)
	Earnings per share	(2.35)	(0.41)	(1.19)	(0.93)	(0.77)	(0.30)
Cash flow	Cash Flow ratio (%)	65.85	(42.13)	24.62	4.81	5.28	2.10
	Cash Flow adequacy ratio (%)	147.16	115.93	98.80	61.04	28.46	13.57
	Cash reinvestment ratio (%)	3.21	(3.27)	2.05	0.42	0.66	0.34
Leverage	Operating Leverage	185.44	(1.05)	(0.38)	(1.24)	(1.08)	(1.03)
	Financial Leverage	(1.00)	(0.99)	(0.99)	(0.99)	(0.99)	(0.98)

(II) Stand-alone Financial analysis

Item	Year	Financial analyses for the most recent 5 years (Note)				
		2014	2015	2016	2017	2018
Financial Structure(%)	Liabilities to assets ratio	13.05	11.85	13.46	14.29	17.30
	Long-term fund to PP&E ratio	397.79	373.05	296.29	251.59	260.67
solvency(%)	current ratio	409.04	334.42	198.89	119.00	61.10
	Quick ratio	396.48	324.32	188.47	2018.41	49.93
	Interest coverage ratio	0	0	0	0	0
Operations	Accounts receivable turnover (times)	9.91	10.37	8.61	7.51	8.84
	Average collection days	36.83	35.19	42.39	48.60	41.28
	Inventory turnover (times)	6.52	9.34	10.92	10.18	12.23
	Accounts payable turnover (times)	4.93	6.34	7.76	5.79	6.72
	Average days sales	55.98	39.07	33.42	35.85	29.84
	properties, plants and equipment turnover (times)	1.32	1.46	1.21	1.10	1.16
	Total asset turnover (times)	0.39	0.33	0.32	0.35	0.38
Profitability	Return on assets (%)	(20.51)	(3.64)	(11.94)	(10.47)	(8.98)
	Return on equity attributable to owners of the parent (%)	(23.34)	(4.16)	(13.66)	(12.16)	(10.67)
	Pre-tax income to Capital (%)	(26.24)	(4.12)	(14.41)	(9.84)	(11.12)
	Net Income margin (%)	(51.60)	(10.80)	(36.86)	(29.51)	(23.04)
	Earnings per share	(1.96)	(0.37)	(1.19)	(0.93)	(0.77)
Cash flow	Cash Flow ratio (%)	65.85	(40.68)	21.88	6.11	4.35
	Cash Flow adequacy ratio (%)	145.16	114.36	99.46	44.87	28.91
	Cash reinvestment ratio (%)	7.00	(4.22)	2.42	0.71	0.76
Leverage	Operating Leverage	184.58	(1.05)	(0.37)	(1.25)	(1.05)
	Financial Leverage	(1.00)	(0.99)	(0.99)	(0.99)	(0.99)

Analysis of variation plus-minus (+/1)20% in recent 2 years: 1. Financial Structure and solvency: mostly due to bank loan in 2018 to meet operating needs and capital expenditure, leading to increase in liabilities to assets ratio and for various solvency ratios to decline. 2. Profitability: mostly due to decrease in after-tax loss in 2018, leading to improvements in various profitability ratios over the previous year. 3. Cash Flow ratio and Cash reinvestment ratio: since net cash inflow from operating activities was increased in 2018 from the previous year, cash flow ratio and cash reinvestment ratio were both increased.

Note 1: The financial have been duly audited by independent auditors for the most recent 5 years.

Note 2: Formulas for the above tables:

Financial structure

(1) Debt to asset ratio = Total liabilities / Total assets

(2) Long-term fund to PP&E ratio = (Shareholders' equity + Long-term liabilities) / Net PP&E

Solvency

(1) Current ratio = Current assets / Current liabilities

(2) Quick ratio = (Current assets – Inventory – Prepaid expenses) / Current liabilities

(3) Interest coverage ratio = Income before interest and taxes / Interest expense

Operations

(1) Accounts receivable turnover = Net revenue / Average accounts receivable

(2) Average collection days = 365 / AR turnover

(3) Inventory turnover = COGS / Average inventory

(4) Accounts payable turnover = COGS / Average accounts payable

(5) Average days sales = 365 / Inventory turnover

(6) PP&E turnover = Net revenue / Average net PP&E

(7) Total asset turnover = Net revenue / Average total assets

Profitability

(1) Return on assets = [Net income + Interest expense x (1 – Tax rate)] / Average assets

(2) Return on equity = Net income / Average equity

(3) Net income margin = Net income / Net sales

(4) EPS = (Net income – Preferred stock dividends) / Weighted average outstanding shares

Cash flow

(1) Cash flow ratio = Cash flow from operating activities / Current liabilities

(2) Cash flow adequacy ratio = Net cash flow from operating activities for the most recent 5 years / (Capital expenditure + Increases in inventory + Cash dividends for the most recent 5 years)

(Note: 2009-2011 numbers were calculated based on ROC GAAP)

(3) Cash reinvestment rate = (Cash flow from operating activities – Cash dividends) / (Gross PP&E + Long-term investments + Other assets + Working capital)

(Note: Use zero if working capital value is negative)

Leverage

(1) Operating leverage = (Net revenue – Variable operating costs and expenses) / Operating income

(2) Financial leverage = Operating income / (Operating income – Interest expense)

Others

(1) EBITDA = Operating income + Depreciation + Amortization

(2) EBITDA margin = EBITDA / Net revenue

III. Audit committee's report for the most recent year's financial statement

Asia Pacific Telecom Co., Ltd.
Audit Committee's Review Report

The 2018 Business Report, Financial Statements, and Proposal of Deficit Compensation have been prepared by the Board of Directors of the Company. The CPAs of PricewaterhouseCoopers Taiwan, Mr. Lin, Chun-Yao and Mr. Huang, Shih-Chun, have jointly audited the above-mentioned Financial Statements, including Consolidated and Stand-alone Financial Statements, and issued Auditors' Reports. We, as the Audit Committee of the Company, have reviewed the above-mentioned Business Report, Financial Statements, and Proposal of Deficit Compensation, and found no discrepancies. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this Report to the 2019 Annual General Meeting of the Company for ratifications.

Asia Pacific Telecom Co., Ltd.

Ting-Wong, Cheng
Convener of the Audit Committee
March 14, 2019

IV. Consolidated financial statements audited by independent auditors for the most recent year.

Refer to Annex 1.

V. Stand-alone financial statements audited by independent auditors for the most recent year.

Refer to Annex 2.

VI. Financial Difficulties for the Company and its Affiliates: None.

Chapter VII Markets and the Overview of Production and Sales

I. Financial Condition

Unit: NT$1,000

Year / Item	2017	2018	YoY change	
			Amount	%
Current assets	5,778,385	4,118,645	(1,659,740)	(29)
Property, Plant and Equipment	12,538,880	12,104,127	(434,753)	(3)
Intangible assets	12,630,881	12,128,141	(502,740)	(4)
Other assets	5,376,054	9,372,845	3,996,791	74
Total assets	36,324,200	37,723,758	1,399,558	4
Current liabilities	4,709,071	6,054,467	1,345,396	29
Non-current liabilities	541,2018	805,839	264,732	49
Total liabilities	5,250,178	6,860,306	1,610,128	31
Paid-in Capital	42,982,322	42,982,322	0	0
Capital Surplus	6,754,926	6,786,827	31,901	0
Retained Earnings	(18,751,059)	(19,020,663)	(269,604)	(1)
Other Equity	0	21	21	0
Non-controlling interests	87,833	114,945	27,112	31
Total Equity	31,074,022	30,863,452	(210,570)	(1)

(I) Impact of changes in financial conditions: Liabilities increase due to the rise inf short-term borrowings to support operation spending.

(II) Preventive measures: Not applicable.

II. Financial Performance

Unit: NT$1,000

Item \ Year	2017	2018	YoY change	
			Amount	%
Operating revenue	13,707,498	14,565,960	858,462	6
Operating costs	12,119,928	13,200,356	1,080,428	9
Gross profit (loss)	1,587,570	1,365,604	(221,966)	(14)
Operating expenses	5,778,457	6,292,768	514,311	9
Operating profit (loss)	(4,190,887)	(4,927,164)	(736,277)	(18)
Non-operating income and expense	(62,407)	172,819	235,226	(377)
Profit (loss) before income tax	(4,253,294)	(4,754,346)	(501,052)	(12)
Income tax benefit	218,677	1,486,614	1,267,937	580
Profit (loss) for the year	(4,034,617)	(3,267,732)	766,885	19

(I) Explanation of significant changes in the past 2 years' operating income and income before tax: Not applicable.

(II) 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"."

III. Cash flow

(I) Analysis of changes in cash flow in the Consolidated Financial Statements

Unit: NT$1,000

Item	amount	Note
Net cash provided by operating activities	319,700	
Net cash used in investing activities(outflow)	(3,218,454)	Mostly expenditure for procurement of operating equipment.
Net cash provided by financing activities	1,149,816	
Effect of exchange rate changes	38	
Net cash outflow	(1,748,900)	

(II) Remedy plan for insufficient liquidity: not applicable.

(III) Analysis of cash flow for the next year:

Expected Cash Flow in 2019 Unit: NT$1,000

Cash and cash equivalents in the beginning (1)	Cash inflow for the year (2)	Cash outflow for the year (3)	Balance of cash and cash equivalents (1) + (2) –(3)
1,002,049	5,657,757	5,744,321	915,485

Cash inflow for the year was NT$56.58 billion and mainly came from operating revenue and financing loans from banks. Cash outflow of NT$57.44 billion was mainly paid for operating cost, expenses, and capital expenditure. Estimated cash balance for the year will be around NT$9.15 billion.

IV. Analysis of Major Capital Expenditure and Sources of Funding

Major capital expenditure in 2018 was the investment in mobile broadband telecommunications network and the enhancement of existing systems. The Company funded its major Capex by operating revenue, and the insufficient part was supported by banks' loans. There was no major impact on the Company's finance and business.

V. Investment policies, reasons for profit/loss, the plans for improvement, and future investment plans in the coming year.

(I) Investment policy

All of the Company's long-term investments are strategic purpose, focusing on telecommunication related fields and then expanding to other fields depends on situation.

(II) Major reasons for profit/ loss of investments and plans for improvement:

No investments adopt equity method under consolidated accounting principle in 2018.

(III) Investment plan over the next year: the Company will prudently evaluate all investment opportunities under aforementioned investment policy.

VI. Risk Issues

(I) Impact and response to Interest Rate, Exchange Rate, and Inflation level on the Company

1. Impact of interest rate fluctuations

   The Group's interest rate fluctuation risk was mainly derived from short-term loans. As interest rates were low with slight fluctuations in 2018, the interest rate fluctuations risk was also low and with no significant impact on the Group. The Group will constantly observe the trend of interest rate and appropriately adjust financial structure accordingly.

2. Impact of exchange rate fluctuations changes

   With the exception of international business which was denoted in USD, the Group's business was mainly denoted in NTD. To control exchange risk, the Group's finance department kept contact with foreign exchange departments of financial institutions and paid attention to the trend of foreign exchange to determine the best timing of settlement.

As of the date of publication of this Annual Report, the Group is not engaged in financial derivative products and related hedging transactions. Whether forward foreign exchange trading or other financial products with hedging will be undertaken in the future depends on the operating situation at the time.

3. Inflation Impact

As of the date of publication of this Annual Report, inflation has no significant impact on the Company's profit or loss.

(II) The policies to engage in high-risk, highly-leverage investments, lending, endorsements and guarantees, and the transactions of financial derivative products, the main reasons for gains and losses, and the future countermeasures:

The Company was neither engaged in high-risk, highly-leverage investments, nor endorsements, guarantees to others, financial derivative transactions.

(III) Future R&D Projects and Estimated R&D Expenditure:

1. Mobile Wireless R&D Plan

(1) The Company has received 4G LTE 700MHz license in December 2013, and began official 4G services in December 2014. In the future, the Company will undertake research and development related to LTE-Advanced coordinated multiple point (CoMP), MIMO antenna technology, enhanced Inter Cell Interference Coordination (eICIC) and Carrier Aggregation.

(2) Statistical data indicates that approximately 70% to 80% of user traffic occurs indoors. The Company has already launched Magic Box 1.0 and 2.0 to provide comprehensive indoor solution to users, achieving zero blind spot indoor coverage service.

(3) Technical Development of 5G Mobile Network

With the incoming 5G era, 5G represents an investment as well as a major opportunity for service providers. It also implies that early preparation is necessary.

5G will be an application service-oriented technology. Compared to the past 2G, 3G, and 4G networks, in establishing the specifications of 5G, potential network characteristics needed by application services were already planned. Hence, 5G has been classified into three technical themes.

A. Reinforced mobile service emphasizes a Gpbs-level downloading speed, providing V8 and 8K application needs. Moreover, it can also be further applied to remote medical care and e-Sports.

B. Data-driven IoT service emphasizes wide-coverage and energy-efficient technology. Diversified vertically integrated application services such as environmental surveillance, farming and fishery services, will bring more convenience to future industry development.

C. The high reliability and low latency reduces the time lag in network transmissions, assisting various applications that require high levels of precision. For instance, in the case of an unmanned vehicle, 10ms will potentially avoid a car accident. Such precise application is even more needed at smart factories and used for production lines or automatic guided vehicle (AGV). Only through low latency and high reliability can we truly implement unmanned factories in practice.

In 2019, APTG will simultaneously undertake verification and testing of 5G application services and network structure. Besides improving existing LTE network and optimizing relevant 5G structure to gradually enhance the network, we will also introduce key technologies including Massive MIMO, C-RAN, and Network Slicing so that application services and networks can make concurrent progress. APTG can further understand the network status of the future and to initiate early response through experimental network testing, allowing the Company to revamp the network and to coordinate with optimized application services at the same time.

APTG has always aspired to be pioneering the telecommunications industry. In addition to being the first to receive the permit for 5G experimental network, allowing us to plain various application service verification, we have also built the first GSMA Open Lab in Taiwan to satisfy the verification needs from various IoT equipment.

The Company was the first to launch 5G Mobile edge computing (5G MEC) technology service, which can effectively reduce latency, allowing more effective solutions and enhancing service reliability for services that require high-speed computation and are sensitive to network latency.

2. Cable Access R&D Plan for Government Agencies

Trends of application service indicates that the need for high-frequency and diversified services has been an important driver for the advancement of cable access network technology. Therefore, fiber optic network has gradually expanded from core backbone to the receiving clients, and cable access technology has seen a trend toward IP-based network in recent years. The Coarse Wavelength Division Multiplexing (CWDM) technology is the best choice to save on fiber optic costs. To sum up, Fiber To The X (FTTx) technology has also become a key R&D investment target in cable access network.

3. IP Transmission Backbone R&D Plan

In recent years, with the emergence of various services ranging from LTE/IMS network construction, wireless broadband Internet, and enterprise leased line, more diversified needs for network loading have also emerged. Line terminal backbone network is the basis to telecommunications network. Besides providing the bandwidth needed for all broadband services, it is increasingly important as it also serves as the backhaul for mobile wireless network.

(1) ROADM (reconfigurable optical add-drop multiplexer) is a new technology to increase the bandwidth or provide flexible deployment of bandwidth to the backbone of the transport network, enabling the dynamic adding or dropping of bands according to network distribution needs. This allows the Company to restructure the network resource distribution, so that the agility of relocating bandwidth and circuitry of modern backbone networks can be fulfilled.

(2) Next Generation Network (NGN) - Carrier Ethernet Network

Provide Mobile Backhaul networks for the base stations of mobile and fixed line service providers, as well as providing Fiber To The Building (FTTB) optical fiber connection to Ethernet networks in buildings. This network not only has MPLS technology capabilities, but also the ability to flexibly adjust bandwidth, providing open service interfaces for easy and fast integrations, smart end-to-end quality management service (H-QoS), as well as the ability to maintain status of the nodes between end to end services through Ethernet OAM mechanism. It can achieve network convergence within a few hundred milliseconds when any network node runs into issues so that the connected voice services will not be interrupted.

(3) MPLS Core Switching Network

The new generation of IP high-speed backbone network switching standard, not only does IP/Multiprotocol Label Switching (MPLS) possess the low cost, high scalability and high flexibility qualities needed by mobile industry providers in the field of backbone network, its capacity can also be expanded to encompass emerging data flow. IP/MPLS relay network architecture has flexibility in building and deployment, and can enable telecommunication operators to quickly transfer the current 3G networks to 4G/LTE networks, which then protects the investment of mobile service providers to transition from 3G to the full IP oriented 4G/LTE, and at the same time, in case the data transfer drastically increases, future expansion will also be feasible.

(4) SDN/NFV

Software defined network (SDN) and network function virtualization (NFV) are key technologies that have generated much attention from operators in recent years. At the current stage, the investment cost for operators are relatively steep, and the networks are not very flexible. Whenever emergencies arise or temporary service requirement changes from customers, it will be difficult to immediately respond with current network architecture. With SDN and NFV, this situation can be effectively dealt with: with SDN Controllers, the application services needed by customers can be downloaded to the NFV hardware, and by the upgrading and switching of the software level, service can be provided in the least amount of time possible. Furthermore, NFV architecture can reduce the reliance on specific equipment with standardized hardware procurement, resulting in a lower overall cost of service.

4. eSIM R&D Plan

eSIM is a key technology for the future of telecommunications industry, especially since Apple applied the eSIM technology to iPad. In 2017, Apple Watch LTE version is preinstalled with eSIM, allowing users to access the Internet, receive calls and integrates the concept of multiple devices under one phone account without having to bring their cell phones. In the future, customers can bring Internet service to everywhere they go by only bringing one wearable device, indicating the critical value of IoT. The Company has established an eSIM system platform and has begun integrated interface testing with various equipment suppliers. Subsequently, we will extend this service to international roaming, or in other words, IoT services, as we aspire to lead the industry in realizing the concept of “Internet of Everything (IoE). “In terms of users, we are the first to launch eSIM for personal service, so that users can be linked to IoT through such service. In terms of overall network, APTG has also led the industry in launching Magic Box 1.0 and 2.0, and pioneered our competitors in planning for small-scale 5G base stations in the hopes that we can provide comprehensive applications and network for users to enjoy when 5G becomes available.

5. IMS R&D Plan

The Company has constructed an IP-based IP Multimedia Subsystem (IMS NG-Core) network to further expand our customer base and create revenue. We continuously expand our market share, and a key R&D topic for this year will be ways to utilize IMS network to provide diversified broadband multimedia service in line with both mobile and fixed network services.

(1) Since the availability of phone number is limited, each telecommunications service provider sees phone number as their most valuable assets. How to fully exploit them without creating waste has become an important R&D issue.

(2) The integration of fixed network, mobile network, data, and voice call network and their compatibility with existing network equipment is also a key R&D issue.

(3) By coordinating different access technologies including 1X, LTE, ADSL/VDSL and Wi-Fi, and integrating diversified, multiple types of terminal equipment, we can create brand-new, innovative and attractive business opportunities.

(4) We will develop mobile and fixed network integrated services to fully exploit the traits of Fixed Mobile Convergence (FMS), allowing us to provide pioneering, quality differentiated services such as FMVPN and IP Centrex.

6. Intelligent Life Service R&D Plan

With technological advancement and terminal innovations, Intelligent Living has become a worldwide focus. How to utilize existing fixed and mobile network resources in line with the Internet of Things (IoT) to build a lifestyle environment has become a key R&D issue.

(1) Smart city: by integrating IoT technology to build a smart city, we can provide various innovative and convenient application services to the inhabitants of the city. Example of innovative application services include smart grid, environmental surveillance and real-time analytics system, emergency and disaster prevention system, and city tour guide system.

(2) Smart Home: we can provide innovative features such as user home security system, pre-wired systems, and remote setting features with the related terminal

equipment that have already been introduced. In the future, the services will be integrated with voice assistant service, making the operation more diverse, simple, and close to human nature.

(3) High tech fishery: due to increased food safety awareness in recent years, more and more vendors from the fishery business have adopted non-toxic aquaculture. The Company has built Asia Pacific Fishing Platform through applying diversified surveillance technology on the water quality surveillance, paving the way to more innovative applications.

7. Mobile Wireless R&D Plan

Research related to Internet of Things (IoT) services including the studies of the effectiveness of various tracking device/transmission modules, network coverage, transmission effectiveness, locations of base station construction, efficacy optimization under a cost-effective principle, and the characteristics of various Internet of equipment, in order to precisely propose solutions and provide diversified smart services and applications.

Estimated capital expenditure in 2019 was approximately NT$24 billion, and future investment will be adjusted based on operating status at the time.

(IV) The Impacts of Changes of Important Domestic and Foreign Policies and Laws on the Company's Finances and Business, and the Countermeasures:

The Company's operating policies are carried out in accordance with legislative requirements, and we are constantly focused on changes in important domestic and international policies and laws. Relevant experts are consulted when necessary and appropriate response measures are adopted. In particular, as the competent authority, National Communications Commission (NCC) for the Company's target business, derives different control measures for the fee rates and operations of the telecommunications provider industry, the Company maintains positive correspondence with NCC to ensure that day-to-day operations are in compliance with legal regulations. In addition, we also reflect upon any assistance needed when appropriate. As of the date of publication of this Annual Report, the Company's finance and business have not been subject to material influences from changes in important domestic or international policies or relevant laws.

(V) Technology and industry changes that has an impact on this company's finances and response measures.

With the incoming age of IP-based network, the market is seeing more competitors than ever, and the low fee rate policy introduced by VoIP service has also led to deteriorating profits from existing industry competitors. In response to such technological innovation and changes in the industry ecosystem, the Company needs to be more cautious and prudent in both operations and policy. Below are some response measures taken.

1. In response to global market recession, international telecom service providers are hesitant in making investment choices, and prudence must be taken for investments

in consideration of the overall economic environment and the market. Large-scale construction should not be made in a hurry, and evaluation and testing are vital to current conditions. Nevertheless, with the emergence of 4G mobile telecom, the Company has already invested capital to acquire 4G telecom service permit in consideration of the changes in networking service models and market demand. Furthermore, we will also participate in the bidding for 5G frequency spectrum to gradually expand the Company's operating models and businesses in the hopes of enhancing revenue and market share.

2. Telecommunications is a high threshold technology industry, and while arriving at an age of all IP-network remains uncertain, the development and evolution of related technologies need constant attention to avoid falling behind, but haste shall also be avoided.
3. With the development of a new generation of network and technology, past telecommunications experiences can no longer satisfy the demand for future network and technical development. Only through new thinking, new perception, new ideas and new technology can we provide innovative and differentiated services to create new market opportunities.
4. With innovation comes growth, and with innovation comes opportunities. Personnel training and their comprehension for new technologies are crucial, and by aligning these factors with sufficient organizational teamwork, boosting employee morale, and collective thinking, we will be able to stand out from the competition.
5. We shall implement cost-effective and profitable policies and strengthen internal processing control to avoid unnecessary expenditure.
6. We shall study ways to fully exploit existing network resources, maximize utilization, and not to divest from any potentially profitable opportunities (for instance, fixed line backbone network or mobile and fixed network integration services).
7. With a strong basis in Taiwan, we will expand to China and the rest of the world in active pursuit of strategic partners, with whom we shall mutually invest and collaborate with to expand our market blueprints.

(VI) The impacts of change of corporate image on the enterprise crisis management and response measures: None.

(VII) The expected benefits and possible risks to engage in mergers and acquisitions (M&A) and the countermeasures: None.

(VIII) Expected benefits and potential risks of capacity expansion and response measures: Not applicable.

(IX) The risk and future mitigation efforts to risks associated with purchase concentration and sales concentration:

In 2018, purchases from our largest supplier accounted for 22.39 % on the total purchases, while the most substantial client accounted for 1.69% of total sales. Therefore, the Company does not have risks of either purchase or sales concentration.

(X) Impacts, risks, and response measures resulting from major equity transfer or replacement of directors, supervisors, or substantial shareholders holding more than 10% of the Company's shares: None.

(XI) Impact, risk, and response measures related to any change in the administrative authority towards the Company's operations: None.

(XII) Litigation or Non-Contentious Cases

	Party	Main Point	Case Summary	Progress of litigation
1	Securities and Futures Investors Protection Center (SFIPC) Plaintiff	Claim for indemnity Claim filed on August 30, 2007 Chia Hsin Food and Synthetic Fiber Co., Ltd.	The Company served as a Director of Chia Hsin Food and Synthetic Fiber Co., Ltd. in June 2006, and since Wang You-theng and others committed financial statement fraud and illegally hollowed out the Chia Hsin Food and Synthetic Fiber Co., Ltd.' s assets leading to material losses, the plaintiff is a representative of the minority shareholders in filing a lawsuit against directors, supervisors and related financial accounting personnel of said company for indemnities for tort.	The plaintiff has sought for indemnities amounting to NT$31,693,669 from Asia Pacific Telecom. The First Instance on August 5, 2015 ruled that the Company shall be responsible for paying NT$15,944,770 of indemnities with annual interest of 5% starting on January 29, 2008. The Company has appealed First Instance judgment to Second Instance Court on September 9, 2015. SFIPC has also filed for appeal, and the litigation is ongoing at the Taiwan High Court.
2	Securities and Futures Investors Protection Center (SFIPC) Plaintiff	Claim for indemnity Claim filed on August 30, 2007 China Rebar Co., Ltd	The Company served as a Director of China Rebar Co., Ltd. in June 2006, and since Wang You-theng and others committed financial statement fraud and illegally hollowed out China Rebar Co,, Ltd.' s assets leading to material losses, the plaintiff is a representative of the minority shareholders in filing a lawsuit against directors, supervisors and related financial accounting personnel of said company for indemnities for tort.	The plaintiff has sought for indemnities amounting to NT$10,269 thousand and interest from Asia Pacific Telecom. The First Instance ruled on February 13, 2015 against the Company, and that the Company shall be responsible for paying NT$9,059 thousands of indemnities with annual interest of 5% starting on January 29, 2008. Both parties have filed for appeal. Second Instance on May 5, 2017 ruled that the Company shall be responsible for paying the investors NT$4,956 thousands of indemnities with annual interest of 5% starting on January 29, 2008. After negotiations from both parties, the judgment for this case has been settled and the Company has paid SFIPC a principal of NT$4,888 thousand and interest of NT$2,327 thousand, for a total of NT$7,215 thousand on August 30, 2017. This case has been closed.
3	Union Insurance Company Plaintiff	Claim for settlement of loan Claim filed in November 2013	The cause of this case was that former Chairman Wang Jin Shih-ying had taken out loans of NT$60 million each (for a total of NT$120 million) from Union Insurance Company illegally under the name of Asia Pacific Broadband Telecom Co., Ltd. for two companies, namely "Ryh An Co.,Ltd" and "King Tung Co.,Ltd" The Company was the loan guarantor, and as the two aforementioned companies failed to comply with the time limit, the plaintiff had filed a settlement claim to the Company for joint and several liability on November 2013.	Taiwan Taipei District Court had ruled a judgment against the plaintiff in the First Instance on December 17, 2014; in other words, the Company had won the lawsuit. Nevertheless, the plaintiff was dissatisfied with the verdict and filed for appeal. During the Second Instance, the Taiwan High Court had dismissed the appeal on January 26, 2016. The plaintiff had filed for Third Instance appeal, and ruling from the Supreme Court had remanded the lawsuit on October 12, 2016. The judgment for this case has been settled and the Company has paid the Plaintiff a total of NT$36,000 thousand.

(XIII)Other Important Matters:

Other material risks: in response to rapidly changing information security threat, the Company has established an Information Security Management System. The Company has achieved the ISO 27001:2005 and NCC 27011 additional audit information security certification in October 2011. In terms of personal information protection, we have also achieved the BS 10012 Personal Information Management System (PIMS) in 2017, and regularly achieves external audit in every 6 months to maintain the validity of the certificates. For important operations-related systems, we regularly carry out annual business impact analysis (BIA), in which each department will undertake asset inventory risk assessment and improve either working procedures or purchase soft and hardware equipment to lower business operating risks.

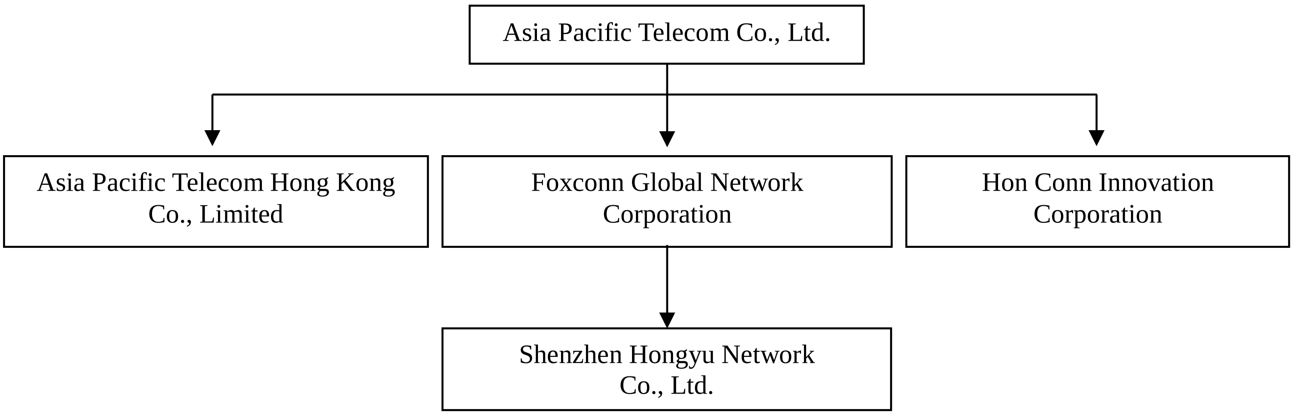
VII.Other significant items：None.

Chapter VIII Special Notes

I. Affiliated Companies

(I) Consolidated Business Report of APTG and Affiliates

1. Affiliated Companies Chart



2. Basic information of Affiliated profile

Unit: in Thousands of NTD, unless stated otherwise

Company	Date of Incorporation	Address	Paid-in Capital	Main Business Activities
Asia Pacific Telecom Hong Kong Co., Limited	2000/11/17	29th Floor, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Central, Hong Kong	HKD 7,800,002	Telecommunication
Foxconn Global Network Corporation	2014/07/10	6F., No.32, Ln. 407, Sec. 2, Tiding Blvd., Neihu Dist., Taipei City 11493, Taiwan (R.O.C.)	255,360	System Integration Service
Hon Conn Innovation Corporation	2014/03/05	5F., No.32, Jihu Rd., Neihu Dist., Taipei City 11492, Taiwan (R.O.C.)	8,000	System Software Dsign
Shenzhen Hongyu Network Co., Ltd.	2018/07/12	Room 201, Building A, No. 1, Qianwanyi Road, Shengang Cooperative District, Qianhai, Shenzhen City	RMB 521,114.16	System Integration Service

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

4. Directors, supervisors and general managers of Affiliated Companies

Unit: Number of Shares; %

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	% of Owner-ship
Asia Pacific Telecom Hong Kong Co., Limited	Director	Asia Pacific Telecom Co., Ltd. Representative: Annie Hung	7,800,002	100.00%
Foxconn Global Network Corporation	Chairman	Asia Pacific Telecom Co., Ltd. Representative: Nan-Ren Huang	14,180,000	55.53%
	Director	Baoxin International Investment Co., Ltd. Representative :Peng Chen	1,000,000	3.92%
	Director	Asia Pacific Telecom Co., Ltd. Representative: Shang- Chen Kao	14,180,000	55.53%
	Supervisor	Hon Yuan International Investment Co., Ltd. Representative: Hung-Ying Hsu	10,077,000	39.46%

Unit: Number of Shares; %

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	% of Owner-ship
	General Manager	Deng- Song Chiou	—	—
Hon Conn Innovation Corporation	Chairman	Asia Pacific Telecom Co., Ltd. Representative : Peng Chen	510,000	63.75%
	Director	Asia Pacific Telecom Co., Ltd. Representative: Klim Huang	510,000	63.75%
	Director & General Manage	Everett Chang	275,500	34.44%
	Supervisor	Annie Hung	—	—
Shenzhen Hongyu Network Co., Ltd.	Director& General Manage	Foxconn Global Network Corporation Representative : Peng Chen	521,114.16	100%
	Supervisor	Su-Chen Kung	—	—

5. Affiliated Company Business Overview

December 31 2018

Unit: In Thousands of NTD, unless stated otherwise

Company	Paid-in Capital	Total Assets	Total Liabilities	Total Equity	Operating Revenue	Operating Income(Loss)	Profit (Loss) (After Tax)	EPS (NT$) (After Tax)
Asia Pacific Telecom Hong Kong Co., Limited	32,240	3,466	57	3,409	—	(130)	—	—
Foxconn Global Network Corporation	255,360	987,519	737,484	250,035	811,612	54,601	53,899	2.21
Hon Conn Innovation Corporation	8,000	28,376	18,935	9,441	35,128	5,230	5,501	5.06
Shenzhen Hongyu Network Co., Ltd.	2,323	2,998	925	2,073	999	(291)	(289)	NA

Note: Exchange rates: RMB1=4.53 as of December 31, 2018; Average exchange rates: RMB1=4.54 for 2018

(II) Affiliated Company Consolidated Financial Statements: Information required to be disclosed regarding affiliated company consolidated financial statements is included in Annex1 Consolidated Financial Statements. The Company will no longer prepare a separate consolidated financial statement for affiliated companies.

(III) Affiliation Report: The Company is not the subsidiary of any other company, so no affiliation report is required.

II. Private Placement Securities from last year up to the Annual Report being Published: None.

III. The Company's Shares Held or Disposed by Subsidiaries from last year up to the Annual Report being Published: None.

IV. Other Supplementary Information: None.

Chapter IX Any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the Company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

Annex1

ASIA PACIFIC TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS DECEMBER 31, 2018 AND 2017

Notice to Readers

For the convenience of readers and for information purpose only, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities that are 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 those included in the consolidated financial statements of Asia Pacific Telecom Co., Ltd. and its subsidiaries prepared in conformity with the International Financial Reporting Standard 10 "Consolidated Financial Statements". Relevant information that should be disclosed in the combined financial statements of affiliates is included in the consolidated financial statements of Asia Pacific Telecom Co., Ltd. and its subsidiaries. Consequently, Asia Pacific Telecom Co., Ltd. do not prepare a separate set of combined financial statements of affiliates.

Asia Pacific Telecom Co., LTD.

Chairman: Feng-Ming Lu

March 14, 2019

Independent Auditors' Report Translated from Chinese

Financial Review No. 18002913 (2018)

To the Board of Directors and Shareholders of Asia Pacific Telecom Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Asia Pacific Telecom Co., Ltd. and its subsidiaries (the "Group") as at December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements of the year ended December 31, 2018 are stated as follows:

Key audit matter – Accuracy of revenue calculation on telecommunication service

Description

For accounting policies applied to revenue recognition, please refer to Note 4(27). For details of revenue, please refer to Note 6(20).

The Group's revenue are mainly generated from providing telecommunication services and selling mobile phones, etc. Telecommunication services revenue consist of voice/text and mobile data service. Revenue recognition on telecommunication service is calculated by contractual rate and actual usage. Due to high transaction volume and the diversification of the telecommunication contracts, the Group's revenue recognition highly relies on the system calculation. Thus, the accuracy of telecommunication service revenue calculation was identified as a key audit matter.

How our audit addressed the matter

Our key audit procedures performed in respect of the above included the following:

1. Obtained an understanding and tested the control activities which management has put in place in regard to the calculation accuracy of telecommunication services.
2. Obtained an understanding of the reasonableness of revenue calculation logic on

telecommunication services and tested the key control activities in relating to traffic volume and contractual rate.

3. Sampled system generated calculation reports of telecommunication services revenue and agreed to customers' bills.
4. Agreed system generated calculation reports of telecommunication services revenue to journal entry vouchers.
5. Agreed the information in customers' contracts to the information in the system.

Key audit matter – Impairment assessment of operating assets

<u>Description</u>

For accounting policies applied to property, plant and equipment and intangible assets, please refer to Notes 4(14) and (16). For accounting policies applied to impairment assessment of non-financial assets, please refer to Note 4(17). For critical accounting estimates and key sources of assumption uncertainty applied to property, plant and equipment, intangible assets and other operating assets, please refer to Note 5(2). For details of account items, please refer to Notes 6(6), (7) and (8).

The Group's operating assets represents a significant percentage of total assets, and the valuation of these assets is affected by the overall industry developments and the Group's operation. The Group used the value in use to estimate the recoverable amount which involves management's judgements, such as the estimation of future cash flows and the determination of discount rate, etc. Management's judgements mentioned above involve future years' forecast which are highly uncertain and have a material impact to the estimation of value in use. Therefore, the impairment assessment of operating assets was identified as a key audit matter.

<u>How our audit addressed the matter</u>

Our key audit procedures performed in respect of the above included the following:

1. We assessed the expected future cash flows prepared by management and its decision process, compared and assessed the consistency of the expected future cash flows with operation plans.

2. We also obtained and assessed the information provided by the Group and the valuation report prepared by external professional valuers engaged by the Group.
   (1)Compared the parameters used in predicting future cash flows with historical experience, economic and industrial forecasts.
   (2)Compared the parameters used in determining discount rate with the assumptions on capital cost of cash generating units, and with returns rate on similar assets.
   (3)Verified the valuation model calculation.
   (4)Assessed the future cash flow sensitivity analysis prepared by management based on the alternative hypothesis using different discount rates, and confirmed management has appropriately considered the possible impact on the estimation uncertainty of impairment assessment.

Other matter – Parent company only financial statements

We have audited and issued an unqualified opinion on the parent company only financial statements of Asia Pacific Telecom Co., Ltd. as at and for the years ended December 31, 2018 and 2017.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Lin, Chun-Yao   Huang, Shih-Chun

For and on behalf of PricewaterhouseCoopers, Taiwan

March 14, 2019

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the consolidated financial statements are the responsibility of the management, PricewaterhouseCoopers, Taiwan cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

ASIA PACIFIC TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2018 AND 2017

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

			December 31, 2018		December 31, 2017	
	ASSETS	**Notes**	**Amount**	**%**	**Amount**	**%**
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 1,002,049	3	$ 2,750,949	8
1110	Financial assets at fair value through profit or loss-current	6(2)	-	-	410,683	1
1140	Contract assets-current	6(20) and 7(2)	261,427	1	-	-
1150	Notes receivable, net	6(3)	11,886	-	263,880	1
1170	Accounts receivable, net	6(3)	1,416,905	4	1,420,226	4
1180	Accounts receivable, net-related parties	6(2) and 7(2)	144,561	-	75,453	-
1200	Other receivables		126,884	-	124,734	-
1220	Current income tax assets	6(26)	18,353	-	20,130	-
130X	Inventories	6(4)	653,329	2	265,177	1
1410	Prepayments	7(2)	350,471	1	315,640	1
1470	Other current assets	6(5) and 8	132,780	-	131,513	-
11XX	**Total current assets**		4,118,645	11	5,778,385	16
	Non-current assets					
1560	Contract assets-non-current	6(20) and 7(2)	166,239	-	-	-
1543	Financial assets measured at cost-non-current		-	-	4,008	-
1600	Property, plant and equipment	6(6) and 7(2)	12,104,127	32	12,538,880	34
1780	Intangible assets	6(7) and 7(2)	12,128,141	32	12,630,881	35
1840	Deferred income tax assets	6(26)	4,418,515	12	3,358,558	9
1900	Other non-current assets	6(8)(9), 7(2) and 8	4,788,091	13	2,013,488	6
15XX	**Total non-current assets**		33,605,113	89	30,545,815	84
1XXX	**Total Assets**		$ 37,723,758	100	$ 36,324,200	100

(Continued)

ASIA PACIFIC TELECOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

			December 31, 2018		December 31, 2017	
	LIABILITIES AND EQUITY	**Notes**	**Amount**	**%**	**Amount**	**%**
	Current liabilities					
2100	Short-term borrowings	6(10)	$ 1,130,000	3	$ -	-
2110	Contract liabilities-current	6(20) and 7(2)	268,668	1	-	-
2150	Notes payable		20,651	-	14,110	-
2170	Accounts payable		1,315,207	4	1,056,526	3
2180	Accounts payable – related parties	7(2)	55,195	-	31,539	-
2200	Other payables	6(11) and 7(2)	3,173,395	8	3,178,725	9
2130	Current tax liabilities	6(26)	1,739	-	-	-
2250	Provisions for liabilities - current	6(13) and 9(1)	37,620	-	210,538	-
2300	Other current liabilities	6(12)	51,993	-	217,633	1
21XX	**Total current liabilities**		6,054,468	16	4,709,071	13
	Non-current liabilities					
2550	Provisions for liabilities - non-current	6(13)	322,100	1	254,016	-
2570	Deferred tax liabilities	6(26)	195,498	-	-	-
2600	Other non-current liabilities	6(14)(16)	288,241	1	287,091	1
25XX	**Total non-current liabilities**		805,839	2	541,107	1
2XXX	**Total Liabilities**		6,860,307	18	5,250,178	14
	Equity attributable to owners of parent					
	Share capital					
3110	Common shares	6(17)	42,982,322	114	42,982,322	118
	Capital surplus					
3200	Capital surplus	6(18)	6,786,827	18	6,754,926	19
	Retained earnings					
3310	Legal reserve	6(19)	535,041	2	535,041	2
3350	Accumulated deficit	6(19)	(19,555,705)	(52)	(19,286,100)	(53)
3400	**Other equity**					
	Other equity		21	-	-	-
31XX	**Equity attributable to owners of the parent**		30,748,506	82	30,986,189	86
36XX	**Non-controlling interests**		114,945	-	87,833	-
3XXX	**Total Equity**		30,863,451	82	31,074,022	86
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	**Total Liabilities and Equity**		$ 37,723,758	100	$ 36,324,200	100

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

ASIA PACIFIC TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT LOSSES PER SHARE AMOUNT)

			For the years ended December 31,			
			2018		2017	
		Notes	Amount	%	Amount	%
4000	**Operating revenue**	6(20) and 7(2)	$ 14,565,959	100	$ 13,707,498	100
5000	**Operating costs**	6(4)(24)(25) and 7(2)	(13,200,355)	(91)	(12,119,928)	(89)
5900	**Gross profit**		1,365,604	9	1,587,570	11
	Operating expenses	6(24)(25), 7(2)(3)				
6100	Selling expenses		(4,650,048)	(32)	(4,267,754)	(31)
6200	General and administrative expenses		(1,484,204)	(10)	(1,510,703)	(11)
6450	Expected credit impairment loss	12(2)	(158,516)	(1)	-	-
6000	**Total operating expenses**		(6,292,768)	(43)	(5,778,457)	(42)
6900	**Operating loss**		(4,927,164)	(34)	(4,190,887)	(31)
	Non-operating income and expenses					
7010	Other income	6(21) and 7(2)	228,278	2	116,538	1
7020	Other gains and losses	6(22)	(53,357)	-	(178,880)	(1)
7050	Finance costs	6(23)	(2,103)	-	(65)	-
7000	**Total non-operating income and expenses**		172,818	2	(62,407)	-
7900	**Loss before income tax**		(4,754,346)	(32)	(4,253,294)	(31)
7950	Income tax benefit	6(26)	1,486,614	10	218,677	1
8200	**Loss for the year**		($ 3,267,732)	(22)	($ 4,034,617)	(30)
	Other comprehensive income (loss), net					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311	Gains (loss) on remeasurements of defined benefit plans		$ 8,710	-	($ 69,452)	-
8349	Income tax related to components of other comprehensive (loss) income that will not be reclassified to profit or loss	6(26)	682	-	11,807	-
8310	**Components of other comprehensive income that will be reclassified to profit or loss**		9,392	-	(57,645)	-
	Exchange difference on translation					
8361	Exchange differences on translation of foreign financial statements		38	-	-	-
8360	**Total components of other comprehensive income that will be reclassified to profit or loss**		38	-	-	-
8500	**Total comprehensive loss for the year**		($ 3,258,302)	(22)	($ 4,092,262)	(30)
	Profit (loss), attributable to:					
8610	Owners of parent		($ 3,293,990)	(22)	($ 4,011,504)	(30)
8620	Non-controlling interests		$ 26,258	-	($ 23,113)	-
	Comprehensive income (loss) attributable to:					
8710	Owners of parent		($ 3,284,577)	(22)	($ 4,069,149)	(30)
8720	Non-controlling interests		$ 26,275	-	($ 23,113)	-
9750	**Basic losses per share**	6(27)	($ 0.77)		($ 0.93)	
9850	**Diluted losses per share**	6(27)	($ 0.77)		($ 0.93)	

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

ASIA PACIFIC TELECOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		Equity attributable to owners of the parent										
			Capital surplus			Retained earnings		Other equity				
	Notes	Common shares	Share premium	Employee stock options	Others	Legal reserve	Accumulated deficit	Exchange difference on translation of foreign financial statements	Treasury stock	Total	Non-controlling interests	Total equity
Year 2017												
Balance at January 1, 2017		$ 43,006,270	$ 6,626,648	$ 61,406	$ 1,747	$ 535,041	($ 15,198,367)	$ -	($ 46,220)	$ 34,986,525	$ 110,946	$ 35,097,471
Net loss for 2017		-	-	-	-	-	(4,011,504)	-	-	(4,011,504)	(23,113)	(4,034,617)
Other comprehensive loss for 2017		-	-	-	-	-	(57,645)	-	-	(57,645)	-	(57,645)
Total comprehensive loss for 2017		-	-	-	-	-	(4,069,149)	-	-	(4,069,149)	(23,113)	(4,092,262)
Compensation cost of employee stock options	6(15)	-	-	68,813	-	-	-	-	-	68,813	-	68,813
Retirement of treasury stock		(23,948)	(3,688)	-	-	-	(18,584)	-	46,220	-	-	-
Balance at December 31, 2017		$ 42,982,322	$ 6,622,960	$ 130,219	$ 1,747	$ 535,041	($ 19,286,100)	$ -	$ -	$ 30,986,189	$ 87,833	$ 31,074,022
Year 2018												
Balance at January 1, 2018		$ 42,982,322	$ 6,622,960	$ 130,219	$ 1,747	$ 535,041	($ 19,286,100)	$ -	$ -	$ 30,986,189	$ 87,833	$ 31,074,022
Effect of retrospective application and retrospective restatement	3(1)	-	-	-	-	-	3,014,993	-	-	3,014,993	-	3,014,993
Balance at January 1, 2018 after adjustments		42,982,322	6,622,960	130,219	1,747	535,041	(16,271,107)	-	-	34,001,182	87,833	34,089,015
Net loss for 2018		-	-	-	-	-	(3,293,990)	-	-	(3,293,990)	26,258	(3,267,732)
Other comprehensive income for 2018		-	-	-	-	-	9,392	21	-	9,413	17	9,430
Total comprehensive (loss) income for 2018		-	-	-	-	-	(3,284,598)	21	-	(3,284,577)	26,275	(3,258,302)
Compensation cost of employee stock options	6(15)	-	-	30,880	1,021	-	-	-	-	31,901	837	32,738
Options for employee stock options forfeired		-	-	(6,048)	6,048	-	-	-	-	-	-	-
Balance at December 31, 2018		$ 42,982,322	$ 6,622,960	$ 155,051	$ 8,816	$ 535,041	-$ 19,555,705	$ 21	$ -	$ 30,748,506	$ 114,945	$ 30,863,451

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

ASIA PACIFIC TELECOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	For the years ended December 31, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		($ 4,754,346)	($ 4,253,294)
Adjustment to reconcile loss before tax to net cash (used in) provided by operating activities:			
Depreciation	6(24)	2,768,096	2,400,123
Amortisation	6(24)	1,527,226	1,264,385
Amortisation on assets recognised as incremental costs to obtain contract with customers	6(8)	2,858,657	-
Bad debt expense	12(4)	-	202,247
Expected credit impairment losses	12(2)	158,516	-
Net loss (gain) on financial assets at fair value through profit or loss	6(22)	3,005	(1,782)
Interest expense	6(23)	2,103	65
Interest income	6(21)	(11,396)	(32,310)
Compensation cost of employee stock option	6(15)	32,738	68,813
Loss on disposal of property, plant and equipment	6(22)	42,255	168,506
Property, plant, equipment transferred to costs and expenses		9,456	2,943
Loss on disposal of intangible assets	6(22)	(559)	3,851
Provision for litigation loss	6(22)	7,528	5,184
Reversal of provision	6(13)	(144,446)	(3,054)
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets held for trading		411,686	653,874
Contract assets		41,929	-
Notes receivable, net		251,994	265,223
Accounts receivable		(168,688)	(246,791)
Accounts receivable-related parties, net		(69,108)	7,911
Other receivables		(2,770)	(15,413)
Inventories		(386,081)	(60,763)
Prepayments		(34,831)	554
Assets recognised as incremental costs to obtain contract with customers		(2,446,062)	-
Net changes in liabilities relating to operating activities			
Contract liabilities		73,379	-
Notes payable		6,541	(1,484)
Accounts payable		258,681	(167,831)
Accounts payable-related parties		23,656	12,218
Other payables		(125,574)	51,846
Other current liabilities		29,649	-
Provisions		(36,000)	(7,215)
Receipts in advance		-	(69,389)
Net defined benefit liabilities		(25,441)	(21,898)
Other non-current liabilities		13,593	(611)
Cash provided by operations		315,386	225,908
Income tax paid		(987)	(2,382)
Income tax received		5,301	3,208
Net cash provided by operating activities		319,700	226,734

(Continued)

ASIA PACIFIC TELECOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	For the years ended December 31, 2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6(29)	($ 2,441,421)	($ 3,461,103)
Proceeds from disposal of property, plant and equipment		1,630	489
Acquisition of intangible assets	6(7)	(411,847)	(218,428)
Proceeds from disposal of intangible assets		1,118	-
Increase in refundable deposits		(140,425)	(1,082,768)
Decrease in refundable deposits		91,932	1,109,485
Increase in other current assets		(1,267)	(1,253)
Increase in other non - current assets		(330,190)	(135,703)
Interest received		12,016	45,391
Net cash used in investing activities		(3,218,454)	(3,743,890)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short - term borrowings	6(30)	1,130,000	-
Increase in guarantee deposits received		95,783	66,180
Decrease in guarantee deposits received		(74,705)	(79,634)
Interest paid		(1,892)	(65)
Net cash flows from (used in) financing activities		1,149,186	(13,519)
Effect of exchange rate		38	-
Decrease in cash and cash equivalents		(1,748,900)	(3,530,675)
Cash and cash equivalents at beginning of the year		2,750,949	6,281,624
Cash and cash equivalents at end of the year		$ 1,002,049	$ 2,750,949

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

Asia Pacific Telecom Co., Ltd. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. ORGANIZATION AND OPERATION

(1) Asia Pacific Telecom Co., Ltd. (the "Company"; the Company and its subsidiaries (collectively, the "Group")), formerly named Eastern Broadband Telecommunications Co. Ltd., was incorporated in May 2000, in accordance with the Company Act of the Republic of China, Telecommunication Act and other relevant regulations in the Telecommunication Industry, and began its operations in March 2001. The Company was renamed as Asia Pacific Telecom Co., Ltd. after several mergers and acquisitions. The Company is mainly engaged in rendering fixed network communication services and mobile communication services.

(2) The Company's ordinary shares were listed on the Taiwan Over-The-Counter Securities Exchange in December 2011, and then transferred to be listed on the Taiwan Stock Exchange in August 2013.

2. THE AUTHORIZATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 14, 2019.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(1) Effect of the adoption of new and revised International Financial Reporting Standards ("IFRSs") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the Group assessed and concluded that the above standards and interpretations have no significant impact to the Group's financial condition and financial performance.

A. IFRS 9, 'Financial instruments'

(a) Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

(b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on the instrument since initial recognition to recognize 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables and contract assets that do not contain a significant financing component.

(c) The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9, the details of the significant effect as at January 1, 2018 are as follows.

B. <u>IFRS 15, 'Revenue from contracts with customers' and amendments</u>

(a) IFRS 15, 'Revenue from contracts with customers' replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognized when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer.

Step 2: Identify separate performance obligations in the contract(s).

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

Step 5: Recognize revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

(b) Incremental costs of obtaining a contract

IFRS 15 requires that an entity capitalize the incremental costs of obtaining a contract with a customer if it expects to recover those costs. Contract cost assets are amortized on a consistent basis with the expected pattern of transfer of the related goods or services under the contract.

(c) The Group has elected not to restate prior period financial statements and recognized the cumulative effect of initial application as retained earnings at January 1, 2018, using the modified retrospective approach under IFRS 15. The Group applied retrospectively IFRS 15 only to incomplete contracts as of January 1, 2018, by adopting an optional transition expedient. The significant effects as of January 1, 2018 are summarized below.

The significant effects on initial application of IFRS 9 and IFRS 15 as of January 1, 2018 are summarized below:

Affected consolidated balance sheet accounts January 1, 2018		Amount under 2017 IFRSs		Effect of initial application		Amount under 2018 IFRSs	Note
Contract assets - current	$	-	$	297,251	$	297,251	(b) and (c)
Accounts receivable, net		1,420,226	(	10,514)		1,409,712	(b)
Financial assets at fair value through profit or loss - non - current		-		4,008		4,008	(a)
Financial assets at cost - non - current		4,008	(	4,008)		-	(a)
Contract assets - non - current		-		169,365		169,365	(b) and (c)
Other non - current assets		2,013,488		3,180,930		5,194,418	(d)
Total affected assets			$	3,637,032			
Contract liabilities-current	$	-	$	195,289	$	195,289	(e)
Other current liabilities		217,633	(	195,289)		22,344	(e)
Deferred tax liabilities		-		622,039		622,039	(f)
Total affected liabilities			$	622,039			
Accumulated deficit	(	19,286,100)		3,014,993	(	16,271,107)	(b), (c), (d) and (f)
Total affected equity			$	3,014,993			

Note:

(a) By following the classification requirements under IFRS 9, the Group reclassified financial assets held at cost of $4,008 to financial assets at fair value through profit or loss.

(b) By following the requirements of IFRS 9 on impairment assessment, accounts receivable, contract assets - current and contract assets – non - current will be decreased by $10,514, $7,331 and $4,177, respectively and accumulated deficit will be increased by $22,022.

(c) Telecommunication services provided by the Group involve multiple performance obligations. Under the previous accounting policy, revenue was recognized by the time when the significant risk and rewards of individual service or products are transferred, part of revenue were measured by using residual method. Under IFRS 15, the Group re-identifies the obligation of the contract by using the 5 steps of revenue recognition, and allocates total price based on stand-alone sale price, then recognizes revenue at a time or in the period the obligation is satisfied. Therefore, contract assets - current and contract assets – non - current will be increased by $304,582 and $173,542 and accumulated deficit will be decreased by $478,124.

(d) Under the previous accounting policy, the Group recognized incremental costs of obtaining a telecommunication service contract as expense when incurred. Under IFRS 15, the Group shall recognize such incremental costs as an asset if the Group expects to recover these costs. Therefore, the other non-current assets will be increased by $3,180,930 and accumulated deficit will be decreased by $3,180,930.

(e) The Group recognized advance receipts from telecommunication service as other current liabilities under the previous accounting policy. In accordance with IFRS 15, advance receipts were reclassified as contract liabilities - current amounting to $195,289.

(f) When adopting IFRS 9 and 15, the Group will have to adjust assets and liabilities which would result in temporary differences between the carrying amount and its tax base. Therefore, deferred tax liabilities and accumulated deficit will be increased by $622,039 and $622,039, respectively.

(g) Please refer to Notes 12(4) and (5) for other disclosures in relation to the first application of IFRS 9 and IFRS 15.

(2)Effect of new issuances or amendments to IFRSs as endorsed by FSC but not yet adopted

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	**Effective date by International Accounting Standards Board**
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
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
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the Group assessed and concluded that the above standards and interpretations have no significant impact to the Group's financial condition and financial performance:

IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognize a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

The Group does not intend to restate the financial statements of prior period (modified retrospective approach) and increased both 'right-of-use assets' and 'lease liability' by $3,214,591 on January 1, 2019.

(3)IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	**Effective date by International Accounting Standards Board**
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Statement of compliance

The accompanying consolidated financial statements have been prepared in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, the accompanying consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets at fair value through profit or loss.

(b) Defined benefit liabilities recognized based on the present value of defined benefit obligation less pension fund assets.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognized as retained earnings as of January 1, 2018 and the financial statements on December 31, 2017 were not restated. The financial statements on December 31, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

(3)Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b)Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c)Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)		
			December 31		
Name of investor	Name of subsidiary	Main business activities	2018	2017	Description
The Company	Asia Pacific Telecom Hong Kong Co., Ltd.	Telecommunication	100.00%	100.00%	
The Company	Foxconn Global Network Corporation	System integration service	55.53%	55.53%	
The Company	Hon Conn Innovation Corp.	System software design	63.75%	63.75%	
Foxconn Global Network Corporation	Shenzhen Hongyu Network Co., Ltd.	System integration service	100%	-	Notes

Note : On May 22, 2018, the Board of Foxconn Global Network Corporation (the company's subsidiary) has resolved to establish Shenzhen Hongyu Network Co., Ltd. and then was officially established on July 12, 2018. As of December 31, 2018, the registered capital of Shenzhen Hongyu Network Co., Ltd. was RMB 5,100 thousand, and the paid-in capital was USD 76 thousand.

C. Subsidiaries excluded in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4)Foreign currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates the "functional currency". The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All resulting exchange differences are recognized in other comprehensive income.

(5)Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realized within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6)Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7)Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

(8) Financial assets at amortized cost

A. Financial assets at amortized cost are those that meet all of the following criteria:

(a) The objective of the Group's business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognized in profit or loss when the asset is derecognized or impaired.

D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

For financial assets at amortized cost, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(12) Operating leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(13) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(14) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	5~50 years
Computer and communication equipment	3~25 years
Others	2~5 years

(15) Operating leases (lessee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

(16) Intangible assets

A. Concession

Concession obtained individually is stated initially at its cost and is amortized on a straight-line basis over its useful life as follows:

(a) The concession of the third generation of mobile communication business (3G) started from year 2003 and amortized until 2016. The useful life of the concession is 13 years.

(b) The concession of mobile broadband spectrum business (4G) 700MHz frequency group started from December 2014 and is amortized until 2030. The useful life of the concession is 16 years.

(c) The concession of mobile broadband spectrum business (4G) 2600MHz frequency group started from October 2017 and is amortized until 2033. The useful life of the concession is 16 years.

(d) The Group obtained the concession of mobile broadband spectrum business (4G) 700MHz frequency group through business combination in December 2015 and is amortized until 2030. The useful life of the concession is 15 years.

(e) The Group obtained the concession of mobile broadband spectrum business (4G) 900MHz frequency group through business combination in December 2015 and is amortized until 2030. The useful life of the concession is 15 years.

B. Computer software

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 3 to 10 years.

C. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

(17) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

B. The recoverable amounts of goodwill are evaluated at end of every year. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(18) Borrowings

Borrowings comprise short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(19) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(21) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(22) Provisions

Provisions (including decommissioning liabilities and compensation for litigation, etc.) are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(23) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognized immediately in profit or loss.

C. Employees' compensation, directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(24) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(25) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings.

C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(26) Share capital

A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

B. Where the Company repurchases the Company’s equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company’s equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company’s equity holders.

(27) Revenue recognition

Certain contracts with customers involve multiple performance obligations, such as telecommunication service bundled with handsets. Total consideration received from these contracts is allocated to each performance obligation based on their relative stand-alone selling prices. The Group recognizes revenue when the performance obligation is fulfilled. Meanwhile, a contract asset is recognized when the service rendered exceeds the amount payable by the customers, otherwise a contract liability is recognized.

A. Telecommunication service revenue

The Group renders telecommunication service. Service revenue is measured by the fair value of the consideration received or receivable taking into account of business tax and rebates for the sale of goods to external customers in the ordinary course of the Group's activities. The main methods of revenues recognition are as follows:

(a) The communication charges of fixed network and mobile services, as well as the connection charges among telecom operators, are recognized on the basis of the contract terms, which are calculated by predetermined rates and the actual usage volume.

(b) Fixed monthly service fees are recognized monthly.

(c) Prepaid card revenue is recognized on the basis of the actual usage volume by the customers.

B. Sales of goods

Revenue from sale of goods are recognized when ownership of products transfer to customers, that is, when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

C. System integration services

(a) The Group renders customized computer hardware and software integration and maintain services. Revenue from rendering services is recognized in the period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the percentage of completion, the percentage of completion is determined based on terms of each contract.

(b) Some contracts include sales and system integration services of equipment. The equipment and system integration services provided by the Group are not distinct and are identified as one performance obligation, which is satisfied at a point of time since the integration services involve significant customization. Revenue from services are recognized when their ownership transfer to customers.

D. Incremental costs of obtaining a contract

The Group recognizes an asset (shown as 'other non-current assets') the incremental costs (mainly comprised of sales commissions) of obtaining a telecommunication contract if the Group expects to recover those costs. The recognized asset is amortized and consistent with the transfers to the customer of the goods or services to which the asset relates. The Group recognizes an impairment loss to the extent that the carrying amount of the asset exceeds the remaining amount of consideration that the Group expects to receive less the costs that have not been recognized as expenses.

E. Financing components

The Group's policy of telecommunication service revenue, sales revenue and system integration services is to the customer with a right of return set by each contract. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

F. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(28) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate.

(29) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Chief Operating Decision-Maker is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1)Critical judgements in applying the Group's accounting policies

The Group has assessed that its accounting policies have no significant uncertainty.

(2)Critical accounting estimates and assumptions

A. Impairment assessment of tangible and intangible assets (excluding goodwill)

The Group assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilized and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Group strategy might cause adjustments on impairment of assets.

B. Realization of deferred income tax assets

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Assessment of the realization of deferred income tax assets involves critical accounting judgements and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, available tax credits, tax planning, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause adjustments to deferred income tax assets.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1)Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand and revolving funds	$ 9,244	$ 6,192
Checking accounts and demand deposits	836,383	1,638,458
Cash equivalents (Time deposits)	156,422	1,106,299
	$ 1,002,049	$ 2,750,949

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of default is remote.

B. Details of the Group's cash and cash equivalents pledged as collaterals and transferred to other current and non-current assets (restricted deposits) are provided in Notes 6(5), 6(8) and 8.

(2)Financial assets at fair value through profit or loss

		December 31, 2018
Non-Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Unlisted stocks	$	26,490
Valuation adjustment	(	26,490)
	$	-

A. For the year ended December 31, 2018, the Group recognized net profit (loss) amounting to ($3,005) on financial assets mandatorily measured at fair value through profit or loss.

B. The Group has no financial assets at fair value through profit or loss pledged as collateral.

C. Information relating to credit risk is provided in Note 12(2).

D. The information on December 31, 2017 is provided in Note 12(4).

(3)Notes and accounts receivable

		December 31, 2018
Notes receivable	$	11,886
Accounts receivable	$	1,539,270
Accounts receivable due from related parties		144,561
	$	1,683,831
Less: Loss allowance	(	122,365)
	$	1,561,466

A. The ageing analysis of notes receivable and accounts receivable is as follows:

	December 31, 2018					
		Notes receivable		Accounts receivable		Total
Not past due	$	11,886	$	1,367,910	$	1,379,796
Up to 90 days		-		241,496		241,496
91 to 180 days		-		69,242		69,242
Over 180 days		-		5,183		5,183
	$	11,886	$	1,683,831	$	1,695,717

The above ageing analysis was based on past due date.

B. The Group does not hold any collateral as security.

C. Information relating to credit risk is provided in Note 12(2).

D. The information on December 31, 2017 is provided in Note 12(4).

(4)Inventories

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Merchandise	$ 336,760	($ 42,913)	$ 293,847
Work in progress	333,456	-	333,456
Raw materials	28,053	(2,027)	26,026
	$ 698,269	($ 44,940)	$ 653,329

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Merchandise	$ 255,701	($ 28,472)	$ 227,229
Work in progress	26,306	-	26,306
Raw materials	14,610	(2,968)	11,642
	$ 296,617	($ 31,440)	$ 265,177

A. Inventories are not pledged as collateral.

B. Expense and loss incurred on inventories were as follows:

	Years ended December 31,	
	2018	2017
Cost of sales	$ 3,381,619	$ 2,315,738
Loss on decline in market value	13,501	1,473
Loss on scrapped inventories	7,816	1,449
	$ 3,402,936	$ 2,318,660

(5)Other current assets

	December 31, 2018	December 31, 2017
Restricted bank deposits	$ 132,780	$ 131,513

Details of the Group's other current assets pledged as collateral are provided in Note 8.

(6)Property, plant and equipment

	Land	Buildings and Structures	Computer and communication equipment	Construction in progress and equipment to be inspected	Others	Total
Balance at January 1, 2018						
Cost	$ 515,348	$ 557,473	$ 35,673,853	$ 1,318,367	$ 371,041	$ 38,436,082
Accumulated depreciation and impairment	-	(202,133)	(25,517,038)	-	(178,031)	(25,897,202)
	$ 515,348	$ 355,340	$ 10,156,815	$ 1,318,367	$ 193,010	$ 12,538,880
2018						
Beginning balance at January 1	$ 515,348	$ 355,340	$ 10,156,815	$ 1,318,367	$ 193,010	$ 12,538,880
Additions	-	-	1,908,182	630,416	22,554	2,561,152
Disposals	(300)	(806)	(36,221)	-	(6,558)	(43,885)
Transfers	-	-	1,018,869	(1,210,391)	7,598	(183,924)
Depreciation	-	(13,545)	(2,681,106)	-	(73,445)	(2,768,096)
	$ 515,048	$ 340,989	$ 10,366,539	$ 738,392	$ 143,159	$ 12,104,127
Balance at December 31, 2018						
Cost	$ 515,048	$ 556,459	$ 31,875,046	$ 738,392	$ 386,733	$ 34,071,678
Accumulated depreciation and impairment	-	(215,470)	(21,508,507)	-	(243,574)	(21,967,551)
	$ 515,048	$ 340,989	$ 10,366,539	$ 738,392	$ 143,159	$ 12,104,127

	Land	Buildings and Structures	Computer and communication equipment	Construction in progress and equipment to be inspected	Others	Total
Balance at January 1, 2017						
Cost	$ 515,348	$ 557,929	$ 36,899,064	$ 1,317,906	$ 402,273	$ 39,692,520
Accumulated depreciation and impairment	-	(188,109)	(27,322,471)	-	(190,479)	(27,701,059)
	$ 515,348	$ 369,820	$ 9,576,593	$ 1,317,906	$ 211,794	$ 11,991,461
2017						
Beginning balance at January 1	$ 515,348	$ 369,820	$ 9,576,593	$ 1,317,906	$ 211,794	$ 11,991,461
Additions	-	-	2,095,730	1,193,127	48,665	3,337,522
Disposals	-	-	(167,926)	-	(1,069)	(168,995)
Transfers	-	-	970,847	(1,192,666)	834	(220,985)
Depreciation	-	(14,480)	(2,318,429)	-	(67,214)	(2,400,123)
	$ 515,348	$ 355,340	$ 10,156,815	$ 1,318,367	$ 193,010	$ 12,538,880
Balance at December 31, 2017						
Cost	$ 515,348	$ 557,473	$ 35,673,853	$ 1,318,367	$ 371,041	$ 38,436,082
Accumulated depreciation and impairment	-	(202,133)	(25,517,038)	-	(178,031)	(25,897,202)
	$ 515,348	$ 355,340	$ 10,156,815	$ 1,318,367	$ 193,010	$ 12,538,880

The Group has no capitalized interest as well as no pledged property, plant and equipment.

(7)Intangible assets

	4G concession	3G concession	Computer software	Goodwill	Total
Balance at January 1, 2018					
Cost	$ 14,169,255	$ 5,293,691	$ 1,435,140	$ 1,617	$ 20,899,703
Accumulated amortisation and impairment	(2,001,283)	(5,293,691)	(973,848)	-	(8,268,822)
	$ 12,167,972	$ -	$ 461,292	$ 1,617	$ 12,630,881
2018					
Beginning balance at January 1	$ 12,167,972	$ -	$ 461,292	$ 1,617	$ 12,630,881
Additions	-	-	411,847	-	411,847
Disposals	-	-	(559)	-	(559)
Transfers	-	-	241,914	-	241,914
Amortisation	(904,400)	-	(251,542)	-	(1,155,942)
	$ 11,263,572	$ -	$ 862,952	$ 1,617	$ 12,128,141
Balance at December 31, 2018					
Cost	$ 14,169,255	$ -	$ 2,087,565	$ 1,617	$ 16,258,437
Accumulated amortisation and impairment	(2,905,683)	-	(1,224,613)	-	(4,130,296)
	$ 11,263,572	$ -	$ 862,952	$ 1,617	$ 12,128,141

	4G concession	3G concession	Computer software	Goodwill	Total
Balance at January 1, 2017					
Cost	$ 14,169,255	$ 5,293,691	$ 1,083,729	$ 1,617	$ 20,548,292
Accumulated amortisation and impairment	(1,199,576)	(5,293,691)	(872,884)	-	(7,366,151)
	$ 12,969,679	$ -	$ 210,845	$ 1,617	$ 13,182,141
2017					
Beginning balance at January 1	$ 12,969,679	$ -	$ 210,845	$ 1,617	$ 13,182,141
Additions	-	-	218,428	-	218,428
Disposals	-	-	(3,851)	-	(3,851)
Transfers	-	-	192,555	-	192,555
Amortisation	(801,707)	-	(156,685)	-	(958,392)
	$ 12,167,972	$ -	$ 461,292	$ 1,617	$ 12,630,881
Balance at December 31, 2017					
Cost	$ 14,169,255	$ 5,293,691	$ 1,435,140	$ 1,617	$ 20,899,703
Accumulated amortisation and impairment	(2,001,283)	(5,293,691)	(973,848)	-	(8,268,822)
	$ 12,167,972	$ -	$ 461,292	$ 1,617	$ 12,630,881

A. Details of amortization on intangible assets are as follows:

	Years ended December 31, 2018	2017
Operating costs	$ 1,014,147	$ 819,199
Selling expenses	4,166	2,641
Administrative expenses	137,629	136,552
	$ 1,155,942	$ 958,392

The Group has no capitalized interest as well as no pledged intangible assets.

(8)Other non-current assets

	December 31, 2018	December 31, 2017
Refundable deposits	$ 209,820	$ 161,327
Long-term prepayments		
- Utility duct access	1,278,477	1,461,115
- International submarine cable circuit access	25,133	36,938
- Other long-term prepayments	436,372	303,009
Restricted bank deposits	69,954	51,099
Incremental costs of obtaining a contract	2,768,335	-
	$ 4,788,091	$ 2,013,488

A. Utility duct access

In January 2001, the Company entered into a use of assets contract with Taiwan Railways Administration (“TRA”). According to the contract, TRA provides the right to use 50% of the capacity of optical fiber duct (30 cm width), which was along the same path on both of the rails for 25 years since the Ministry of Transportation and Communication issues the 3G license. Under the contract, the Company should pay $8,425,569 as the compensation of the 25-year use right to TRA, and both parties agree that TRA can use the compensation of $8,000,000 as the capital to invest in the Group. Under the contract, the Group should pay $100,000 per year to TRA for 25 years as the compensation of the use right, and TRA no longer allows other telecom companies to use the optical fiber ducts; if any, the Group can deduct the payment based on the percentage that the other telecom companies used. For the years ended December 31, 2018 and 2017, the Group has recognized the amortized expenses on the use right of optical fiber ducts of $182,638 and $182,640, respectively.

B. International submarine cable circuit access

The Group signed IRU (Indefeasible Right of Use) contracts of submarine cable network system with the international telecommunication branches of Chunghwa Telecom Co., Ltd. and other telecommunication operators. According to the contracts, the Group had to pay the full rents of submarine cables and facilities of submarine cable landing stations on the contract date in advance. For the years ended December 31, 2018 and 2017, the Group has recognized the amortized expenses on these IRU contracts amounting to $11,805 and $14,064, respectively.

C. Other long-term prepayments

The Group’s other prepayments are mainly for installments and testing expenses. For the years ended December 31, 2018 and 2017, the aforementioned amortized expenses on long-term prepayments were $176,841 and $109,289, respectively.

D. Incremental costs of obtaining a contract

The Group recognizes an asset (shown as 'other non-current assets') the incremental costs (mainly comprised of sales commissions) of obtaining a contract with a customer if the Group expects to recover those costs. The recognized asset is amortized on a systematic basis that is consistent with the transfers to the customer of the goods or services to which the asset relates. The Group recognized expenses of $2,858,657 and $0 for amortized cost in profit or loss for the years ended December 31, 2018 and 2017, respectively.

(9) Overdue receivables

The Group reclassified accounts receivable which have been overdue for six months to overdue receivables. Overdue receivables (shown as other non-current assets) are set forth below:

	December 31, 2018	December 31, 2017
Overdue receivables	$ 451,723	$ 425,584
Less: Loss allowance	(451,723)	(425,584)
	$ -	$ -

(10) Short-term borrowings

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Bank borrowings - unsecured borrowings	$ 1,130,000	1.05%~1.41%	None

There were no short-term borrowings as of December 31, 2017.

(11) Other payables

	December 31, 2018	December 31, 2017
Payable on equipment	$ 1,124,422	$ 1,004,691
Commission payable	474,224	791,654
Accrued salaries and bonuses	479,583	425,706
Accrued maintenance fee	396,821	399,338
Accrued concession fee and popularization service	57,800	56,440
Others	640,545	500,896
	$ 3,173,395	$ 3,178,725

(12) Other current liabilities

	December 31, 2018	December 31, 2017
Receipts in advance	$ -	$ 195,289
Others	51,993	22,344
	$ 51,993	$ 217,633

(13) Provisions

	Legal claims	Decommissioning liabilities	Total
Balance at January 1, 2018	$ 210,538	$ 254,016	$ 464,554
Additions	7,528	68,084	75,612
Reversal	(144,446)	-	(144,446)
Paid	(36,000)	-	(36,000)
Balance at December 31, 2018	$ 37,620	$ 322,100	$ 359,720

	Legal claims	Decommissioning liabilities	Total
Balance at January 1, 2017	$ 215,623	$ 264,659	$ 480,282
Additions	5,184	-	5,184
Reversal	(3,054)	(10,643)	(13,697)
Paid	(7,215)	-	(7,215)
Balance at December 31, 2017	$ 210,538	$ 254,016	$ 464,554

Analysis of provisions:

	December 31, 2018	December 31, 2017
Current	$ 37,620	$ 210,538
Non-current	$ 322,100	$ 254,016

A. Legal claims

(a) The Group serves as the joint guarantor for the borrowings of Ryh An Co., Ltd. and King Tung Co., Ltd. Thus, Union Insurance Co. has filed a legal claim. Details of provision and provision paid are provided in Note 9(1).

(b) Securities and Futures Investors Protection Center (the “Center”) has filed a legal claim for misstatement of China Rebar Co., Ltd. and Chia Hsin Food and Synthetic Fiber Co., Ltd. and claimed that the Group is liable for indemnity to the shareholders as the Group appointed representatives as directors to the above companies. Details of the estimate and payments of provision are provided in Note 9(1).

B. Decommissioning liabilities

In accordance with the applicable agreements or the law/regulation requirement, the Group bears dismantling, removing the asset and restoring the site obligations for certain base stations in the future. Provision is recognized for the present value of costs to be incurred for dismantling, removing the asset and restoring the site. It is expected that the decommissioning activities will occur.

(14) Pensions

A. Defined benefit pension plan

(a) The Group has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Group contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Group would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Group will make contributions to cover the deficit by next March.

(b) The amounts recognized in the balance sheet are determined as follows:

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	($ 333,243)	($ 356,710)
Fair value of plan assets	247,651	236,967
Net defined benefit liability (shown as other non-current liabilities)	($ 85,592)	($ 119,743)

(c)Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of Plan assets	Net defined benefit liability
For the year ended December 31, 2018			
Balance at January 1	($ 356,710)	$ 236,967	($ 119,743)
Current service cost	(386)	-	(386)
Interest (expense) income	(4,431)	2,992	(1,439)
Past service cost	21,330	-	21,330
	(340,197)	239,959	(100,238)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	6,689	6,689
Change in demographic assumptions	(1,821)	-	(1,821)
Change in financial assumptions	(10,465)	-	(10,465)
Experience adjustments	14,307	-	14,307
	2,021	6,689	8,710
Pension fund contribution	-	5,936	5,936
Paid pension	4,933	(4,933)	-
Balance at December 31	($ 333,243)	$ 247,651	($ 85,592)

	Present value of defined benefit obligations	Fair value of Plan assets	Net defined benefit liability
For the year ended December 31, 2017			
Balance at January 1	($ 321,153)	$ 248,964	($ 72,189)
Current service cost	(387)	-	(387)
Interest (expense) income	(4,688)	3,674	(1,014)
Past service cost	15,419	-	15,419
	(310,809)	252,638	(58,171)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(1,308)	(1,308)
Change in demographic assumptions	(236)	-	(236)
Change in financial assumptions	(53,100)	-	(53,100)
Experience adjustments	(14,808)	-	(14,808)
	(68,144)	(1,308)	(69,452)
Pension fund contribution	-	6,513	6,513
Paid pension	22,243	(20,876)	1,367
Balance at December 31	($ 356,710)	$ 236,967	($ 119,743)

(d) The Bank of Taiwan was commissioned to manage the Fund of the Group's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Group has no right to participate in managing and operating that fund and hence the Group is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The key actuarial assumptions used were as follows:

	Years ended December 31,	
	2018	2017
Discount rate	1.00%	1.25%
Salary adjustment rate	3.00%	3.00%

Mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

The present value of defined benefit obligation will be affected if any of the key actuarial assumptions moved. The sensitivity analysis is as follow:

	Discount rate		Salary adjustment rate	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2018				
Effect on present value of defined benefit obligation	($ 10,031)	$ 10,461	$ 10,228	($ 9,864)
December 31, 2017				
Effect on present value of defined benefit obligation	($ 11,113)	$ 11,602	$ 11,373	($ 10,954)

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.

(f)Expected contributions to the defined benefit pension plans from the Group for the year ending December 31, 2019 amounts to $8,387.

(g)As of December 31, 2018, the weighted average duration of that retirement plan is 12 years. The analysis of timing of the future pension payment was as follows:

	Amounts
Within 1 year	$ 5,439
1-2 year(s)	13,397
2-5 years	37,817
Over 5 years	309,882
	$ 366,535

B. Defined contribution pension plan

(a)Effective July 1, 2005, the Group has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Group contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b)The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2018 and 2017 were $88,037 and $79,499, respectively.

(15) Share-based payment

A. The Group's share-based payment arrangements are as follows:

(a)On August 4, 2015, the Board of the company resolved the issuance of stock options (Employee stock options A) and expected to grant 85,000 units (1,000 shares per unit) to full time employees of the Group. The stock price shall not be lower than the closing price of the issuing date of the Company's common shares. The abovementioned issuance of stock options shall be effective within one year of receipt of approval by the Authority. The stock option's contract period is 5 years and can be exercised after two years' vesting period.

The Company's share-based payment arrangements are as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions	Settlement method
Employee stock options A	2016.04.20	77,123 thousand shares	5 years	Vested 60% after 2 years' service; Vested 100% after 3 years' service	Equity-settled
Employee stock options A	2016.05.18	7,338 thousand shares	5 years	Vested 60% after 2 years' service; Vested 100% after 3 years' service	Equity-settled

(b)On November 16, 2018, the Board of the subsidiary resolved to issue employee stock options of 3,800 units (1,000 shares per unit) for the Group's full-time employees (Employee stock options B), the subscription price shall be determined by the Board of the subsidrary. The vesting period is 90 days, the employees may, within 5 days upon the stock options were vested, exercise the rights in accordance with the employee stock options plan.

Details of the share-based payment arrangements of subsidiaries are as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions	Settlement method
Employee stock options B	2018.12.21	3,800 units	95 days	90 days after issuance	Equity-settled

B. Details of the share-based payment arrangements are as follows:

	2018		2017	
	Number of options (in thousands)	Weighted-average exercise price (in dollars)	Number of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	66,712	$ 10.70	76,871	$ 10.70
Options granted	3,800	11.00	-	-
Options forfeited	(5,436)	10.70	(10,159)	10.70
Options outstanding at December 31	65,076	10.72	66,712	10.70
Options exercisable at December 31	35,463	-	-	-

C. The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

			December 31, 2018		December 31, 2017	
Type of arrangement	Grant date	Expiry date	Number of options (in thousands)	Exercise price (in dollars)	Number of options (in thousands)	Exercise price (in dollars)
Employee stock options A	2016.04.20	2021.04.20	56,695	$ 10.70	61,935	$ 10.70
Employee stock options A	2016.05.18	2021.05.18	4,581	10.70	4,777	10.70
Employee stock options B	2018.12.21	2019.03.27	3,800	11.00	-	-

D. The fair value of stock options is measured by using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility (Note)	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock options A	2016.04.20	$ 10.70	$ 10.70	33.10%	3.7 years	0%	0.53%	$ 2.7496
Employee stock options A	2016.05.18	10.60	10.70	33.28%	3.7 years	0%	0.53%	2.7000
Employee stock options B	2018.12.21	14.97	11.00	30.20%	0.26 years	0%	0.47%	4.0000

Note: Employee stock options A is derived by using the Company's stock historical trading record for an estimated sample interval equal to the expected duration of the options. Employee stock options B calculates the expected price volatility using the stock prices of listed companies in the same industry over the past year.

E. Expenses incurred on share-based payment transactions are shown below:

	Years ended December 31,	
Wages and salaries	2018	2017
Employee stock options A	$ 30,880	$ 68,813
Employee stock options B	1,858	-
	$ 32,738	$ 68,813

	Years ended December 31,	
Capital surplus	2018	2017
Employee stock options A	$ 30,880	$ 68,813
Employee stock options B	1,021	-
	$ 31,901	$ 68,813

	Years ended December 31,	
Non-controlling interests	2018	2017
Employee stock options B	$ 837	$ -

(16) Other non-current liabilities

	December 31, 2018	December 31, 2017
Net defined benefit liability	$ 85,592	$ 119,743
Guarantee deposits received	179,296	157,588
Others	23,353	9,760
	$ 288,241	$ 287,091

(17) Share capital

As of December 31, 2018, the Company's authorized capital was $65,680,000, consisting of 6,568,000 thousand shares (including 500,000 thousand shares reserved for the exercise of stock options, preferred shares and convertible bonds). The Company's issued capital was $42,982,322, consists of 4,298,232 thousand shares with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected. The number of the Company's outstanding shares remains unchanged during 2018.

(18) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient. Movements in capital surplus for the years ended December 31, 2018 and 2017 are provided in the consolidated statements of changes in equity.

(19) Retained earnings

A. Under the Company's Articles of Incorporation as amended and resolved by the shareholders on June 22, 2016, the current year's earnings, if any, shall first be used to pay all taxes and offset prior year's operating losses and then 10% of the remaining amount shall be set aside as legal reserve; and special reserve is set aside or reversed in accordance with the Competent Authority. The appropriation of the remainder along with the unappropriated earnings in prior years, shall be proposed by the Board of Directors and be resolved by the shareholders.

According to the Company's dividend policy, cash dividends shall account for at least 50% of the total dividends distributed. The dividend appropriation ratio and cash dividend ratio may be decided through the resolution of the shareholders' meeting taking into consideration the status of the Company's working capital requirements and capital expenditures planning.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

D. The Company incurred deficits for the years ended December 31, 2018 and 2017. The Board of the Company proposed, in their meeting on March 14, 2019 and the shareholders of the Company resolved, in their meeting on June 20, 2018, that no earnings would be distributed.

E. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(25).

(20) Operating revenue

		Year ended December 31, 2018
Revenue from contract with customers		
Telecommunication revenue	$	10,961,990
Non-telecommunication revenue		3,603,969
	$	14,565,959

A. Disaggregation of revenue from contracts with customers

For the information on disaggregation of revenue, please refer to Note 14(3).

B. Contract assets and liabilities

(a)The Group has recognized the following revenue-related contract assets and liabilities:

		December 31, 2018
Contract assets:		
Contract assets-telecommunication service	$	436,195
Contract assets-loss allowance	(	8,529)
	$	427,666
Contract liabilities:		
Contract liabilities-telecommunication service and others	$	268,668

(b)Contract liabilities at beginning of the year recognize revenue:

		Year ended December 31, 2018
Contract liabilities balance at beginning of the year recognize revenue		
Telecommunication revenue	$	192,291
Non-telecommunication revenue		2,988
	$	195,279

C.Assets recognized from costs to obtaining a contract

The incremental costs related to obtaining a telecommunication contract was recognized as expense under previous accounting policies. Under IFRS 15, the Group shall recognize such incremental costs as an asset if the Group expects to recover these costs. Please refer to Note 3(1) for further explanations. For the details on incremental costs recognized during the year ended December 31, 2018, please refer to Note 6(8).

D.Related disclosures for 2017 operating revenue are provided in Note 12(5).

(21) Other income

	Years ended December 31, 2018	Years ended December 31, 2017
Rent income	$ 4,130	$ 3,500
Interest income	11,396	32,310
Reversal of provision	144,446	-
Overdue payables reclassified to other income	25,195	25,601
Others	43,111	55,127
	$ 228,278	$ 116,538

(22) Other gains and losses

	Years ended December 31, 2018	Years ended December 31, 2017
Net (losses) gains on financial assets mandatorily measured at fair value through profit or loss	($ 3,005)	$ 1,782
Net foreign exchange losses	(305)	(1,709)
Losses on disposal of property, plant and equipment	(42,225)	(168,506)
Gains (losses) on disposal of intangible assets	559	(3,851)
Estimated litigation loss	(7,528)	(5,184)
Others	(823)	(1,412)
	($ 53,327)	($ 178,880)

(23) Finance costs

	Years ended December 31, 2018	Years ended December 31, 2017
Borrowing interests	$ 1,993	$ 13
Others	110	52
	$ 2,103	$ 65

(24) Expenses by nature

	Years ended December 31, 2018	Years ended December 31, 2017
Employee benefit expense	$ 2,118,227	$ 2,033,855
Depreciation on property, plant and equipment	$ 2,768,096	$ 2,400,123
Amortisation on intangible assets and other (non-current) assets	$ 1,527,226	$ 1,264,385
Incremental costs of obtaining a contract (commission expense)	$ 3,126,485	$ 2,769,245

(25) Employee benefit expense

	Years ended December 31, 2018	Years ended December 31, 2017
Wages and salaries	$ 1,809,743	$ 1,748,200
Labor and health insurance expenses	157,411	142,156
Pension costs	68,532	65,481
Directors' remuneration	4,275	4,787
Others	78,296	73,257
	$ 2,118,257	$ 2,033,881

A. According to the Articles of Incorporation of the Company, the current year's earnings, if any, shall first be used to offset prior years' operating losses then distribute compensation to the employees and pay remuneration to the directors that account for 1% to 3% and not exceeding 1%, respectively, of the total distributed amount. The profit distributable as employees' compensation distributed can be in the form of shares or in cash. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive aforementioned stock or cash may be specified in the Articles of Incorporation.

The aforementioned current year's earnings represents current year's pre-tax profit excluding employees' compensation and directors' remuneration distributed.

The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation distributed in the form shares or in cash and directors' compensation distributed in the form of cash; and in addition thereto a report of such distribution shall be submitted to the shareholders at the shareholders' meeting.

B. For the years ended December 31, 2018 and 2017, there were no employees' compensation nor directors' and supervisors' remuneration accrued.

Employees' compensation and directors' and supervisors' remuneration of 2017 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2017 financial statements.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(26) Income tax

A. Income tax benefit

(a) Components of income tax benefit:

	Years ended December 31, 2018	2017
Current tax:		
Current tax liabilities	$ 1,739	$ -
Current tax assets	(18,353)	(20,130)
Prior years' tax refundable	17,971	17,748
Current withholding and provisional tax	584	2,382
Prior year income tax (over) underestimation	(2,739)	15
Total current tax	(798)	15
Deferred tax:		
Origination and reversal of temporary difference	(1,005,325)	(218,692)
Others:		
Impact of change in tax rate	(480,491)	-
Income tax benefit	($ 1,486,614)	($ 218,677)

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Years ended December 31, 2018	2017
Remeasurement of defined benefit obligations	$ 1,742	($ 11,807)
Impact of change in tax rate	(2,424)	-
	($ 682)	($ 11,807)

(c) For the years ended December 31, 2018 and 2017, the Group has no income tax (charged)/credit relating to equity.

B. Reconciliation between income tax benefit and accounting profit

	Years ended December 31, 2018	2017
Tax calculated based on loss before tax and statutory tax rate	($ 950,869)	($ 723,060)
Revaluation of realisation of taxable losses	-	493,278
Effects from tax exemptions	(1,143)	(1,184)
Impact of change in tax rate	(480,491)	-
Effects from adjustments mandated by regulations	(54,111)	12,289
Income tax benefit	($ 1,486,614)	($ 218,677)

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and taxable losses are as follows:

	Year ended December 31, 2018			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Unused compensated absences	$ 8,742	$ 4,020	$ -	$ 12,762
Accrued pension liabilities	20,356	(3,920)	682	17,118
Impairment of assets	790,760	(233,457)	-	557,303
Others	37,322	34,183	-	71,505
Taxable losses	2,501,378	1,258,449	-	3,759,827
	3,358,558	1,059,275	682	4,418,515
-Deferred tax liabilities:				
Contract assets	(81,281)	51,105	-	(30,176)
Assets recognised as incremental costs to obtain contract with customers	(540,758)	375,436	-	(165,322)
	(622,039)	426,541	-	(195,498)
	$ 2,736,519	$ 1,485,816	$ 682	$ 4,223,017

	Year ended December 31, 2017			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Unused compensated absences	$ 10,059	($ 1,317)	$ -	$ 8,742
Accrued pension liabilities	12,272	(3,723)	11,807	20,356
Impairment of assets	1,140,474	(349,714)	-	790,760
Others	38,417	(1,095)	-	37,322
Taxable losses	1,926,837	574,541	-	2,501,378
	$ 3,128,059	$ 218,692	$ 11,807	$ 3,358,558

D. Expiration dates of the Group's unused taxable losses and amounts of unrecognized deferred tax assets are as follows:

(a) December 31, 2018

i. The Company

Year incurred	Amount filed/assessed	Unused amount	Unrecognised deferred tax assets	The last expiry year
2014-Assessed	$ 304,912	$ 304,912	$ 304,912	2019
2015-Amount filed	2,854,671	2,854,671	2,854,671	2020
2016-Amount filed	13,314,373	13,314,373	5,011,946	2026
2017-Amount filed	6,445,270	6,445,270	-	2027
2018-Amount filed	4,051,438	4,051,438	-	2028
	$ 26,970,664	$ 26,970,664	$ 8,171,529	

ii. Subsidiaries - Foxconn Global Network Corporation

As of December 31, 2018, there were no unused tax losses.

(b) December 31, 2017

i. The Company

Year incurred	Amount filed/assessed	Unused amount	Unrecognized deferred tax assets	The last expiry year
2013-Assessed	$ 2,388,898	$ 2,388,898	$ 2,388,898	2018
2014-Amount filed	310,923	310,923	310,923	2019
2015-Amount filed	2,854,671	2,854,671	2,854,671	2020
2016-Amount filed	13,314,373	13,314,373	5,011,946	2026
2017-Amount filed	6,411,553	6,411,553	-	2027
	$ 25,280,418	$ 25,280,418	$ 10,566,438	

ii. Subsidiaries - Foxconn Global Network Corporation

Year incurred	Amount filed/assessed	Unused amount	Unrecognized deferred tax assets	The last expiry year
2014-Assessed	$ 1,981	$ 1,119	$ 1,119	2024
2015-Assessed	2,565	2,565	2,565	2025
2016-Amount filed	3,102	3,102	3,102	2026
2017-Amount filed	40,335	40,335	40,335	2027
	$ 47,983	$ 47,121	$ 47,121	

E. The amounts of deductible temporary difference that are not recognized as deferred tax assets are as follows:

	December 31, 2018	December 31, 2017
Deductible temporary differences	$ 599,882	$ 2,021,947

Deductible temporary differences mentioned above were mainly composed of overstated allowance for doubtful accounts, unrealized loss on creditor's rights and unrealized investment losses.

F. The Company's income tax returns through 2014 have been assessed and approved by the Tax Authority; Foxconn Global Network Corporation and Hon Conn Innovation Corporation, the subsidiaries' income tax returns through 2016 have been assessed and approved by the Tax Authority.

G. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(27) Loss per share

	Year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Loss per share (in dollars)
Basic loss per share			
Loss attributable to ordinary shareholders of the parent	($ 3,293,990)	4,298,232	($ 0.77)
Diluted loss per share			
Loss attributable to ordinary shareholders of the parent	($ 3,293,990)	4,298,232	
Effect of potential dilutive ordinary shares:			
Employees' compensation	-	-	
Loss attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	($ 3,293,990)	4,298,232	($ 0.77)

	Year ended December 31, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Loss per share (in dollars)
Basic loss per share			
Loss attributable to ordinary shareholders of the parent	($ 4,011,504)	4,298,232	($ 0.93)
Diluted loss per share			
Loss attributable to ordinary shareholders of the parent	($ 4,011,504)	4,298,232	
Effect of potential dilutive ordinary shares:			
Employees' compensation	-	-	
Loss attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	($ 4,011,504)	4,298,232	($ 0.93)

(28) Operating leases

The Group leases switch centers, base transceiver stations, offices, stores and circuit services under non-cancellable operating lease agreements. The lease terms are between one and five years. The Group recognized rental expenses of $1,561,130 and $1,479,361 for these leases in profit or loss for the years ended December 31, 2018 and 2017, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018	December 31, 2017
Less than one year	$ 1,278,259	$ 1,209,056
Between one and five years	2,037,487	2,036,819
	$ 3,315,746	$ 3,245,875

(29) Supplemental cash flow information

Investing activities with partial cash payments:

	Years ended December 31,	
	2018	2017
Purchase of property, plant and equipment	$ 2,561,152	$ 3,337,522
Add: Beginning balance of payable on equipment	1,004,691	1,128,272
Less: Ending balance of payable on equipment	(1,124,422)	(1,004,691)
Cash paid	$ 2,441,421	$ 3,461,103

(30) Changes in liabilities from financing activities

	Short-term borrowings
January 1, 2018	$ -
Changes in cash flow from financing activities	1,130,000
December 31, 2018	$ 1,130,000

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship with the Company

Related party	Relationship with the Company
Taiwan Railways Administration	Director
Hua Eng Wire And Cable Co., Ltd.	Director
Hon Hai Precision Industry Co., Ltd. And Subsidiaries	Group with significant influence to the Company
Foxsemicon Integrated Technology Inc.	Investor’s associate with significant influence to the Company

Related party	Relationship with the Company
Cybertan Technology, Inc.	Investor’s associate with significant influence to the Company
Ennoconn Corporation	Investor’s associate with significant influence to the Company
G-Tech Optoelectronics	Investor’s associate with significant influence to the Company
Taiwan Intelligent Fiber Optic Network Co., Ltd.	Investor’s associate with significant influence to the Company
Trans-IoT Technology Co., Ltd.	Investor’s associate with significant influence to the Company
Innolux Corporation	Investor’s associate with significant influence to the Company
Cheng Uei Precision Industry Co., Ltd.	Investor’s associate with significant influence to the Company
General Interface Solution Limited	Investor’s associate with significant influence to the Company
Yankey Inc	Investor’s associate with significant influence to the Company
Advanced Optoelectronic Technology Inc.	Investor’s associate with significant influence to the Company
Zhen Ding Technology Co., Ltd.	Investor’s associate with significant influence to the Company
Vas Creative Co., Ltd.	Investor’s associate with significant influence to the Company
Dexatek Technology Ltd.	Investor’s associate with significant influence to the Company
Sharp (Taiwan) Electronics Corporation	Investor’s associate with significant influence to the Company
Hyxen Technology Co., Ltd.	Investor’s associate with significant influence to the Company
Garuda Technology Co., Ltd.	Investor’s associate with significant influence to the Company
Aurora Telecom Corporation	Investor’s associate with significant influence to the Company
Caswell INC.	Investor’s associate with significant influence to the Company
Maxnerva Technology Services Ltd	Investor’s associate with significant influence to the Company
Pan-International Industrial Co.	Investor’s associate with significant influence to the Company
Inquartik Corporation	Investor’s associate with significant influence to the Company

Related party	Relationship with the Company
Huanghe Asset Management Co., Ltd.	Investor's associate with significant influence to the Company
Tekcon Electronics Corp.	Investor's associate with significant influence to the Company
Sio International Holdings Limited (Cayman)	Investor's associate with significant influence to the Company
All the directors, President and main management	Management and governing body

(2)Significant transactions with related parties

A. Sales

(a) Operating revenue

The details of telecommunication services and sales to related parties are as follows:

	Years ended December 31, 2018	Years ended December 31, 2017
Groups with significant influence to the Group	$ 303,529	$ 229,821
Management of the Group	4,541	692
Other related parties	252,352	42,443
	$ 560,422	$ 272,956

The selling price and credit terms of the operating revenue resulting from telecommunication services to related parties are not significantly different from those with the other customers. Credit term for Group's franchisees is within 60 days, and credit term for the customers other than franchisers is in accordance to contract terms.

(b) Accounts receivable/contract liabilities/other current liabilities

i. The details of accounts receivable arising from the above related party transactions were as follows:

	December 31, 2018	December 31, 2017
Groups with significant influence to the Group	$ 94,061	$ 66,004
Management of the Group	-	1
Other related parties	50,500	9,448
	$ 144,561	$ 75,453

ii. The details of advance receipts (shown as contract liabilities/other current liabilities) arising from the above related party transactions were as follows:

	December 31, 2018	December 31, 2017
Groups with significant influence to the Group	$ 67	$ -
Other related parties	257	11
	$ 324	$ 11

B. Purchases

(a) Operating costs

The details of purchases from related parties were as follows:

	Years ended December 31,	
	2018	2017
Groups with significant influence to the Group	$ 152,731	$ 73,869
Other related parties	99,478	95,730
	$ 252,209	$ 169,599

The purchase price was agreed in the contract with related parties. The payment terms were the same as those with other vendors.

(b) Accounts payable

The details of accounts payable arising from the above related party transactions were as follows:

	December 31, 2018	December 31, 2017
Groups with significant influence to the Group	$ 43,691	$ 16,289
Other related parties	11,504	15,250
	$ 55,195	$ 31,539

C. Property transactions

(a) Purchase of property, plant and equipment/intangible assets

The details of the Group's purchases of equipment/intangible assets from related parties were as follows:

	Years ended December 31,	
	2018	2017
Groups with significant influence to the Group	$ 17,866	$ 22,346
Other related parties	5,901	2,613
	$ 23,767	$ 24,959

(b)Other payables

The details of other payables arising from the above related party transactions were as follows:

	December 31, 2018	December 31, 2017
Groups with significant influence to the Group	$ 12,797	$ 12,074
Other related parties	139	960
	$ 12,936	$ 13,034

(c) Proceeds from disposal of intangible assets

The details of proceeds from disposal of intangible assets from related parties were as follows:

	Years ended December 31,			
	2018		2017	
	Disposal proceeds	(Loss) gain on disposal	Disposal proceeds	(Loss) gain on disposal
Groups with significant influence to the Group	$ 1,118	$ 559	$ -	$ -

As of December 31, 2018 and 2017, other receivables arising from the aforementioned related party transactions amounted to $0.

D. Leases

(a) Operating costs/ operating expenses

The details of rents for leasing switch centers and office buildings from related parties were as follows:

	Years ended December 31,	
	2018	2017
Groups with significant influence to the Group	$ 72,552	$ 80,739
Management of the Group	48,677	46,229
Other related parties	2,063	2,062
	$ 123,292	$ 129,030

The amounts of rents for the aforementioned related party transactions were negotiated by both the Group and the related parties, and the payments were paid on monthly basis.

(b) Prepayments/ other non-current assets/ other payables

i. The details of prepayments arising from the aforementioned related party leasing transactions were as follows:

	December 31, 2018	December 31, 2017
Groups with significant influence to the Group	$ 76	$ -
Management of the Group	3,182	2,234
	$ 3,258	$ 2,234

ii. The details of refundable deposits (shown as other non-current assets) arising from the above related party leasing transactions were as follows:

	December 31, 2018	December 31, 2017
Groups with significant influence to the Group	$ 9,309	$ 9,987
Management of the Group	2,585	2,122
Other related parties	26	26
	$ 11,920	$ 12,135

iii. The details of other payables arising from the above related party leasing transactions were as follows:

	December 31, 2018	December 31, 2017
Groups with significant influence to the Group	$ 588	$ 832
Management of the Group	105	-
Other related parties	127	-
	$ 820	$ 832

E. Other transactions

(a) Operating costs/ prepayments

i. The details of compensation of the use right of optical fiber cable to TRA were as follows:

	Years ended December 31,	
	2018	2017
Management of the Group	$ 100,000	$ 100,000

ii. The details of prepayments arising from the above related party transaction were as follows:

	December 31, 2018	December 31, 2017
Management of the Group	$ 4,839	$ 4,839

(b) Operating costs/ operating expenses/ other payables

i. The details of maintenance fees, service fees, contracted research expense, utilities expense and advertisement expense (shown as operating costs and operating expenses) arising from the above related party transactions were as follows:

	Years ended December 31,	
	2018	2017
Entities with significant influence to the Group	$ 37,468	$ 29,943
Management of the Group	1,595	2,022
Other related parties	489,446	3,094
	$ 528,509	$ 35,059

ii. The details of other payables arising from the above related party transaction were as follows:

		December 31, 2018		December 31, 2017
Entities with significant influence to the Group	$	8,301	$	11,801
Other related parties		35,181		45
	$	43,482	$	11,846

(c) Other payables

The details of other payables arising from the advanced travel expense paid by related parties were as follows:

		December 31, 2018		December 31, 2017
Management of the Group	$	2,800	$	2,800

(3)Key management compensation

	Years ended December 31,			
		2018		2017
Short-term employee benefits	$	64,779	$	65,971
Share-based payments		5,231		13,224
Post-employment benefits		1,378		1,326
	$	71,388	$	80,521

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

	Book value				
Pledged asset		December 31, 2018		December 31, 2017	Purpose
Other current assets (restricted deposits)	$	132,780	$	131,513	Guarantee for prepaid card
Other non-current assets (restricted deposits)		69,954		51,099	Switch center lease guarantee and performance bond
	$	202,734	$	182,612	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1)Contingencies

A. In 2006, Wang Chin She Ying used, without the consent of the Company, the Company's facilities and its shares in Chia Hsin Food and Synthetic Fiber Co.,Ltd. and China Rebar Co., Ltd. as collateral for a loan from Union Insurance Company taken out by Ryh An Co., Ltd. and King

Tung Co., Ltd.. The guarantee line for the collateral was $120,000. The Company acted as the guarantor of such loans. The inability of the abovementioned companies to repay the loan caused significant loss for the Company. Thus, the Company, as guarantor, is liable to repay such loans. Since Ryh An Co., Ltd. and King Tung Co., Ltd. had overdue loans of $60,000 each to Union Insurance Company, Union Insurance Company filed civil lawsuits against these two companies and to the Company. Union Insurance Company demanded for the principal amount of the loan as well as the interests and the default penalty for breach of contract. Union Insurance Company's claim was dismissed in the first instance on December 17, 2014. However, Union Insurance Company filed an appeal on January 8, 2015 and the court of second instance denied its appeal on January 26, 2016. Union Insurance Company filed an appeal for third instance. On October 12, 2016, the Supreme Court rescinded the original judgement and remanded the case to the high court for retrial. The two parties reached a settlement at the High Court on May 15, 2018. The Company paid the settlement of $36,000 to Union Insurance Company, wrote off provision for litigation losses of $180,446 and recognized gains of $144,446. Union Insurance Company has no more request on the case and the Company had made the payment on June 25, 2018. The Company estimated possible litigation losses of $1,728 and $5,184 (shown as 'other gains and losses') for the years ended December 31, 2018 and 2017, respectively. As of December 31, 2018 and 2017, the Company accrued provision for litigation of $0 and $178,718 (shown as 'provisions-current').

B. The Securities and Futures Investors Protection Center (the "Center") sued the directors of China Rebar Co., Ltd. and Chia Hsin Food and Synthetic Fiber Co., Ltd. seeking indemnity for their infringement of right as to the misappropriation of assets between these two companies. As the Company appointed representatives to serve as corporate directors with these two companies from June, 2006 to April, 2007, and they were involved in the preparation of financial statements for the six-month period ended June 30, 2006 and for the nine-month period ended September 30, 2006, if the court decides that the corporate directors of the Company that served with these two companies did not exercise due care of a good manager and should bear the fault in the preparation of the above false financial statements of these two companies, then the Company, together with these two companies, should be liable for the indemnity to the shareholders of these two companies. The Center asked for compensation of $10,269 and $31,694 for the 2006 semi-annual report and 2006 quarterly report, respectively. For the case of China Rebar Co., Ltd., on May 4, 2017, the court of second instance ruled that the Company should pay $4,956 in damages to investors plus interest accrued from January 29, 2008 at a rate of 5% per annum. Neither party decided to appeal the decision, so the second-instance judgement is final. In August 2017, the Company paid out $7,215 in damages. For the case of Chia Hsin Food and Synthetic Fiber Co., Ltd. on August 5, 2015, the Taipei District Court of first instance has rendered a judgement that the Company lost the lawsuit and shall pay compensation of $15,945 and interest. The Company filed an appeal on September 9,

2015. The Center filed an appeal for the part of the judgement that it lost in the first appeal, the result of the case is uncertain. The result of both cases is uncertain and difficult to estimate, thus, the accrued provision for litigation loss was retained. The Company did not accrue any litigation losses for the years ended December 31, 2018 and 2017. As of December 31, 2018 and 2017, the Company accrued provision for litigation losses of $31,820 for both periods (recorded as provisions-current).

C. The Company filed a criminal and civil lawsuit against Wang Yu Tseng and Wang Chin She Ying, alleging embezzlement. The Company is seeking for indemnity for damages as follows:

(a) The above defendants illegally invested $5,700,000 in Ding Sen International Co., Ltd. and Horng Sen International Co., Ltd.; illegally purchased corporate bonds of Li Sen International Co., Ltd., etc. totaling $10,080,000; illegally lent $5,335,000 to Horng Sen International Co., Ltd.; illegally prepaid Ding Sen International Co., Ltd. and Horng Sen International Co., Ltd. totaling $4,246,600 ($2,760,900 of which had not been returned).

(b) The above defendants signed a contract with Tung Ho Multimedia Co. Ltd. to sell the business of cable modem networking and related facilities in March, 2006. Such transaction was approved by the Board of Directors in April, 2006. The Company believes that such transaction damaged the Company's interest, hence, it filed a civil lawsuit.

On April 6, 2017, the Taiwan High Court rendered a decision on the aforementioned lawsuit, ordering Wang Lin Tai and eleven other defendants to pay the Company the amount of $25,704,210 in damages. The Company has appealed the part of the judgement that was not in its favor and the Supreme Court remanded the case to the High Court on June 6, 2018. The part of judgement in favor of the Company are final and the Company would subsequently carry out the enforcement proceedings. According to the Company's attorney, the actual compensation received will depend on the final verdict and the actual assets held by those who are liable for the damages.

(2) Commitments

A. As of December 31, 2018 and 2017, the Group had outstanding contracts of equipment procurements and base transceiver stations construction totaling $2,251,146 and $3,062,744, respectively, that will be paid in the future or paid by issuing promissory notes.

B. The Group leased switch centers, base transceiver stations, offices, stores and circuit service under non-cancellable operating lease agreements. The details of the future aggregate minimum lease payments under non-cancellable operating leases are provided in Note 6(28).

C. The Group entered into a use of assets contract with the Taiwan Railways Administration (TRA). The Group signed the contract with the TRA in January, 2001. Please refer to Note 6(8) for details.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS POST BALANCE SHEET DATE

None.

12. OTHERS

(1)Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the debt to asset ratio. This ratio is calculated as total debts divided by total assets.

During the year ended December 31, 2018, the Group's strategy was unchanged from 2017. The debt to asset ratio was 18% and 14% as of December 31, 2018 and 2017, respectively.

(2)Financial instruments

A. Financial instruments by category

	December 31, 2018	December 31, 2017
Financial assets		
Financial assets at fair value through profit or loss		
Current financial assets held for trading	$ -	$ 410,683
Non-current financial assets at cost	-	4,008
Financial assets at amortised cost/loans and receivables		
Cash and cash equivalents	1,002,049	2,750,949
Current contract assets	261,427	-
Notes receivable, net	11,886	263,880
Accounts receivable, net	1,416,905	1,420,226
Accounts receivable due from related parties, net	144,561	75,453
Other receivables	126,884	124,734
Other current assets-restricted deposits	132,780	131,513
Current contract assets	166,239	-
Other non-current assets-guarantee deposits paid	209,820	161,327
Other non-current assets-restricted deposits	69,954	51,099
	$ 3,542,505	$ 5,393,872

	December 31, 2018	December 31, 2017
Financial liabilities		
Decrease in financial liabilities at amortised cost		
Short-term borrowings	$ 1,130,000	$ -
Notes payable	20,651	14,110
Accounts payable	1,315,207	1,056,526
Accounts payable to related parties	55,195	31,539
Other accounts payable	3,173,395	3,178,725
Other non-current liabilities-guarantee deposits paid	179,296	157,588
	$ 5,873,744	$ 4,438,488

B. Financial risk management policies

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance. Risk management is carried out by a central treasury department (Group treasury) under policies approved by the management level. Group treasury identifies, evaluates and hedges financial risks.

C. Significant financial risks and degrees of financial risks

(a) Market risk

i. Foreign exchange risk

(i) The Group's businesses involve other non-functional currency operations (the Group's and subsidiaries' functional currency: NTD; indirect subsidiary's functional currency: RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2018		
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 8,141	30.715	$ 250,051
Investments accounted for using equity method			
USD:NTD	113	30.715	3,409
RMB:NTD	458	4.529	2,072
Financial liabilities			
Monetary items			
USD:NTD	510	30.715	15,665

	December 31, 2017		
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 5,278	29.760	$ 157,073
Investments accounted for using equity method			
USD:NTD	115	29.760	3,409
Financial liabilities			
Monetary items			
USD:NTD	539	29.760	16,041

(ii) The total exchange (loss) gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2018 and 2017, amounted to ($305) and ($1,709), respectively.

(iii) Analysis of foreign currency market risk arising from significant foreign exchange variation:

	Year ended December 31, 2018		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 2,501	$ -
Financial liabilities			
Monetary items			
USD:NTD	1%	($ 157)	$ -

	Year ended December 31, 2017		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 1,571	$ -
Financial liabilities			
Monetary items			
USD:NTD	1%	($ 160)	$ -

ii. Price risk

(i) The Group's equity instruments, which are exposed to price risk, are the held financial assets at fair value through profit or loss. To manage its price risk arising from investments in equity instruments, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

(ii) The Group's main investments are beneficiary certificates. The prices of these financial assets would change due to the change of the future value of investment targets. If the prices of these financial assets had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2018 and 2017 would have increased/decreased by $0 and $4,107, respectively, as a result of gains/losses on financial assets classified as at fair value through profit or loss.

iii. Cash flow and fair value interest rate risk

(i) The Group's interest rate risk arises from loans from financial institutions. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. The Group has not drawn any borrowing in 2017. For the year ended December 31, 2018, the Group's borrowings at variable rate were mainly denominated in New Taiwan Dollars.

(ii) The Group analyzes its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions. These scenarios are run in specific times in order to decrease flowing interest rate risk. If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, profit after tax for the years ended December 31, 2018 would have increased/decreased by $973. Changes in interest expense mainly results from floating-rate borrowings.

(b)Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored. Credit risk arises from outstanding receivables and investments in beneficiary certificates from telecommunication users and interconnection between telecommunication industries.

ii. The Group takes into consideration the historical experience of each consolidated entities. If the contract payments were past due over 90 days and 180 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

iii. Based on each consolidated entities' past collection experience, the default occurs when the contract payments are past due over 180 days and 360 days.

iv. The Group classifies customers' accounts receivable and contract assets in accordance with each consolidated entities' product types. The Group applies the simplified approach using provision matrix and loss rate methodology to estimate expected credit loss under the provision matrix basis.

v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;

(ii) The disappearance of an active market for that financial asset because of financial difficulties;

(iii) Default or delinquency in interest or principal repayments;

(iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

vi. The Group will continue executing the recourse procedures to secure their rights on the defaulted financial assets. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures.

vii. The Group takes into consideration of forward-looking information to adjust historical experience to assess the default possibility of accounts receivable, notes receivable and contract assets. On December 31, 2018, the provision matrix is as follows:

	Not past due	Up to 90 days	91 to 180 days	181 to 360 days	Over 360 days	Total
December 31, 2018						
Expected loss rate	0.20%~2.82%	0.20%~75.36%	5.00%~96.74%	10.00%~100%	100%	
Total book value	$ 1,815,991	$ 241,496	$ 69,242	$ 81,308	$ 375,598	$ 2,583,635
Loss allowance	($ 31,225)	($ 46,953)	($ 52,716)	($ 76,125)	($ 375,598)	($ 582,617)

viii. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable and contract assets are as follows:

	Year ended December 31, 2018			
	Accounts receivable	Contract assets	Overdue receivables	Total
At January 1_IAS 39	$ 123,775	$ -	$ 425,584	$ 549,359
Adjustments under new standards	10,514	11,508	-	22,022
At January 1_IFRS 9	134,289	11,508	425,584	571,381
Provision for impairment	161,509	-	-	161,509
Reversal of impairment loss	(14)	(2,979)	-	(2,993)
Written-off impairment loss	-	-	(147,280)	(147,280)
Transferred to overdue receivables	(173,419)	-	173,419	-
At December 31	$ 122,365	$ 8,529	$ 451,723	$ 582,617

ix. Credit risk information as of December 31, 2017 is provided in Note 12(4).

(c) Liquidity risk

i. Each operating entity manages and maintains its capital to ensure it has sufficient cash to meet operational needs including fulfillment of contract and financial obligations and monitors the use of its credit facility to ensure that it complies with the loan agreement.

ii. When surplus cash held by the operating entities over and above balance required for working capital management, treasury in each operating entity invests surplus cash in beneficiary certificates, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As of December 31, 2018 and 2017, the Group held beneficiary certificates of $0 and $410,683, respectively, and that are expected to readily generate cash inflows for managing liquidity risk.

iii. The Group has the following undrawn borrowing facilities:

	December 31, 2018	December 31, 2017
Floating rate:		
Expiring within one year	$ 5,877,139	$ 7,260,000

iv. The table below analyzes the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2018	Less than 3 months	Between 3 months and 1year	Between 1 and 2 years	Over 2 years	Total
Non-derivative financial liabilities:					
Short-term borrowings	$ 1,130,571	$ -	$ -	$ -	$ 1,130,571
Notes payable	9,176	11,427	48	-	20,651
Accounts payable	762,293	552,914	-	-	1,315,207
Accounts payable-related parties	32,078	23,117	-	-	55,195
Other payables	3,143,897	29,498	-	-	3,173,395

December 31, 2017	Less than 3 months	Between 3 months and 1year	Between 1 and 2 years	Over 2 years	Total
Non-derivative financial liabilities:					
Notes payable	$ 6,681	$ 7,429	$ -	$ -	$ 14,110
Accounts payable	804,774	251,752	-	-	1,056,526
Accounts payable-related parties	31,539	-	-	-	31,539
Other payables	3,164,201	14,524	-	-	3,178,725

(3)Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in beneficiary certificates is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in equity securities without active market is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The Group did not hold any financial and non-financial instruments relating to this Level.

B. Financial instruments not measured at fair value

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, contract assets, notes receivable, accounts receivable (including related parties), other receivables, other current assets, other non-current assets - refundable deposits, restricted cash in banks, short-term borrowings, short-term notes and bills payable, notes payable, accounts payable (including related parties) and other payables and other non-current liabilities - guarantee deposits received) are approximate to their fair values.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

(a) The related information of natures of the assets and liabilities is as follows:

December 31, 2018

None.

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets-recurring fair value measurements:				
Financial assets at fair value through profit or loss-beneficiary certificates	$ 410,683	$ -	$ -	$ 410,683

(b) The methods and assumptions the Group used to measure fair value are as follows:

i For the instruments the Group used market quoted prices as their fair values (that is, Level 1), beneficiary certificates uses net asset value as its market quoted price.

ii. The fair value of the Group's investment in equity securities without active market is accounted for using the market approach (Price Book Ratio or Price-Earnings Ratio). Observable inputs are using the price in comparable companies as parameter and the fair value is evaluated by taking into consideration the lack of market liquidity after discount.

D. For the years ended December 31, 2018 and 2017, there was no transfer between Level 1 and Level 2, movement in Level 3 nor any transfer into or out from Level 3.

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A. Summary of significant accounting policies adopted in 2017

(a) Financial assets at fair value through profit or loss

i. Financial assets held for trading. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term.

ii. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.

iii. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognized in profit or loss.

(b) Available-for-sale financial assets

Available-for-sale financial assets are initially recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost'.

(c) Loans and receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. They are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(d) Impairment of financial assets

i. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

ii. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

(i) Significant financial difficulty of the issuer or debtor;

(ii) A breach of contract, such as a default or delinquency in interest or principal payments;

(iii) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(iv) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;

(v) The disappearance of an active market for that financial asset because of financial difficulties;

(vi) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(vii) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(viii) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

iii. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

Financial assets measured at amortized cost

(i) The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognized in profit or loss. 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 loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(ii) Financial assets at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognized in profit or loss. Impairment loss recognized for this category shall not be reversed subsequently. Impairment loss is recognized by adjusting the carrying amount of the asset through the use of an impairment allowance account.

B. The information of the reconciliations of carrying amount of financial assets (including allowance for impairment) transferred from December 31, 2017, IAS 39, to January 1, 2018, IFRS 9 is provided in Note 3(1).

C. The significant accounts as of December 31, 2017, are as follows:

(a) Financial assets at fair value through profit or loss

	December 31, 2017
Current items:	
Financial assets held for trading	
Open-end funds	$ 406,195
Valuation adjustment	4,488
	$ 410,683

i. The Group recognized net profit amounting to $1,782 on financial assets held for trading for the year ended December 31, 2017.

ii. The Group's counterparties of investments in debt instrument have good credit quality.

(b) Accounts receivable

	December 31, 2017
Accounts receivable	$ 1,544,001
Less: Allowance for bad debts	(123,775)
	$ 1,420,226

D. Credit risk information for the year ended December 31, 2017 is as follows:

(a) Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored. Credit risk arises from outstanding receivables from telecommunication users and interconnection between telecommunication industries and investment in beneficiary certificates.

(b) For the year ended December 31, 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

(c) The credit quality of accounts receivable that were neither past due nor impaired was in the following categories based on the Group's Credit Quality Control Policy:

	December 31, 2017
Group1-Telecommunication carriers, franchisees and dealers	$ 172,031
Group2-Mobile network customers	431,673
Group3-Fixed network and internet customers	85,722
Group4-Others	19,345
	$ 708,771

Group 1- Telecommunication carriers, franchisees and dealers: Domestic or international telecommunication carriers, franchisees and dealers who sell mobile phones.

Group 2- Mobile network customers: customers who use mobile network services.

Group 3- Fixed network and internet customers: customers who use fixed network and internet services.

Group 4- Others: mainly providing system integration service and software design.

(d) Part of the Group's accounts receivable that were past due and has been assessed to be impaired in full amount was recognized as impaired financial assets. As of December 31, 2017, there were no financial assets that were past due but not impaired.

(e) Movement analysis of financial assets that were impaired is as follows:

i. As of December 31, 2017, part of the Group's accounts receivable that were past due and were not past due have been assessed to be impaired. Accounts receivable with full amount that were impaired amounted to $835,230.

ii. The movements of allowance for uncollectible accounts from the abovementioned impaired accounts receivable has been recognized are as follows:

	year ended December 31, 2017		
	Individual provision	Group provision	Total
Balance, January 1	$ -	$ 104,412	$ 104,412
Provision for impairment	-	202,247	202,247
Transferred to overdue receivables	-	(182,884)	(182,884)
Balance, December 31	$ -	$ 123,775	$ 123,775

(f) The group does not hold any collateral security.

(5)<u>Effects on initial application of IFRS 15 and information on application of IAS 18 in 2017</u>

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 are set out below.

The Group provides telecommunications services, computer software and hardware integration services and sells mobile phones and other products. Revenue is measured at the fair value of the consideration received or receivable taking into account of business tax, returns, rebates and discounts for the telecommunications services and system integration services rendered, and sale of goods to external customers in the ordinary course of the Group's activities. Recognition of major revenue is as follows:

(a) Usage charge of broadband fixed lines services (including local network business, long distance network business and international network business), broadband wireless services, broadband internet services and the related value-added services, and the connection fees which charge other telecom operators are recognized on the basis of the contract terms, which includes the contractual call traffic and rate, and actual airtime.

(b) Individual customer dial-up internet service (without time limit of use) revenue and enterprise customer internet service revenue, including ADSL, enterprise special line and co-location, are calculated based on fixed rates and recognized during the period of service rendering.

(c) Revenue from sale of goods and significant risk and compensation relating to ownership of products are recognized when transferring to customers.

(d) Telecommunications installation set-up fee and activation fee are recognized at the first time customers use the line.

(e) Fixed monthly service fees (including broadband fixed lines business, broadband wireless, and broadband internet business) are recognized each month.

(f) Prepaid card revenue (including local, long-distance and international calls and other value-added services thru fixed and mobile networks) is recognized on the basis of the actual usage volume by the customers.

(g) Revenue from computer hardware and software integration services is determined based on terms of each contract and recognized by reference to the stage of completion of the contract activity.

B. The revenue recognized by using above accounting policies for the year ended December 31, 2017 are as follows:

		Year ended December 31, 2017
Telecommunication revenue	$	11,044,926
Sales revenue		1,811,996
Others		850,576
	$	13,707,498

C. The reconciliations of revenue-related accounts transferred from December 31, 2017, IAS 18, to January 1, 2018, IFRS 15, were provided in Note 3(1).

D. The effects and description of current balance sheet and comprehensive income statement items if the Group continues adopting above accounting policies for the year ended December 31, 2018 are as follows:

	December 31, 2018					
	Balance by using IFRS 15		Balance by using previous accounting policies		Effects from changes in accounting policy	
Balance sheet items						
Current contract assets	$	261,427	$	-	$	261,427
Non-current contract assets:		166,239		-		166,239
Other non-current assets		4,788,091		2,019,756		2,768,335
Current contract liabilities:		268,668		-		268,668
Other current liabilities		51,993		320,661	(	268,668)
Deferred income tax liabilities		195,498		-		195,498
Retained earnings		19,555,705		22,947,204	(	3,391,499)

	Year ended December 31, 2018		
	Balance by using IFRS 15	Balance by using previous accounting policies	Effects from changes in accounting policy
Comprehensive income statement items			
Operating revenue	$ 14,565,959	$ 14,607,889	($ 41,930)
Operating costs	(13,200,355)	(13,200,355)	-
Gross profit (loss) from operations	1,365,604	1,407,534	(41,930)
Selling expenses	(4,650,048)	(4,237,453)	(412,595)
Administrative expenses	(1,484,204)	(1,484,204)	-
Expected credit impairment loss	(158,516)	(158,516)	-
Operating loss	(4,927,164)	(4,472,639)	(454,525)
Non-operating income and expenses	172,818	172,818	-
Loss before tax	(4,754,346)	(4,299,821)	(454,525)
Income tax benefit	1,486,614	1,687,291	(200,677)
Loss	($ 3,267,732)	($ 2,612,530)	($ 655,202)
Basic losses per share (NTD)			
Basic	($ 0.77)	($ 0.61)	
Diluted	($ 0.77)	($ 0.61)	

The information of the effect from the above of changes in accounting policies is provided in Note 3(1).

13. SUPPLEMENTARY DISCLOSURES

(1)Significant transactions information

A. Financings provided: None.

B. Endorsement/guarantee provided: None.

C. Marketable securities held (not including investments in subsidiaries, associates and joint ventures): Please refer to table 1.

D. Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: Please refer to table 2.

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

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

G. Total purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital: Please refer to table 3.

H. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None.

I. Information about the derivative financial instruments transaction: None.

J. The business relationship between the parent and the subsidiaries and significant transactions between them: Please refer to table 4.

(2)Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 5.

(3)Information on investments in Mainland China

A. Basic information: Please refer to table 6.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

14. SEGMENT INFORMATION

(1)General information

Management has identified the operating segments based on the reports that are used to make strategic decisions. The Group considers the reportable segments from both product and business structure perspective. The Group's company organization, basis of department segmentation and principles for measuring segment information for the period were not significantly changed.

(2)Measurement of segment information

The Group assesses the performance of the operating segments based on the operating income.

(3)Information about segment profit or loss, assets and liabilities

The segment information provided to the Chief Operating Decision-Maker for the reportable segments was as follows:

	Year ended December 31, 2018						
	Telecommunication revenue						
	Local network	International network	Mobile	Others	Non-Telecommunication	Reconciliation	Total
Revenue from external customers	$ 1,092,389	$ 900,498	$ 8,801,893	$ 167,210	$ 3,603,969	$ -	$ 14,565,959
Inter-segment revenue	1,162,826	-	-	-	831,700	(1,994,526)	-
Reportable segment profit (loss)	395,060	(75,580)	(5,216,388)	122,143	(152,399)	-	(4,927,164)
Reportable segment assets	1,852,263	587,896	32,314,568	106,191	2,862,840	-	37,723,758

	Year ended December 31, 2017						
	Telecommunication revenue						
	Local network	International network	Mobile	Others	Non-Telecommunication	Reconciliation	Total
Revenue from external customers	$ 1,086,007	$ 806,662	$ 9,653,018	$ 161,697	$ 2,000,114	$ -	$ 13,707,498
Inter-segment revenue	1,329,019	-	-	-	543,493	(1,872,512)	-
Reportable segment profit (loss)	601,320	(84,932)	(4,320,453)	97,118	(483,940)	-	(4,190,887)
Reportable segment assets	1,903,174	609,141	31,951,224	122,794	1,737,867	-	36,324,200

(4)Reconciliation for segment income (loss)

Sales between segments are carried out at arm's-length. The revenue from external parties reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income. A reconciliation of reportable segment profit or loss to the loss before tax is provided as follows:

	Years ended December 31, 2018	2017
Reportable segment income (loss)	($ 4,927,164)	($ 4,190,887)
Interest income	11,396	32,310
Provision transferred to other income	144,446	-
Finance costs	(2,103)	(65)
Net foreign exchange loss	(305)	(1,709)
Net (loss) gain on financial assets at fair value through profit or loss	(3,005)	1,782
Loss on disposal of property, plant and equipment	(42,255)	(168,506)
Gain (loss) on disposal of intangible assets	559	(3,851)
Payables and allowances for loans transferred to other revenue	25,195	25,601
Accrual for litigation loss	(7,528)	(5,184)
Others	46,418	57,215
Loss before income tax	($ 4,754,346)	($ 4,253,294)

(5)Information on products and services

The external customer revenue is mainly from local network, international network, mobile telecommunication and other segments, please refer to Note 14(3) for details.

(6)Geographical information

The external revenue is grouped according to the location of customers, and the non-current assets are grouped according to its location, both mainly came from Taiwan.

(7) Major customer information

Not applicable because no single customer accounts for more than 10% of the Group’s consolidated operating revenues.

Asia Pacific Telecom Co., Ltd. and subsidiaries

MARKETABLE SECURITIES HELD (NOT INCLUDING SUBSIDIARIES, ASSOCIATES, AND JOINT VENTURES)

Year ended December 31, 2018

Table 1

Amounts in thousands of NTD
(Except as otherwise indicated)

				December 31, 2018				
Held Company Name	Marketable securities Type and Name	Relationship with the Company	Financial Statement account	Shares / Units	Carrying value	Percentage of Ownership (%)	Fair value (Note 1)	Note
Asia Pacific Telecom Co., Ltd.	Stock-Alliance Digital Technology Co., Ltd.	Supervisor of the company	Financial assets at fair value through profit or loss-non-current	3,000,000	$ -	7.20	$ -	Note 2
Asia Pacific Telecom Co., Ltd.	Stock-Pacific Telecom Co., Ltd.	-	Financial assets at fair value through profit or loss-non-current	349,376	-	0.05	-	
			Total		$ -		$ -	

Note 1: The fair value of listed stocks, OTC stocks, and closed-end mutual funds are based on latest quoted fair prices of accounting period. Open-end and balanced mutual funds are based on the net assets value at the balance sheet date. The fair value of unquoted equity instruments without open market price are measured by valuation technique.

Note 2: As of June 29, 2018 the Board of Directors has resolved the liquidation of Alliance Digital Technology Co., Ltd. and the liquidation procedure has begun in January, 2019.

Asia Pacific Telecom Co., Ltd. and subsidiaries

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL

Year ended December 31, 2018

Table 2

Amounts in thousands of NTD

(Except as otherwise indicated)

	Marketable securities	Financial Statement		Nature of	Beginning Balance		Acquisition		Disposal				Ending Balance	
Company Name	Type and Name	account	Counter-party	Relationship	Shares / Units	Amount	Shares / Units	Amount	Shares / Units	Amount	Carrying value	disposal	Shares / Units	Amount
Asia Pacific Telecom Co., Ltd.	Mega Diamond Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	32,944,760	$ 410,683	-	$ -	32,944,760	$ 411,686	$ 410,683	$ 1,003	-	$ -

Asia Pacific Telecom Co., Ltd. and subsidiaries

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

Year ended December 31, 2018

Table 3

Amounts in thousands of NTD

(Except as otherwise indicated)

			Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		
Company Name	Related Party	Nature of Relationships	Purchases/Sales	Amount	% to Total	Payment Terms	Unit price	Payment Terms	Ending Balance	% to Total	Note
Asia Pacific Telecom Co., Ltd.	Flnet Co., Ltd.	Group with significant influence to the Company	Sales	($ 196,470)	1%	Payment within 60 days after purchase	Not applicable	Not applicable	$ 72,922	5%	
Asia Pacific Telecom Co., Ltd.	AURORA Telecom Corp.	Investor's associate with significant influence to the Company	Sales	(214,760)	1%	Payment within 60 days after purchase	Not applicable	Not applicable	35,986	2%	

Asia Pacific Telecom Co., Ltd. and subsidiaries

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

Year ended December 31, 2018

Table 4

Amounts in thousands of NTD
(Except as otherwise indicated)

				Intercompany Transactions			
Number (Note 1)	Company name	Counter-party	Nature of Relationship (Note 2)	Financial Statement account	Amount (Note 4)	Terms	Percentage of consolidated Net revenues or total assets (Note 3)
0	Asia Pacific Telecom Co., Ltd.	Foxconn Global Network Corporation	Parent company to subsidiary	Cost of services	$ 268,141	Approximately the same as third parties	2%
0	Asia Pacific Telecom Co., Ltd.	Foxconn Global Network Corporation	Parent company to subsidiary	Other payables	42,800	Approximately the same as third parties	0%
0	Asia Pacific Telecom Co., Ltd.	Foxconn Global Network Corporation	Parent company to subsidiary	Maintenance expense	165,532	Approximately the same as third parties	1%
0	Asia Pacific Telecom Co., Ltd.	Foxconn Global Network Corporation	Parent company to subsidiary	Other payables	95,103	Approximately the same as third parties	0%
0	Asia Pacific Telecom Co., Ltd.	Foxconn Global Network Corporation	Parent company to subsidiary	Property, plant and equipment	357,386	Approximately the same as the third parties	1%
0	Asia Pacific Telecom Co., Ltd.	Foxconn Global Network Corporation	Parent company to subsidiary	Other payables	157,152	Approximately the same as the third parties	0%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1)Parent company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if he parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: Single transaction not exceeding $30,000 is not disclosed. If the parent company already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose.

Asia Pacific Telecom Co., Ltd. and subsidiaries

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)

Year ended December 31, 2018

Table 5

Amounts in thousands of NTD
(Except as otherwise indicated)

				Original Investment Amount		Balance as of December 31, 2018					
Investor Company	Investee Company	Location	Main Business and Products	December 31, 2018	December 31, 2017	Shares (In Thousands)	Percentage of Ownership	Carrying Value	Net Income (Losses) of the Investee	Share of Profits/ Losses of Investee	Note
Asia Pacific Telecom Co., Ltd.	Asia Pacific Telecom Hong Kong Co., Ltd.	Hong Kong	Telecommunication	$ 32,240	$ 32,240	7,800,002	100.00	$ 3,409	$ -	$ -	
Asia Pacific Telecom Co., Ltd.	Foxconn Global Network Corporation	Republic of China	System integration service	141,800	141,800	14,180,000	55.53	138,856	53,899	29,635	
Asia Pacific Telecom Co., Ltd.	Hon Conn Innovation Corporation	Republic of China	System software design	-	-	510,000	63.75	8,664	5,501	3,507	
										$ 33,142	

Asia Pacific Telecom Co., Ltd. and subsidiaries

Information on investments in Mainland China

Year ended December 31, 2018

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Company name	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018: Remitted to Mainland China	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018: Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee as of December 31, 2018	Ownership held by the Company (direct or indirect)	Investment loss recognised by the Company for the year ended December 31, 2018 (Note 2)	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
Shenzhen Hongyu Network Technology Co., Ltd	System intergration service	$ 2,323	(1)	$ -	$ 2,333	$ -	$ 2,333	($ 288)	55.53%	($ 160)	$ 2,072	$ -	Notes 2(1) and 3

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

(1)Directly invest in a company in Mainland China..

(2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.

(3) Others

Note 2: In the ‘Investment income loss recognised by the Company for the year ended December 31, 2018’ column:

(1)The financial statements that are audited and attested by The Company’s CPA.

(2)The financial statements that are unaudited.

Note 3: The Company acquired 100% of the share capital of Shenzhen Hongyu Network CO., LTD. through its subsidiary Foxconn Global Network Corporation which the Company hold shares of 55.53% of it.

The total investment amounted to USD75,503. The numbers in the following table are expressed in New Taiwan dollars.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) Note 4	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 5)
Foxconn Global Network Corporation	$ 2,333	$ 2,333	$ 150,021

Note 4: The Company reported to the Investment Commission of MOEA in October 2018 with approved amount of USD75,503.

Note 5: The ceiling on investments to an investee shall not be more than 60% of the investee’s net assets.

Annex2

ASIA PACIFIC TELECOM CO., LTD.

PARENT COMPANY ONLY FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2018 AND 2017

Notice to Readers

For the convenience of readers and for information purpose only, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

<u>Independent Auditors' Report Translated from Chinese</u>

Financial Review No. 18002891 (2018)
To the Board of Directors and Shareholders of Asia Pacific Telecom Co., Ltd.

Opinion

We have audited the accompanying balance sheets of Asia Pacific Telecom Co., Ltd. (the "Company") as at December 31, 2018 and 2017, and the related statements of comprehensive income, statements of changes in equity, and statements of cash flows for the years then ended, and 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 at 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".

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's financial statements of the year ended December 31, 2018 are stated as follows:

Key audit matter – Accuracy of revenue calculation on telecommunication service

Description

For accounting policies applied to revenue recognition, please refer to Note 4(27). For details of revenue, please refer to Note 6(21).

The Company's revenue are mainly generated from providing telecommunication services and selling mobile phones, etc. Telecommunication services revenue consist of voice/text and mobile data service. Revenue recognition on telecommunication service is calculated by contractual rate and actual usage. Due to high transaction volume and the diversification of the telecommunication contracts, the Company's revenue recognition highly relies on the system calculation. Thus, the accuracy of telecommunication service revenue calculation was identified as a key audit matter.

How our audit addressed the matter

Our key audit procedures performed in respect of the above included the following:

1. Obtained an understanding and tested the control activities which management has put in place in regard to the calculation accuracy of telecommunication services.
2. Obtained an understanding of the reasonableness of revenue calculation logic on telecommunication services and tested the key control activities in relating to traffic volume and contractual rate.
3. Sampled system generated calculation reports of telecommunication services revenue and agreed to customers' bills.
4. Agreed system generated calculation reports of telecommunication services revenue to journal entry vouchers.
5. Agreed the information in customers' contracts to the information in the system.

Key audit matter – Impairment assessment of operating assets

Description

For accounting policies applied to property, plant and equipment and intangible assets, please refer to Notes 4(14) and (16). For accounting policies applied to impairment assessment of non-financial assets, please refer to Note 4(17). For critical accounting estimates and key sources of assumption uncertainty applied to property, plant and equipment, intangible assets and other operating assets, please refer to Note 5(2). For details of account items, please refer to Notes 6(7), (8) and (9).

The Company's operating assets represents a significant percentage of total assets, and the valuation of these assets is affected by the overall industry developments and the Company's operation. The Company used the value in use to estimate the recoverable amount which involves management's judgements, such as the estimation of future cash flows and the determination of discount rate, etc. Management's judgements mentioned above involve future years' forecast which are highly uncertain and have a material impact to the estimation of value in use. Therefore, the impairment assessment of operating assets was identified as a key audit matter.

How our audit addressed the matter

Our key audit procedures performed in respect of the above included the following:

1. We assessed the expected future cash flows prepared by management and its decision process, compared and assessed the consistency of the expected future cash flows with operation plans.
2. We also obtained and assessed the information provided by the Company and the valuation report prepared by external professional valuers engaged by the Company.
   (1)Compared the parameters used in predicting future cash flows with historical experience, economic and industrial forecasts.
   (2)Compared the parameters used in determining discount rate with the assumptions on capital cost of cash generating units, and with returns rate on similar assets.
   (3)Verified the valuation model calculation.

(4)Assessed the future cash flow sensitivity analysis prepared by management based on the alternative hypothesis using different discount rates, and confirmed management has appropriately considered the possible impact on the estimation uncertainty of impairment assessment.

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the parent company only 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 audit committee, are responsible for overseeing the Company's financial reporting process.

Auditor's 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 auditor's 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 ROC GAAS 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 parent company only financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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

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

Lin, Chun-Yao   Huang, Shih-Chun

For and on behalf of PricewaterhouseCoopers, Taiwan

March 14, 2019

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, PricewaterhouseCoopers, Taiwan cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

ASIA PACIFIC TELECOM CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS

DECEMBER 31, 2018 AND 2017

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	ASSETS	Notes	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 774,223	2	$ 2,558,943	7
1110	Financial assets at fair value through profit or loss-current	6(2)	-	-	410,683	1
1140	Contract assets- current	6(21) and7(2)	261,427	1	-	-
1150	Notes receivable, net	6(3)	8,987	-	263,880	1
1170	Accounts receivable, net	6(3)	1,372,632	4	1,400,544	4
1180	Accounts receivable, net-related parties	6(3) and 7(2)	120,938	-	62,790	-
1200	Other receivables		126,085	-	124,246	-
1220	Current income tax assets	6(27)	18,350	-	20,110	-
130X	Inventories	6(4)	293,838	1	225,084	1
1410	Prepayments	7(2)	335,906	1	311,323	1
1470	Other current assets	6(5) and 8	132,780	-	131,513	-
11XX	**Total current assets**		3,445,166	9	5,509,116	15
	Non-current assets					
1560	Contract assets-non-current	6(21) and7(2)	166,239	-	-	-
1543	Financial assets measured at cost - non-current		-	-	4,008	-
1550	Investments accounted for under equity method	6(6)	150,929	-	116,174	-
1600	Property, plant and equipment	6(7) and 7(2)	12,100,437	33	12,530,179	35
1780	Intangible assets	6(8) and 7(2)	12,124,636	33	12,626,042	35
1840	Deferred income tax assets	6(27)	4,418,515	12	3,358,558	9
1900	Other non-current assets	6(9)(10), 7(2) and 8	4,775,143	13	2,010,694	6
15XX	**Total non-current assets**		33,735,899	91	30,645,655	85
1XXX	**Total Assets**		$ 37,181,065	100	$ 36,154,771	100

(Continued)

ASIA PACIFIC TELECOM CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS

DECEMBER 31, 2018 AND 2017

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

			December 31, 2018		December 31, 2017	
	LIABILITIES AND EQUITY	**Notes**	**Amount**	**%**	**Amount**	**%**
	Current liabilities					
2100	Short-term borrowings	6(11)	$ 1,100,000	3	$ -	-
2130	Contract liabilities-current	6(21) and 7(2)	192,176	1	-	-
2150	Notes payable		20,651	-	14,110	-
2170	Accounts payable		801,428	2	839,596	2
2180	Accounts payable – related parties	7(2)	51,843	-	27,731	-
2200	Other payables	6(12) and 7(2)	3,382,354	9	3,323,893	9
2250	Provisions for liabilities - current	6(14) and 9(1)	37,620	-	210,538	1
2300	Other current liabilities	6(13)	51,993	-	213,571	1
21XX	**Total current liabilities**		5,638,065	15	4,629,439	13
	Non-current liabilities					
2550	Provisions for liabilities - non-current	6(14)	322,100	1	254,016	-
2570	Deferred tax liabilities	6(27)	195,498	-	-	-
2600	Other non-current liabilities	6(15)(17)	276,896	1	285,127	1
25XX	**Total non-current liabilities**		794,494	2	539,143	1
2XXX	**Total Liabilities**		6,432,559	17	5,168,582	14
	Equity attributable to owners of parent					
	Share capital					
3110	Common shares	6(18)	42,982,322	116	42,982,322	119
	Capital surplus					
3200	Capital surplus	6(19)	6,786,827	18	6,754,926	18
	Retained earnings					
3310	Legal reserve	6(20)	535,041	2	535,041	2
3350	Accumulated deficit	6(20)	(19,555,705)	(53)	(19,286,100)	(53)
	Other equity interest					
3400	Other equity interest		21	-	-	-
3XXX	**Total Equity**		30,748,506	83	30,986,189	86
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	**Total Liabilities and Equity**		$ 37,181,065	100	$ 36,154,771	100

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

ASIA PACIFIC TELECOM CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT LOSSES PER SHARE AMOUNT)

			For the years ended December 31,			
			2018		2017	
		Notes	Amount	%	Amount	%
4000	**Operating revenue**	6(21) and 7(2)	$ 14,291,467	100	$ 13,591,959	100
5000	**Operating costs**	6(4)(25)(26) and 7(2)	(13,021,381)	(91)	(12,015,105)	(88)
5900	**Gross profit**		1,270,086	9	1,576,854	12
	Operating expenses	6(25)(26), 7(2)(3)				
6100	Selling expenses		(4,639,271)	(33)	(4,241,629)	(31)
6200	General and administrative expenses		(1,462,089)	(10)	(1,467,944)	(11)
6450	Expected credit impairment loss	12(2)	(158,530)	(1)	-	-
6000	**Total operating expenses**		(6,259,890)	(44)	(5,709,573)	(42)
6900	**Operating loss**		(4,989,804)	(35)	(4,132,719)	(30)
	Non-operating income and expenses					
7010	Other income	6(22) and 7(2)	228,905	2	112,629	1
7020	Other gains and losses	6(23)	(53,193)	-	(178,318)	(2)
7050	Finance costs	6(24)	(1,998)	-	(19)	-
7070	Share of profit (loss) of associates and joint ventures accounted for using equity method, net	6(6)	33,142	-	(31,754)	-
7000	**Total non-operating income and expenses**		206,856	2	(97,462)	(1)
7900	**Loss before income tax**		(4,782,948)	(33)	(4,230,181)	(31)
7950	Income tax benefit	6(27)	1,488,958	10	218,677	1
8200	**Loss for the year**		($ 3,293,990)	(23)	($ 4,011,504)	(30)
	Other comprehensive income (loss), net					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311	Gains (loss) on remeasurements of defined benefit plans		$ 8,710	-	($ 69,452)	-
8349	Income tax related to components of other comprehensive (loss) income that will not be reclassified to profit or loss	6(27)	682	-	11,807	-
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**		9,392	-	(57,645)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Exchange differences on translation of foreign financial statements		21	-	-	-
8360	**Components of other comprehensive income that will be reclassified to profit or loss**		21	-	-	-
8300	**Other comprehensive income (loss), net**		$ 9,413	-	($ 57,645)	-
8500	**Total comprehensive loss for the year**		($ 3,284,577)	(23)	($ 4,069,149)	(30)
9750	**Basic losses per share**	6(28)	($ 0.77)		($ 0.93)	
9850	**Diluted losses per share**	6(28)	($ 0.77)		($ 0.93)	

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

ASIA PACIFIC TELECOM CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

			Capital surplus			Retained earnings		Other equity		
	Notes	Common shares	Share premium	Employee stock options	Others	Legal reserve	Accumulated deficit	Exchange difference on translation of foreign financial statements	Treasury stock	Total equity
Year 2017										
Balance at January 1, 2017		$ 43,006,270	$ 6,626,648	$ 61,406	$ 1,747	$ 535,041	($ 15,198,367)	$ -	($ 46,220)	$ 34,986,525
Net loss for 2017		-	-	-	-	-	(4,011,504)	-	-	(4,011,504)
Other comprehensive loss for 2017		-	-	-	-	-	(57,645)	-	-	(57,645)
Total comprehensive loss for 2017		-	-	-	-	-	(4,069,149)	-	-	(4,069,149)
Compensation cost of employee stock options	6(16)	-	-	68,813	-	-	-	-	-	68,813
Retirement of treasury stock		(23,948)	(3,688)	-	-	-	(18,584)	-	46,220	-
Balance at December 31, 2017		$ 42,982,322	$ 6,622,960	$ 130,219	$ 1,747	$ 535,041	($ 19,286,100)	$ -	$ -	$ 30,986,189
Year 2018										
Balance at January 1, 2018		$ 42,982,322	$ 6,622,960	$ 130,219	$ 1,747	$ 535,041	($ 19,286,100)	$ -	$ -	$ 30,986,189
Effects of retrospective application and retrospective restatement	3(1)	-	-	-	-	-	3,014,993	-	-	3,014,993
Balance at January 1, 2018 after adjustments		42,982,322	6,622,960	130,219	1,747	535,041	(16,271,107)	-	-	34,001,182
Net loss for 2018		-	-	-	-	-	(3,293,990)	-	-	(3,293,990)
Other comprehensive income loss for 2018	6(27)	-	-	-	-	-	9,392	21	-	9,413
Total comprehensive income (loss) for 2018		-	-	-	-	-	(3,284,598)	21	-	(3,284,577)
Compensation cost of employee stock options	6(16)	-	-	31,880	1,021	-	-	-	-	32,901
Options forfeited		-	-	(6,048)	6,048	-	-	-	-	-
Balance at December 31, 2018		$ 42,982,322	$ 6,622,960	$ 156,051	$ 8,816	$ 535,041	($ 19,555,705)	$ 21	$ -	$ 30,749,506

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

Asia Pacific Telecom Co., Ltd.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	For the years ended December 31, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		($ 4,782,948)	($ 4,230,181)
Adjustments			
Adjustment to reconcile loss before tax to net cash (used in) provided by operating activities:			
Depreciation	6(25)	2,763,775	2,396,147
Amortisation	6(25)	1,525,893	1,263,607
Amortisation on assets recognised from cost to fulfil contracts with customers	6(9)	2,858,657	-
Bad debt expense	12(4)	-	202,234
Expected credit impairment losses	12(2)	158,530	-
Net loss (gain) on financial assets at fair value through profit or loss	6(23)	3,005	(1,782)
Interest expense	6(24)	1,998	19
Interest income	6(22)	(11,231)	(32,213)
Share-based payments	6(16)	30,217	65,969
Subsidiaries issuing employee stock options to the parent Company's employees		92	-
Share of (profit) loss of subsidiaries, associates and jonit ventures accounted for using equity method	6(6)	(33,142)	31,754
Loss on disposal of property, plant and equipment	6(23)	42,255	168,331
Property, plant, equipment transferred to costs and expenses		8,495	2,715
(Gain) loss on disposal of intangible assets	6(23)	(559)	3,851
Provision for litigation loss	6(23)	7,528	5,184
Reversal of provision	6(14)	(144,446)	(3,054)
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets held for trading		411,686	653,874
Contract assets		41,929	-
Notes receivable, net		254,893	265,223
Accounts receivable, net		(144,111)	(284,411)
Accounts receivable-related parties, net		(58,148)	(19,398)
Other receivables		(2,459)	(10,725)
Inventories		(66,985)	(26,788)
Prepayments		(24,583)	3,621
Assets recognised from cost to fulfil contracts with customers		(2,446,062)	-
Net changes in liabilities relating to operating activities			
Contract liabilities		(2,804)	-
Notes payable		6,541	(1,484)
Accounts payable, net		(38,168)	(188,965)
Accounts payable-related parties		24,112	16,232
Other payables		(128,778)	104,281
Provisions		(36,000)	(7,215)
Receipts in advance		-	(71,926)
Other current liabilities		33,402	-
Net defined benefit liabilities		(25,441)	(21,898)
Other non-current liabilities		13,593	(610)
Cash provided by operations		240,736	282,392
Income tax paid		(383)	(2,379)
Income tax received		5,285	3,187
Net cash provided by operating activities		245,638	283,200

(Continued)

Asia Pacific Telecom Co., Ltd.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	For the years ended December 31, 2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6(30)	($ 2,373,852)	($ 3,481,851)
Proceeds from disposal of property, plant and equipment		1,630	489
Acquisition of intangible assets	6(8)	(411,847)	(214,428)
Proceeds from disposal of intangible assets		1,118	-
Increase in refundable deposits		(105,979)	(1,064,265)
Decrease in refundable deposits		67,641	1,092,996
Increase in other current assets		(1,267)	(1,253)
Increase in other non-current assets		(311,338)	(135,703)
Increase in other financial assets - non - current		(18,855)	-
Interest received		11,851	45,293
Net cash used in investing activities		(3,140,898)	(3,758,722)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings	6(31)	1,100,000	-
Increase in guarantee deposits received		85,538	64,234
Decrease in guarantee deposits received		(73,211)	(79,436)
Interest paid		(1,787)	(19)
Net cash provided by (used in) financing activities		1,110,540	(15,221)
Decrease in cash and cash equivalents		(1,784,720)	(3,490,743)
Cash and cash equivalents at beginning of the year		2,558,943	6,049,686
Cash and cash equivalents at end of the year		$ 774,223	$ 2,558,943

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

Asia Pacific Telecom Co., Ltd.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. ORGANIZATION AND OPERATION

(1) Asia Pacific Telecom Co., Ltd. (the "Company"), formerly named Eastern Broadband Telecommunications Co., Ltd., was incorporated in May 2000, in accordance with the Company Act of the Republic of China, Telecommunication Act and other relevant regulations in the Telecommunication Industry, and began its operations in March 2001. The Company was renamed as Asia Pacific Telecom Co., Ltd. after several mergers and acquisitions. The Company is mainly engaged in rendering fixed network communication services and mobile communication services.

(2) The Company's ordinary shares were listed on the Taiwan Over-The-Counter Securities Exchange in December 2011, and then transferred to be listed on the Taiwan Stock Exchange in August 2013.

2. THE AUTHORIZATION OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

The accompanying parent company only financial statements were approved and authorized for issuance by the Board of Directors on March 14, 2019.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(1) Effect of the adoption of new and revised International Financial Reporting Standards ("IFRSs") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from	January 1, 2018

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
contracts with customers'	
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealized losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the Company assessed and concluded that the above standards and interpretations have no significant impact to the Company's financial condition and financial performance.

A. IFRS 9, 'Financial instruments'

(a) Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

(b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on the instrument since initial recognition to recognize 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables and contract assets that do not contain a significant financing component.

(c) The Company has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9, the details of the significant effect as at January 1, 2018 are as follows:

B. <u>IFRS 15, 'Revenue from contracts with customers'</u>

(a) IFRS 15, 'Revenue from contracts with customers' replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognized when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer.

Step 2: Identify separate performance obligations in the contract(s).

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

Step 5: Recognize revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

(b) Incremental costs of obtaining a contract

IFRS 15 requires that an entity to capitalize the incremental costs of obtaining a contract with a customer if it expects to recover those costs. Contract cost assets are amortized on a systematic basis consistent with the expected pattern of transfer of the related goods or services under the contract.

(c) The Company has elected not to restate prior period financial statements and recognized the cumulative effect of initial application as retained earnings at January 1, 2018, using the modified retrospective approach under IFRS 15. The Company applied retrospectively IFRS 15 only to incomplete contracts as of January 1, 2018, by adopting an optional transition expedient. The significant effects as of January 1, 2018 are summarized below:

The significant effects on initial application of IFRS 9 and IFRS 15 as of January 1, 2018 are summarized below.

sheet accounts January 1, 2018	2017 version IFRSs amount	Effect of adoption of new standards	2018 version IFRSs amount	Remark
Contract assets - current	$ -	$ 297,251	$ 297,251	(b) and (c)
Accounts receivable, net	1,400,544	(10,514)	1,390,030	(b)
Financial assets at fair value through profit or loss - non - current	-	4,008	4,008	(a)
Financial assets at cost - non - current	4,008	(4,008)	-	(a)
Contract assets - non - current	-	169,365	169,365	(b) and (c)
Other non - current assets	2,010,694	3,180,930	5,191,624	(d)
Total affected assets		$ 3,637,032		
Contract liabilities-current	$ -	$ 194,980	$ 194,980	(e)
Other current liabilities	213,571	(194,980)	18,591	(e)
Deferred tax liabilities	-	622,039	622,039	(f)
Total affected liabilities		$ 622,039		
Accumulated deficit	(19,286,100)	3,014,993	(16,271,107)	(b), (c), (d) and (f)
Total affected equity		$ 3,014,993		

Note:

(a) By following the classification requirements under IFRS 9, the Company reclassified financial assets held at cost of $4,008 to financial assets at fair value through profit or loss.

(b) By following the requirements of IFRS 9 on impairment assessment, accounts receivable, contract assets - current and contract assets – non - current will be decreased by $10,514, $7,331 and $4,177, respectively and accumulated deficit will be increased by $22,022.

(c) Telecommunication services provided by the Company involve multiple performance obligations. Under the previous accounting policy, revenue was recognized by the time when the significant risk and rewards of individual service or products are transferred, part of revenue were measured by using residual method. Under IFRS 15, the Company re-identifies the obligation of the contract by using the 5 steps of revenue recognition, and allocates total price based on stand-alone sale price, then recognizes revenue at a time or in the period the obligation is satisfied. Therefore, contract assets - current and contract assets – non - current will be increased by $304,582 and $173,542 and accumulated deficit will be decreased by $478,124.

(d) Under the previous accounting policy, the Company recognized incremental costs of obtaining a telecommunication service contract as expense when incurred. Under IFRS 15, the Company shall recognize such incremental costs as an asset if the Company expects to recover these costs; Therefore, the other non-current assets will be increased by $3,180,930 and accumulated deficit will be decreased by $3,180,930.

(e) The Company recognized advance receipts from telecommunication service as other current liabilities under the previous accounting policy. In accordance with IFRS 15, advance receipts were reclassified as contract liabilities - current amounting to $194,980.

(f) When adopting IFRS 9 and 15, the Company will have to adjust assets and liabilities which would result in temporary differences between the carrying amount and its tax base. Therefore, deferred tax liabilities and accumulated deficit will be increased by $622,039 and $622,039, respectively.

(g) Please refer to Notes 12(4) and (5) for other disclosures in relation to the first application of IFRS 9 and IFRS 15.

(2) Effect of new issuances or amendments to IFRSs as endorsed by FSC but not yet adopted

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	**Effective date by International Accounting Standards Board**
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
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
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the Company assessed and concluded that the above standards and interpretations have no significant impact to the Company's financial condition and financial performance:

IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognize a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

The Company does not intend to restate the financial statements of prior period (modified retrospective approach) and increased both ‘right-of-use assets’ and ‘lease liability’ by $3,213,115 on January 1, 2019.

(3)IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	**Effective date by International Accounting Standards Board**
Amendment to IAS 1 and IAS 8, ‘Disclosure Initiative-Definition of Material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board
IFRS 17, ‘Insurance contracts’	January 1, 2021

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1)Statement of compliance

The accompanying parent company only financial statements have been prepared in conformity with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

(2)Basis of preparation

A. Except for the following items, the accompanying parent company only financial statements have been prepared under the historical cost convention:

(a)Financial assets at fair value through profit or loss.

(b)Defined benefit liabilities recognized based on the present value of defined benefit obligation less pension fund assets.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Company has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognized as retained earnings as of January 1, 2018 and the financial statements for the year ended December 31, 2017 were not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 (‘IAS 39’), International Accounting Standard 18 (‘IAS 18’) and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

(3)Foreign currency

Items included in the parent company only financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates the “functional currency”. The parent company only financial statements are presented in New Taiwan dollars, which is the Company’s functional currency.

A. Foreign currency transactions and balances:

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

The operating results and financial position of all the entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period;

(c) All resulting exchange differences are recognized in other comprehensive income.

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realized within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5)Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(6)Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

(7)Financial assets at amortized cost

A. Financial assets at amortized cost are those that meet all of the following criteria:

(a)The objective of the Company's business model is achieved by collecting contractual cash flows.

(b)The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognized in profit or loss when the asset is derecognized or impaired.

D. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(8)Accounts and notes receivable

A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

For financial assets at amortized cost, at each reporting date, the Company recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognizes the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(11) Lease receivables/operating leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(12) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Investments accounted for using equity method/subsidiaries

A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

B. Unrealized gains on transactions between the Company and its subsidiaries are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company recognize loss continuously in proportion to its ownership.

D. Pursuant to the "Rules Governing the Preparation of Financial Statements by Securities Issuers," profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(14) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	5~50 years
Computer and communication equipment	3~25 years
Others	2~5 years

(15) Operating leases (lessee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

(16) Intangible assets

A. Concession

Concession obtained individually is stated initially at its cost and is amortized on a straight-line basis over its useful life as follows:

(a) The concession of the third generation of mobile communication business (3G) started from year 2003 and amortized until 2016. The useful life of the concession is 13 years.

(b) The concession of mobile broadband spectrum business (4G) 700MHz frequency group started from December 2014 and is amortized until 2030. The useful life of the concession is 16 years.

(c) The concession of mobile broadband spectrum business (4G) 2600MHz frequency group started from October 2017 and is amortized until 2033. The useful life of the concession is 16 years.

(d) The Company obtained the concession of mobile broadband spectrum business (4G) 700MHz frequency Company through business combination in December 2015 and is amortized until 2030. The useful life of the concession is 15 years.

(e) The Company obtained the concession of mobile broadband spectrum business (4G) 900MHz frequency Company through business combination in December 2015 and is amortized until 2030. The useful life of the concession is 15 years.

B. Computer software

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 3 to 10 years.

(17) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(18) Borrowings

Borrowings comprise short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(19) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(21) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(22) Provisions

Provisions (including decommissioning liabilities and compensation for litigation, etc.) are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(23) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognized immediately in profit or loss.

C. Employees' compensation, directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(24) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(25) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings.

C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(26) Share capital

A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders.

(27) Revenue recognition

Certain contracts with customers involve multiple performance obligations, such as telecommunication service bundled with handsets. Total consideration received from these contracts is allocated to each performance obligation based on their relative stand-alone selling prices. The Company recognizes revenue when the performance obligation is fulfilled. Meanwhile, a contract asset is recognized when the service rendered exceeds the amount payable by the customers, otherwise a contract liability is recognized.

A. Telecommunication service revenue

The Company renders telecommunication service. Service revenue is measured by the fair value of the consideration received or receivable taking into account of business tax and rebates for the sale of goods to external customers in the ordinary course of the Company's activities. The main methods of revenues recognition are as follows:

(a) The communication charges of fixed network and mobile services, as well as the connection charges among telecom operators, are recognized on the basis of the contract terms, which are calculated by predetermined rates and the actual usage volume.

(b) Fixed monthly service fees are recognized monthly.

(c) Prepaid card revenue is recognized on the basis of the actual usage volume by the customers.

B. Sales of goods

Revenue from sale of goods are recognized when ownership of products transfer to customers, that is, when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

C. System integration services

(a) The Company renders customized computer hardware and software integration and maintain services. Revenue from rendering services is recognized in the period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the percentage of completion, the percentage of completion is determined based on terms of each contract.

(b) Some contracts include sales and system integration services of equipment. The equipment and system integration services provided by the Company are not distinct and are identified as one performance obligation, which is satisfied at a point of time since the integration services involve significant customization. Revenue from services are recognized when their ownership transfer to customers.

D. Incremental costs of obtaining a contract

The Company recognizes an asset (shown as 'other non-current assets') the incremental costs (mainly comprised of sales commissions) of obtaining a telecommunication contract if the Company expects to recover those costs. The recognized asset is amortized and consistent with the transfers to the customer of the goods or services to which the asset relates. The Company recognizes an impairment loss to the extent that the carrying amount of the asset exceeds the remaining amount of consideration that the Company expects to receive less the costs that have not been recognized as expenses.

E. Financing components

The Company's policy of telecommunication service revenue, sales revenue and system integration services is to the customer with a right of return set by each contract. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.

F. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(28) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Company will comply with any conditions attached to the grants and 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 expenses for the related costs for which the grants are intended to compensate.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Company's accounting policies

The Company has assessed that its accounting policies have no significant uncertainty.

(2)Critical accounting estimates and assumptions

A. Impairment assessment of tangible and intangible assets (excluding goodwill)

The Company assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilized and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Company strategy might cause adjustments on impairment of assets.

B. Realization of deferred income tax assets

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Assessment of the realization of deferred income tax assets involves critical accounting judgements and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, available tax credits, tax planning, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause adjustments to deferred income tax assets.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1)Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand and revolving funds	$ 8,769	$ 5,818
Checking accounts and demand deposits	615,411	1,453,125
Cash equivalents (Time deposits)	150,043	1,100,000
	$ 774,223	$ 2,558,943

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of default is remote.

B. Details of the Company's cash and cash equivalents pledged as collaterals and transferred to other current and non-current assets (restricted deposits) are provided in Notes 6(5), 6(9) and 8.

(2)Financial assets at fair value through profit or loss

	December 31, 2018
Non-Current items:	
Financial assets mandatorily measured at fair value through profit or loss	
Unlisted stocks	$ 26,490
Valuation adjustment	(26,490)
	$ -

A. For the year ended December 31, 2018, the Company recognized net profit (loss) amounting to ($3,005) on financial assets mandatorily measured at fair value through profit or loss.

B. The Company has no financial assets at fair value through profit or loss pledged as collateral.

C. Information relating to credit risk is provided in Note 12(2).

D. The information on December 31, 2017 is provided in Note 12(4).

(3)Notes and accounts receivable

	December 31, 2018
Notes receivable	$ 8,987
Accounts receivable	$ 1,494,997
Accounts receivable due from related parties	120,938
	$ 1,615,935
Less: Loss allowance	(122,365)
	$ 1,493,570

A.The ageing analysis of notes receivable and accounts receivable is as follows:

	December 31, 2018		
	Notes receivable	Accounts receivable/lease payments receivable	Total
Not past due	$ 8,987	$ 1,381,879	$ 1,390,866
Up to 90 days	-	165,123	165,123
91 to 180 days	-	68,933	68,933
Over 180 days	-	-	-
	$ 8,987	$ 1,615,935	$ 1,624,922

The above ageing analysis was based on past due date.

B. The Company does not hold any collateral as security.

C. Information relating to credit risk is provided in Note 12(2).

D. The information on December 31, 2017 is provided in Note 12(4).

(4)Inventories

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Merchandise	$ 334,084	($ 40,246)	$ 293,838

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Merchandise	$ 252,018	($ 26,934)	$ 225,084

A. Inventories are not pledged as collateral.

B. Expense and loss incurred on inventories were as follows:

	Years ended December 31,	
	2018	2017
Cost of sales	$ 3,153,725	$ 2,158,458
Loss on (gain on reversal of) on decline in market value	13,312	(3,033)
Loss on scrapped inventories	7,816	1,449
	$ 3,174,853	$ 2,156,874

The Company reversed allowance for valuation loss by selling inventories which were previously provisioned for the year ended December 31, 2017.

(5)Other current assets

	December 31, 2018	December 31, 2017
Restricted bank deposits	$ 132,780	$ 131,513

Details of the Company's other current assets pledged as collateral are provided in Note 8.

(6)Investments accounted for using equity method

	December 31, 2018	December 31, 2017
Subsidiaries:		
Asia Pacific Telecom Hong Kong Co., Ltd.	$ 3,409	$ 3,409
Foxconn Global Network Corporation	138,856	107,608
Hon Conn Innovation	8,664	5,157
	$ 150,929	$ 116,174

A. Details of the Company's subsidiaries are provided in Note 4(3) in the consolidated financial statements for the year ended December 31, 2018.

B. For the years ended December 31, 2018 and 2017, the Company recognized investment income (loss) due to investment in subsidiaries amounting to $33,142 and ($31,754), respectively.

(7)Property, plant and equipment

	Land	Buildings and Structures	Computer and communication equipment	Construction in progress and equipment to be inspected	Others	Total
Balance, January 1, 2018						
Cost	$ 515,348	$ 557,473	$ 35,669,441	$ 1,317,406	$ 361,903	$ 38,421,571
Accumulated depreciation and impairment	-	(202,133)	(25,515,091)	-	(174,168)	(25,891,392)
	$ 515,348	$ 355,340	$ 10,154,350	$ 1,317,406	$ 187,735	$ 12,530,179
2018						
Beginning balance	$ 515,348	$ 355,340	$ 10,154,350	$ 1,317,406	$ 187,735	$ 12,530,179
Additions	-	-	1,908,182	630,187	22,511	2,560,880
Disposals	(300)	(806)	(36,221)	-	(6,558)	(43,885)
Transfers	-	-	1,018,867	(1,209,430)	7,601	(182,962)
Depreciation	-	(13,545)	(2,679,668)	-	(70,562)	(2,763,775)
Carrying amount	$ 515,048	$ 340,989	$ 10,365,510	$ 738,163	$ 140,727	$ 12,100,437
Balance, December 31, 2018						
Cost	$ 515,048	$ 556,459	$ 31,870,634	$ 738,163	$ 377,553	$ 34,057,857
Accumulated depreciation and impairment	-	(215,470)	(21,505,124)	-	(236,826)	(21,957,420)
	$ 515,048	$ 340,989	$ 10,365,510	$ 738,163	$ 140,727	$ 12,100,437

	Land	Buildings and Structures	Computer and communication equipment	Construction in progress and equipment to be inspected	Others	Total
Balance, January 1, 2017						
Cost	$ 515,348	$ 557,929	$ 36,608,403	$ 1,317,769	$ 338,331	$ 39,337,780
Accumulated depreciation and impairment	-	(188,109)	(27,033,363)	-	(133,304)	(27,354,776)
	$ 515,348	$ 369,820	$ 9,575,040	$ 1,317,769	$ 205,027	$ 11,983,004
2017						
Beginning balance	$ 515,348	$ 369,820	$ 9,575,040	$ 1,317,769	$ 205,027	$ 11,983,004
Additions	-	-	2,093,580	1,192,175	48,094	3,333,849
Disposals	-	-	(167,926)	-	(894)	(168,820)
Transfers	-	-	970,825	(1,192,538)	6	(221,707)
Depreciation	-	(14,480)	(2,317,169)	-	(64,498)	(2,396,147)
Carrying amount	$ 515,348	$ 355,340	$ 10,154,350	$ 1,317,406	$ 187,735	$ 12,530,179
Balance, December 31, 2017						
Cost	$ 515,348	$ 557,473	$ 35,669,441	$ 1,317,406	$ 361,903	$ 38,421,571
Accumulated depreciation and impairment	-	(202,133)	(25,515,091)	-	(174,168)	(25,891,392)
	$ 515,348	$ 355,340	$ 10,154,350	$ 1,317,406	$ 187,735	$ 12,530,179

The Company has no capitalized interest as well as no pledged property, plant and equipment.

(8)Intangible assets

	4G concession	3G concession	Computer software	Total
Balance, January 1, 2018				
Cost	$ 14,169,255	$ 5,293,691	$ 1,431,140	$ 20,894,086
Accumulated amortisation and impairment	(2,001,283)	(5,293,691)	(973,070)	(8,268,044)
	$ 12,167,972	$ -	$ 458,070	$ 12,626,042
2018				
Beginning balance	$ 12,167,972	$ -	$ 458,070	$ 12,626,042
Additions	-	-	411,847	411,847
Disposals	-	-	(559)	(559)
Transfers	-	-	241,915	241,915
Amortisation	(904,400)	-	(250,209)	(1,154,609)
Carrying amount	$ 11,263,572	$ -	$ 861,064	$ 12,124,636
Balance, December 31, 2018				
Cost	$ 14,169,255	$ -	$ 2,084,902	$ 16,254,157
Accumulated amortisation and impairment	(2,905,683)	-	(1,223,838)	(4,129,521)
	$ 11,263,572	$ -	$ 861,064	$ 12,124,636

	4G concession	3G concession	Computer software	Total
Balance, January 1, 2017				
Cost	$ 14,169,255	$ 5,293,691	$ 1,083,729	$ 20,546,675
Accumulated amortisation and impairment	(1,199,576)	(5,293,691)	(872,884)	(7,366,151)
	$ 12,969,679	$ -	$ 210,845	$ 13,180,524
2017				
Beginning balance	$ 12,969,679	$ -	$ 210,845	$ 13,180,524
Additions	-	-	214,428	214,428
Disposals	-	-	(3,851)	(3,851)
Transfers	-	-	192,555	192,555
Amortisation	(801,707)	-	(155,907)	(957,614)
Carrying amount	$ 12,167,972	$ -	$ 458,070	$ 12,626,042
Balance, December 31, 2017				
Cost	$ 14,169,255	$ 5,293,691	$ 1,431,140	$ 20,894,086
Accumulated amortisation and impairment	(2,001,283)	(5,293,691)	(973,070)	(8,268,044)
	$ 12,167,972	$ -	$ 458,070	$ 12,626,042

A. Details of amortization on intangible assets are as follows:

	Years ended December 31, 2018		Years ended December 31, 2017	
Operating costs	$	1,014,147	$	819,199
Selling expenses		4,166		2,641
Administrative expenses		136,296		135,774
	$	1,154,609	$	957,614

B. The Company has no capitalized interest as well as no pledged intangible assets.

(9)Other non-current assets

	December 31, 2018		December 31, 2017	
Refundable deposits	$	196,871	$	158,533
Long-term prepayments				
- Utility duct access		1,278,477		1,461,115
- International submarine cable circuit access		25,133		36,938
- Other long-term prepayments		436,373		303,009
Restricted bank deposits		69,954		51,099
Assets recognised as incremental costs to obtain contract with customers		2,768,335		-
	$	4,775,143	$	2,010,694

A. Utility duct access

In January 2001, the Company entered into a use of assets contract with Taiwan Railways Administration ("TRA"). According to the contract, TRA provides the right to use 50% of the capacity of optical fiber duct (30 cm width), which was along the same path on both of the rails for 25 years since the Ministry of Transportation and Communication issues the 3G license. Under the contract, the Company should pay $8,425,569 as the compensation of the 25-year use right to TRA, and both parties agree that TRA can use the compensation of $8,000,000 as the capital to invest in the Company. Under the contract, the Company should pay $100,000 per year to TRA for 25 years as the compensation of the use right, and TRA no longer allows other telecom companies to use the optical fiber ducts; if any, the Company can deduct the payment based on the percentage that the other telecom companies used. For the years ended December 31, 2018 and 2017, the Company has recognized the amortized expenses on the use right of optical fiber ducts of $182,638 and $182,640, respectively.

B. International submarine cable circuit access

The Company signed IRU (Indefeasible Right of Use) contracts of submarine cable network system with the international telecommunication branches of Chunghwa Telecom Co., Ltd. and other telecommunication operators. According to the contracts, the Company had to pay the full rents of submarine cables and facilities of submarine cable landing stations on the contract date in advance. For the years ended December 31, 2018 and 2017, the Company has recognized the amortized expenses on these IRU contracts amounting to $11,805 and $14,064, respectively.

C. Other long-term prepayments

The Company's other prepayments are mainly for installments and testing expenses. For the years ended December 31, 2018 and 2017, the aforementioned amortized expenses on long-term prepayments were $176,841 and $109,289, respectively.

D. Assets recognized as incremental costs to obtain contract with customers

The Company recognizes an asset (shown as 'other non-current assets') the incremental costs (mainly comprised of sales commissions) of obtaining a contract with a customer if the Company expects to recover those costs. The recognized asset is amortized on a systematic basis that is consistent with the transfers to the customer of the goods or services to which the asset relates. The Company recognized expenses of $2,858,657 and $0 for amortized cost in profit or loss for the years ended December 31, 2018 and 2017, respectively.

(10) Overdue receivables

The Company reclassified accounts receivable which have been overdue for six months to overdue receivables. Overdue receivables (shown as other non-current assets) are set forth below:

	December 31, 2018	December 31, 2017
Overdue receivables	$ 451,723	$ 425,584
Less: Loss allowance	(451,723)	(425,584)
	$ -	$ -

(11) Short-term borrowings

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Bank borrowings - unsecured borrowings	$ 1,100,000	1.05%~1.18%	None

A. There were no short-term borrowings as of December 31, 2017.

B. For the years ended December 31, 2018 and 2017, interest expense is recognized in profit or loss. Please refer to Note 6(24).

(12) Other payables

	December 31, 2018	December 31, 2017
Payable on equipment	$ 1,286,366	$ 1,099,338
Commission payable	474,224	791,654
Accrued salaries and bonuses	403,535	356,430
Accrued maintenance fee	473,263	496,579
Accrued concession fee and popularization service	57,800	56,440
Others	687,166	523,452
	$ 3,382,354	$ 3,323,893

(13) Other current liabilities

	December 31, 2018	December 31, 2017
Receipts in advance	$ -	$ 194,980
Others	51,993	18,591
	$ 51,993	$ 213,571

(14) Provisions

	Legal claims	Decommissioning liabilities	Total
Balance at January 1, 2018	$ 210,538	$ 254,016	$ 464,554
Additions	7,528	68,084	75,612
Reversal	(144,446)	-	(144,446)
Paid	(36,000)	-	(36,000)
Balance at December 31, 2018	$ 37,620	$ 322,100	$ 359,720

	Legal claims	Decommissioning liabilities	Total
Balance at January 1, 2017	$ 215,623	$ 264,659	$ 480,282
Additions	5,184	-	5,184
Reversal	(3,054)	(10,643)	(13,697)
Paid	(7,215)	-	(7,215)
Balance at December 31, 2017	$ 210,538	$ 254,016	$ 464,554

Analysis of provisions:

	December 31, 2018	December 31, 2017
Current	$ 37,620	$ 210,538
Non-current	$ 322,100	$ 254,016

A. Legal claims

(a) The Company serves as the joint guarantor for the borrowings of Ryh An Co., Ltd. and King Tung Co., Ltd. Thus, Union Insurance Co. has filed a legal claim. Details of provision and provision paid are provided in Note 9(1).

(b) Securities and Futures Investors Protection Center (the "Center") has filed a legal claim for misstatement of China Rebar Co., Ltd. and Chia Hsin Food and Synthetic Fiber Co., Ltd. and claimed that the Company is liable for indemnity to the shareholders as the Company appointed representatives as directors to the above companies. Details of the estimate and payments of provision are provided in Note 9(1).

B. Decommissioning liabilities

In accordance with the applicable agreements or the law/regulation requirement, the Company bears dismantling, removing the asset and restoring the site obligations for certain base stations in the future. Provision is recognized for the present value of costs to be incurred for dismantling, removing the asset and restoring the site. It is expected that the decommissioning activities will occur.

(15) Pensions

A. Defined benefit pension plan

(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

(b)The amounts recognized in the balance sheet are determined as follows:

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	($ 333,243)	($ 356,710)
Fair value of plan assets	247,651	236,967
Net defined benefit liability (shown as other non-current liabilities)	($ 85,592)	($ 119,743)

(c)Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of Plan assets	Net defined benefit liability
For the year ended December 31, 2018			
Balance at January 1	($ 356,710)	$ 236,967	($ 119,743)
Current service cost	(386)	-	(386)
Interest (expense) income	(4,431)	2,992	(1,439)
Past service cost	21,330	-	21,330
	(340,197)	239,959	(100,238)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	6,689	6,689
Change in demographic assumptions	(1,821)	-	(1,821)
Change in financial assumptions	(10,465)	-	(10,465)
Experience adjustments	14,307	-	14,307
	2,021	6,689	8,710
Pension fund contribution	-	5,936	5,936
Paid pension	4,933	(4,933)	-
Balance at December 31	($ 333,243)	$ 247,651	($ 85,592)

	Present value of defined benefit obligations	Fair value of Plan assets	Net defined benefit liability
For the year ended December 31, 2017			
Balance at January 1	($ 321,153)	$ 248,964	($ 72,189)
Current service cost	(387)	-	(387)
Interest (expense) income	(4,688)	3,674	(1,014)
Past service cost	15,419	-	15,419
	(310,809)	252,638	(58,171)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(1,308)	(1,308)
Change in demographic assumptions	(236)	-	(236)
Change in financial assumptions	(53,100)	-	(53,100)
Experience adjustments	(14,808)	-	(14,808)
	(68,144)	(1,308)	(69,452)
Pension fund contribution	-	6,513	6,513
Paid pension	22,243	(20,876)	1,367
Balance at December 31	($ 356,710)	$ 236,967	($ 119,743)

(d)The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e)The key actuarial assumptions used were as follows:

	Years ended December 31,	
	2018	2017
Discount rate	1.00%	1.25%
Salary adjustment rate	3.00%	3.00%

Mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

The present value of defined benefit obligation will be affected if any of the key actuarial assumptions moved. The sensitivity analysis is as follow:

	Discount rate		Salary adjustment rate	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2018				
Effect on present value of defined benefit obligation	($ 10,031)	$ 10,461	$ 10,228	($ 9,864)
December 31, 2017				
Effect on present value of defined benefit obligation	($ 11,113)	$ 11,602	$ 11,373	($ 10,954)

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.

(f) Expected contributions to the defined benefit pension plans from the Company for the year ending December 31, 2019 amounts to $8,387.

(g) As of December 31, 2018, the weighted average duration of that retirement plan is 12 years. The analysis of timing of the future pension payment was as follows:

	Amounts
Within 1 year	$ 5,439
1-2 year(s)	13,397
2-5 years	37,817
Over 5 years	309,882
	$ 366,535

B. Defined contribution pension plan

(a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2018 and 2017 were $73,138 and $64,922, respectively.

(16) Share-based payment

A. On August 4, 2015, the Board of the Company resolved the issuance of stock options and expected to grant 85,000 units (1,000 shares per unit) to full time employees of the Company or its subsidiaries. The stock price shall not be lower than the closing price of the issuing date of the Company's common shares. The abovementioned issuance of stock options shall be effective within one year of receipt of approval by the Authority. The stock option's contract period is 5 years and can be exercised after two years' vesting period.

The Company's share-based payment arrangements are as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions	Settlement method
Employee stock options	2016.04.20	77,123 thousand shares	5 years	Vested 60% after 2 years' service; Vested 100% after 3 years' service	Equity-settled
Employee stock options	2016.05.18	7,338 thousand shares	5 years	Vested 60% after 2 years' service; Vested 100% after 3 years' service	Equity-settled

B. Details of the share-based payment arrangements are as follows:

	2018		2017	
	Number of options (in thousands)	Weighted-average exercise price (in dollars)	Number of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	66,712	$ 10.70	76,871	$ 10.70
Options granted	-	-	-	-
Options forfeited	(5,436)	10.70	(10,159)	10.70
Options outstanding at December 31	61,276	10.70	66,712	10.70
Options exercisable at December 31	35,463	-	-	-

C. The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

		December 31, 2018		December 31, 2017	
Grant date	Expiry date	Number of options (in thousands)	Exercise price (in dollars)	Number of options (in thousands)	Exercise price (in dollars)
2016.04.20	2021.04.20	56,695	$ 10.70	61,935	$ 10.70
2016.05.18	2021.05.18	4,581	10.70	4,777	10.70

D. The fair value of stock options is measured by using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility (Note)	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock options	2016.04.20	$ 10.70	$ 10.70	33.10%	3.7 years	0%	0.53%	2.7496
Employee stock options	2016.05.18	10.60	10.70	33.28%	3.7 years	0%	0.53%	2.7000

Note: Volatility is calculated by using the Company's historical stock trading data (daily) with a period consistent to the expected duration of options.

E. Expenses incurred on share-based payment transactions are shown below:

	Years ended December 31,	
	2018	2017
Equity-settled-the Company	$ 30,217	$ 65,969
Equity-settled-Subsidiaries	663	2,844
	$ 30,880	$ 68,813

F. In April and May 2016, the Company granted employee stock option certificates of 4,560 units to subsidiaries' employees. Outstanding employee stock option certificates as of December 31, 2018 and 2017 were 1,730 units and 3,185 units, respectively.

(17) Other non-current liabilities

	December 31, 2018	December 31, 2017
Net defined benefit liability	$ 85,592	$ 119,743
Guarantee deposits received	167,951	155,624
Others	23,353	9,760
	$ 276,896	$ 285,127

(18) Share capital

As of December 31, 2018, the Company's authorized capital was $65,680,000, consisting of 6,568,000 thousand shares (including 500,000 thousand shares reserved for the exercise of stock options, preferred shares and convertible bonds). The Company's issued capital was $42,982,322, consists of 4,298,232 thousand shares with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected. The number of the Company's outstanding shares remains unchanged during 2018.

(19) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient. Movements in capital surplus for the years ended December 31, 2018 and 2017 are provided in the parent company only statements of changes in equity.

(20) Retained earnings

A. Under the Company's Articles of Incorporation, the earnings will be allocated in the following order:

Under the Company's Articles of Incorporation as amended and resolved by the shareholders on June 22, 2016, the current year's earnings, if any, shall first be used to pay all taxes and offset prior year's operating losses and then 10% of the remaining amount shall be set aside as legal reserve; and special reserve is set aside or reversed in accordance with the Competent Authority. The appropriation of the remainder along with the unappropriated earnings in prior years, shall be proposed by the Board of Directors and be resolved by the shareholders.

According to the Company's dividend policy, cash dividends shall account for at least 50% of the total dividends distributed. The dividend appropriation ratio and cash dividend ratio may be decided through the resolution of the shareholders' meeting taking into consideration the status of the Company's working capital requirements and capital expenditures planning.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

D. The Company incurred deficits for the years ended December 31, 2018 and 2017. The Board of the Company proposed, in their meeting on March 14, 2019 and the shareholders of the Company resolved, in their meeting on June 20, 2018, that no earnings would be distributed.

E. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(26).

(21) Operating revenue

		Year ended December 31, 2018
Revenue from contract with customers		
Telecommunication revenue	$	10,961,990
Non-telecommunication revenue		3,329,477
	$	14,291,467

A. Disaggregation of revenue from contracts with customers

For the information on disaggregation of revenue, please refer to Note 14(3).

B. Contract assets and liabilities

(a) The Company has recognized the following revenue-related contract assets and liabilities:

		December 31, 2018
Contract assets:		
Contract assets-telecommunication service	$	436,195
Contract assets-loss allowance	(	8,529)
	$	427,666
Contract liabilities:		
Contract liabilities-telecommunication service and others	$	192,176

(b) Revenue recognized that was included in the contract liability balance at the beginning of the period

		Year ended December 31, 2018
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Telecommunication revenue	$	192,291
Non-telecommunication revenue		2,689
	$	194,980

C. Assets recognized from costs to obtaining a contract

The incremental costs related to obtaining a telecommunication contract was recognized as expense under previous accounting policies. Under IFRS 15, the Company shall recognize such incremental costs as an asset if the Company expects to recover these costs. Please refer to Note 3(1) for further explanations. For the details on incremental costs recognized during the year ended December 31, 2018, please refer to Note 6(9).

D. Related disclosures for 2017 operating revenue are provided in Note 12(5).

(22) Other income

	Years ended December 31,	
	2018	2017
Rent income	$ 5,063	$ 4,357
Interest income	11,231	32,213
Reversal of provision	144,446	-
Overdue payables reclassified to other income	25,195	25,601
Others	42,970	50,458
	$ 228,905	$ 112,629

(23) Other gains and losses

	Years ended December 31,	
	2018	2017
Net (losses) gains on financial assets mandatorily measured at fair value through profit or loss	($ 3,005)	$ 1,782
Net foreign exchange losses	(140)	(1,322)
Losses on disposal of property, plant and equipment	(42,255)	(168,331)
(Losses) gains on disposal of intangible assets	559	(3,851)
Estimated litigation loss	(7,528)	(5,184)
Others	(824)	(1,412)
	($ 53,193)	($ 178,318)

(24) Finance costs

	Years ended December 31,	
	2018	2017
Borrowing interests	$ 1,992	$ 13
Others	6	6
	$ 1,998	$ 19

(25) Expenses by nature

	Years ended December 31, 2018	Years ended December 31, 2017
Employee benefit expense	$ 1,770,843	$ 1,686,196
Depreciation on property, plant and equipment	$ 2,763,775	$ 2,396,147
Amortisation on intangible assets and other non -current assets	$ 1,525,893	$ 1,263,607
Assets recognised as incremental costs to obtain contract with customers (commission expense)	$ 3,126,485	$ 2,769,245

(26) Employee benefit expense

	Years ended December 31, 2018	Years ended December 31, 2017
Wages and salaries	$ 1,515,529	$ 1,453,608
Labor and health insurance expenses	131,163	116,458
Pension costs	53,633	50,904
Directors' remuneration	4,245	4,761
Others	66,273	60,465
	$ 1,770,843	$ 1,686,196

A. According to the Articles of Incorporation of the Company, the current year’s earnings, if any, shall first be used to offset prior years’ operating losses then distribute compensation to the employees and pay remuneration to the directors that account for 1% to 3% and not exceeding 1%, respectively, of the total distributed amount. The profit distributable as employees' compensation distributed can be in the form of shares or in cash. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive aforementioned stock or cash may be specified in the Articles of Incorporation.

The aforementioned current year’s earnings represents current year’s pre-tax profit excluding employees’ compensation and directors’ remuneration distributed.

The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation distributed in the form shares or in cash and directors’ compensation distributed in the form of cash; and in addition thereto a report of such distribution shall be submitted to the shareholders at the shareholders' meeting.

B. For the years ended December 31, 2018 and 2017, there were no employees' compensation nor directors' and supervisors' remuneration accrued.

Employees' compensation and directors' and supervisors' remuneration of 2017 as resolved by the Board of Directors were in agreement with those amounts recognized in the profit or loss of 2016.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(27) Income tax

A. Income tax benefit

(a) Components of income tax benefit:

	Years ended December 31, 2018	Years ended December 31, 2017
Current tax:		
Current tax liabilities	$ -	$ -
Current tax assets	(18,350)	(20,110)
Current withholding and provisional tax	17,967	17,731
Prior years' tax refundable	383	2,379
Prior year income tax (over) underestimation	(3,142)	15
Total current tax	(3,142)	15
Deferred tax:		
Origination and reversal of temporary difference	(1,005,325)	(218,692)
Impact of change in tax rate	(480,491)	-
Income tax benefit	($ 1,488,958)	($ 218,677)

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Years ended December 31, 2018	Years ended December 31, 2017
Remeasurement of defined benefit obligations	$ 1,742	($ 11,807)
Impact of change in tax rate	(2,424)	-
	($ 682)	($ 11,807)

(c) For the years ended December 31, 2018 and 2017, the Company has no income tax (charged)/credit relating to equity.

B. Reconciliation between income tax benefit and accounting profit

	Years ended December 31, 2018	2017
Tax calculated based on loss before tax and statutory tax rate (Note)	($ 956,589)	($ 719,131)
Revaluation of realization of taxable losses	-	493,278
Impact of change in tax rate	(480,491)	-
Effects from tax exemptions	(1,143)	(1,184)
Effects from adjustments mandated by regulations	(50,735)	8,360
Income tax benefit	($ 1,488,958)	($ 218,677)

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and taxable losses are as follows:

	Year ended December 31, 2018			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Unused compensated absences	$ 8,742	$ 4,020	$ -	$ 12,762
Accrued pension liabilities	20,356	(3,920)	682	17,118
Impairment of assets	790,760	(233,457)	-	557,303
Others	37,322	34,183	-	71,505
Taxable losses	2,501,378	1,258,449	-	3,759,827
Subtotal	3,358,558	1,059,275	682	4,418,515
-Deferred tax liabilities:				
Contract assets	($ 81,281)	51,105	-	($ 30,176)
Assets recognised as incremental costs to obtain contract with customers	(540,758)	375,436	-	(165,322)
Subtotal	(622,039)	426,541	-	(195,498)
Total	$ 2,736,519	$ 1,485,816	$ 682	$ 4,223,017

	Year ended December 31, 2017			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Unused compensated absences	$ 10,059	($ 1,317)	$ -	$ 8,742
Accrued pension liabilities	12,272	(3,723)	11,807	20,356
Impairment of assets	1,140,474	(349,714)	-	790,760
Others	38,417	(1,095)	-	37,322
Taxable losses	1,926,837	574,541	-	2,501,378
Total	$ 3,128,059	$ 218,692	$ 11,807	$ 3,358,558

D. Expiration dates of the Company's unused taxable losses and amounts of unrecognized deferred tax assets are as follows:

December 31, 2018				
Year incurred	Amount filed/assessed	Unused amount	Unrecognized deferred tax assets	The last expiry year
2014-Assessed	$ 304,912	$ 304,912	$ 304,912	2019
2015-Amount filed	2,854,671	2,854,671	2,854,671	2020
2016-Amount filed	13,314,373	13,314,373	5,011,946	2026
2017-Amount filed	6,445,270	6,445,270	-	2027
2018-Amount filed	4,051,438	4,051,438	-	2028
	$ 26,970,664	$ 26,970,664	$ 8,171,529	

December 31, 2017				
Year incurred	Amount filed/assessed	Unused amount	Unrecognized deferred tax assets	The last expiry year
2013-Assessed	$ 2,388,898	$ 2,388,898	$ 2,388,898	2018
2014-Amount filed	310,923	310,923	310,923	2019
2015-Amount filed	2,854,671	2,854,671	2,854,671	2020
2016-Amount filed	13,314,373	13,314,373	5,011,946	2026
2017-Amount filed	6,411,553	6,411,553	-	2027
	$ 25,280,418	$ 25,280,418	$ 10,566,438	

E. The amounts of deductible temporary difference that are not recognized as deferred tax assets are as follows:

	December 31, 2018	December 31, 2017
Deductible temporary differences	$ 559,882	$ 2,005,769

Deductible temporary differences mentioned above were mainly composed of overstated allowance for doubtful accounts, unrealized loss on creditor's rights and unrealized investment losses.

F. The Company's income tax returns through 2014 have been assessed and approved by the Tax Authority.

G. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Company has assessed the impact of the change in income tax rate.

(28) Loss per share

	Year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Loss per share (in dollars)
Basic loss per share			
Loss attributable to ordinary shareholders of the parent	($ 3,293,990)	4,298,232	($ 0.77)
Diluted loss per share			
Loss attributable to ordinary shareholders of the parent	($ 3,293,990)	4,298,232	
Effect of potential dilutive ordinary shares:			
Employees' compensation	-	-	
Loss attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	($ 3,293,990)	4,298,232	($ 0.77)

	Year ended December 31, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Loss per share (in dollars)
Basic loss per share			
Loss attributable to ordinary shareholders of the parent	($ 4,011,504)	4,298,232	($ 0.93)
Diluted loss per share			
Loss attributable to ordinary shareholders of the parent	($ 4,011,504)	4,298,232	
Effect of potential dilutive ordinary shares:			
Employees' compensation	-	-	
Loss attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	($ 4,011,504)	4,298,232	($ 0.93)

(29) Operating leases

The Company leases switch centers, base transceiver stations, offices, stores and circuit services under non-cancellable operating lease agreements. The lease terms are between one and five years. The Company recognized rental expenses of $1,554,130 and $1,461,788 for these leases in profit or loss for the years ended December 31, 2018 and 2017, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018	December 31, 2017
Less than one year	$ 1,256,404	$ 1,191,135
Between one and five years	2,027,237	2,019,810
	$ 3,283,641	$ 3,210,945

(30) Supplemental cash flow information

Investing activities with partial cash payments:

	Years ended December 31,	
	2018	2017
Purchase of property, plant and equipment	$ 2,560,880	$ 3,333,849
Add: Beginning balance of payable on equipment	1,099,338	1,247,340
Less: Ending balance of payable on equipment	(1,286,366)	(1,099,338)
Cash paid	$ 2,373,852	$ 3,481,851

(31) Changes in liabilities from financing activities

	Short-term borrowings
January 1, 2018	$ -
Changes in cash flow from financing activities	1,100,000
December 31, 2018	$ 1,100,000

7. RELATED PARTY TRANSACTIONS

(1)Names of related parties and relationship with the company

Related party	Relationship
Taiwan Railways Administration	Director
Hua Eng Wire And Cable Co., Ltd.	Director
Foxconn Global Network Corporation	Subsidiary
Hon Conn Innovation Corporation	Subsidiary
Hon Hai Precision Industry Co., Ltd. And Subsidiaries	Group with significant influence to the Company
Foxsemicon Integrated Technology Inc.	Associate of an investor with significant influence to the Company
CyberTAN Technology, Inc.	Associate of an investor with significant influence to the Company
Ennoconn Corporation	Associate of an investor with significant influence to the Company
G-TECH Optoelectronics	Associate of an investor with significant influence to the Company
Taiwan Intelligent Fiber Optic Network Co., Ltd.	Associate of an investor with significant influence to the Company
Trans-IoT Technology Co., Ltd.	Associate of an investor with significant influence to the Company
Innolux Corporation	Associate of an investor with significant influence to the Company
Cheng Uei Precision Industry Co., Ltd.	Associate of an investor with significant influence to the Company
General Interface Solution Limited	Associate of an investor with significant influence to the Company
Yankey Inc	Associate of an investor with significant influence to the Company
Advanced Optoelectronic Technology Inc.	Associate of an investor with significant influence to the Company
SIO International Holdings Limited (Cayman)	Associate of an investor with significant influence to the Company
Zhen Ding Technology Co., Ltd.	Associate of an investor with significant

Related party	Relationship
	influence to the Company
Vas Creative Co., Ltd.	Associate of an investor with significant influence to the Company
Dexatek Technology Ltd.	Associate of an investor with significant influence to the Company
Sharp (Taiwan) Electronics Corporation	Associate of an investor with significant influence to the Company
Hyxen Technology Co., Ltd.	Associate of an investor with significant influence to the Company
Garuda Technology Co., Ltd.	Associate of an investor with significant influence to the Company
Aurora Telecom Corp.	Associate of an investor with significant influence to the Company
CASWELL,INC.	Associate of an investor with significant influence to the Company
Maxnerva Technology Service INC.	Associate of an investor with significant influence to the Company
Pan-International Industrial Corp.	Associate of an investor with significant influence to the Company
Inquartik Corporation	Associate of an investor with significant influence to the Company
Huang He Assets Management Ltd.	Associate of an investor with significant influence to the Company
Tekcon Electronics Corp.	Associate of an investor with significant influence to the Company
All the directors, president and main management	Management and governing body

(2) Significant transactions with related parties

A. Sales

(a) Operating revenue

The details of telecommunication services and sales to related parties are as follows:

	Years ended December 31, 2018	Years ended December 31, 2017
Groups with significant influence to the Company	$ 256,809	$ 177,088
Management of the Company	4,541	692
Subsidiaries	13,785	15,051
Other related parties	232,808	12,654
	$ 507,943	$ 205,485

The selling price and credit terms of the operating revenue resulting from telecommunication services to related parties are not significantly different from those with the other customers. Credit term for the Company's franchisees is within 60 days, and credit term for the customers other than franchisers is in accordance to contract terms.

(b) Accounts receivable/contract liabilities/other current liabilities

i. The details of accounts receivable arising from the above related party transactions were as follows:

	December 31, 2018	December 31, 2017
Groups with significant influence to the Company	$ 80,824	$ 58,412
Management of the Company	-	1
Subsidiaries	2,852	3,343
Other related parties	37,262	1,034
	$ 120,938	$ 62,790

ii. The details of advance receipts (shown as contract liabilities/other current liabilities) arising from the above related party transactions were as follows:

	December 31, 2018	December 31, 2017
Groups with significant influence to the Company	$ 11	$ 11
Subsidiaries	183	-
Other related parties	257	-
	$ 451	$ 11

B. Purchases

(a) Operating costs

The details of purchases from related parties were as follows:

	Years ended December 31,	
	2018	2017
Groups with significant influence to the Company	$ 124,516	$ 54,952
Subsidiaries	32,210	5,441
Other related parties	97,044	90,683
	$ 253,770	$ 151,076

The purchase price was agreed in the contract with related parties. The payment terms were the same as those with other vendors.

(b) Accounts payable

The details of accounts payable arising from the above related party transactions were as follows:

	December 31, 2018	December 31, 2017
Groups with significant influence to the Company	$ 31,775	$ 10,037
Subsidiaries	11,293	5,114
Other related parties	8,775	12,580
	$ 51,843	$ 27,731

C. Property transactions

(a) Purchase of property, plant and equipment/intangible assets

The details of the Company's purchases of equipment/intangible assets from related parties were as follows:

	Years ended December 31,	
	2018	2017
Groups with significant influence to the Company	$ 17,866	$ 21,498
Subsidiaries	376,349	172,835
Other related parties	5,901	2,613
	$ 400,116	$ 196,946

(b)Other payables

The details of other payables arising from the above related party transactions were as follows:

	December 31, 2018	December 31, 2017
Groups with significant influence to the Company	$ 12,797	$ 12,074
Subsidiaries	161,944	94,584
Other related parties	139	960
	$ 174,880	$ 107,618

(c)Disposal of intangible assets

The details of the Company's disposal of intangible assets from related parties were as follows:

	Years ended December 31,			
	2018		2017	
	Disposal preceeds	(Losses) gains on disposal	Disposal preceeds	(Losses) gains on disposal
Groups with significant influence to the Company	$ 1,118	$ 559	$ -	$ -

There were no other receivables arising from the above related party transactions as of December 31, 2018 and 2017.

D. Leases

(a) Operating costs/ operating expenses

The details of rents for leasing switch centers and office buildings from related parties were as follows:

	Years ended December 31,	
	2018	2017
Groups with significant influence to the Company	$ 72,552	$ 80,739
Management of the Company	48,677	46,229
Other related parties	2,063	2,062
	$ 123,292	$ 129,030

The amounts of rents for the aforementioned related party transactions were negotiated by both the Company and the related parties, and the payments were paid on monthly basis.

(b) Prepayments/ other non-current assets/ other payables

i. The details of prepayments arising from the aforementioned related party leasing transactions were as follows:

	December 31, 2018	December 31, 2017
Groups with significant influence to the Company	$ 76	$ -
Management of the Company	3,182	2,234
	$ 3,258	$ 2,234

ii. The details of refundable deposits (shown as other non-current assets) arising from the above related party leasing transactions were as follows:

	December 31, 2018	December 31, 2017
Groups with significant influence to the Company	$ 9,309	$ 9,987
Management of the Company	2,585	2,122
Other related parties	26	26
	$ 11,920	$ 12,135

iii. The details of other payables arising from the above related party leasing transactions were as follows:

	December 31, 2018	December 31, 2017
Groups with significant influence to the Company	$ 588	$ 832
Management of the Company	105	-
Other related parties	127	-
	$ 820	$ 832

(c) Rent income/operating costs/operating expenses

The details of rent income arising from leasing company vehicles and office buildings (some of those vehicles and buildings were recognized as deduction in operating costs and operating expenses) are as follows:

	Years ended December 31,	
	2018	2017
Subsidiaries	$ 4,550	$ 7,666

E. Other transactions

(a) Operating costs/ prepayments

i. The details of compensation of the use right of optical fiber cable to TRA were as follows:

	Years ended December 31,	
	2018	2017
Management of the Company	$ 100,000	$ 100,000

ii. The details of prepayments arising from the above related party transaction were as follows:

	December 31, 2018	December 31, 2017
Management of the Company	$ 4,839	$ 4,839

(b) Operating costs/ operating expenses/ other payables

i. The details of maintenance fees, service fees, contracted research expense, utilities expense and advertisement expense (shown as operating costs and operating expenses) arising from the above related party transactions were as follows:

	Years ended December 31,	
	2018	2017
Entities with significant influence to the Company	$ 36,771	$ 29,757
Management of the Company	1,594	2,021
Subsidiaries	431,004	353,163
Other related parties	489,446	3,094
	$ 958,815	$ 388,035

ii. The details of other payables arising from the above related party transaction were as follows:

	December 31, 2018	December 31, 2017
Entities with significant influence to the Company	$ 8,111	$ 11,801
Subsidiaries	163,355	142,778
Other related parties	35,181	45
	$ 206,647	$ 154,624

(c) Employee stock options

For the years ended December 31, 2018 and 2017, information on employee stock options granted to subsidiaries' employee is provided in Note 6(16). For the years ended December 31, 2018 and 2017, information on subsidiaries' employee stock options granted to employees is provided in Note 6(15).

(3)Key management compensation

	Years ended December 31, 2018	Years ended December 31, 2017
Short-term employee benefits	$ 58,283	$ 56,266
Share-based payments	5,053	11,160
Post-employment benefits	1,116	1,008
	$ 64,452	$ 68,434

8. PLEDGED ASSETS

The Company's assets pledged as collateral are as follows:

Pledged asset	Book value December 31, 2018	Book value December 31, 2017	Purpose
Other current assets (restricted deposits)	$ 132,780	$ 131,513	Guarantee for prepaid card
Other non-current assets (restricted deposits)	69,954	51,099	Switch center lease guarantee and performance bond
	$ 202,734	$ 182,612	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1)Contingencies

A. In 2006, Wang Chin She Ying used, without the consent of the Company, the Company's facilities and its shares in Chia Hsin Food and Synthetic Fiber Co., Ltd. and China Rebar Co., Ltd. as collateral for a loan from Union Insurance Company taken out by Ryh An Co., Ltd. and King Tung Co., Ltd.. The guarantee line for the collateral was $120,000. The Company acted as the guarantor of such loans. The inability of the abovementioned companies to repay the loan caused significant loss for the Company. Thus, the Company, as guarantor, is liable to repay such loans. Since Ryh An Co., Ltd. and King Tung Co., Ltd. had overdue loans of $60,000 each to Union Insurance Company, Union Insurance Company filed civil lawsuits against these two companies and to the Company. Union Insurance Company demanded for the principal amount of the loan as well as the interests and the default penalty for breach of contract. Union Insurance Company's claim was dismissed in the first instance on December 17, 2014. However, Union Insurance Company filed an appeal on January 8, 2015 and the court of second instance denied its appeal on January 26, 2016. Union Insurance Company filed an appeal for third instance. On October 12, 2016, the Supreme Court rescinded the original judgement and remanded the case to the high court for retrial. The two parties reached a settlement at the High Court on May 15, 2018. The Company paid the settlement of $36,000 to Union Insurance Company, wrote off provision for litigation losses of $180,446 and recognized gains of $144,446. Union Insurance Company has no more request on the case and the Company had made the payment on June 25, 2018. The Company estimated possible litigation losses of $1,728 and $5,184 (shown as 'other gains and losses') for the years ended December 31, 2018 and 2017, respectively. As of December 31, 2018 and 2017, the Company accrued provision for litigation of $0 and $178,718 (shown as 'provisions-current').

B. The Securities and Futures Investors Protection Center (the "Center") sued the directors of China Rebar Co., Ltd. and Chia Hsin Food and Synthetic Fiber Co., Ltd. seeking indemnity for their infringement of right as to the misappropriation of assets between these two companies. As the Company appointed representatives to serve as corporate directors with these two companies from June, 2006 to April, 2007, and they were involved in the preparation of financial statements for the six-month period ended June 30, 2006 and for the nine-month period ended September 30, 2006, if the court decides that the corporate directors of the Company that served with these two companies did not exercise due care of a good manager and should bear the fault in the preparation of the above false financial statements of these two companies, then the Company, together with these two companies, should be liable for the indemnity to the shareholders of these two companies. The Center asked for compensation of $10,269 and $31,694 for the 2006 semi-annual report and 2006 quarterly report, respectively. For the case of China Rebar Co., Ltd. on May 4, 2017, the court of second instance ruled that the Company should pay $4,965 in damages to investors plus interest accrued from January 29, 2008 at a rate of 5% per annum. Neither party decided to appeal the decision, so the second-instance judgement is final. In August 2017, the Company paid out $7,215 in damages. For the case of Chia Hsin Food and Synthetic Fiber Co., Ltd. on August 5, 2015, the Taipei District Court of first instance has rendered a judgement that the Company lost the lawsuit and shall pay compensation of $15,945 and interest. The Company filed an appeal on September 9, 2015. The Center filed an appeal for the part of the judgement that it lost in the first appeal, the result of the case is uncertain. The result of both cases is uncertain and difficult to estimate, thus, the accrued provision for litigation loss was retained. The Company did not accrue any litigation losses for the years ended December 31, 2018 and 2017. As of December 31, 2018 and 2017, the Company accrued provision for litigation losses of $31,820 for both periods (recorded as provisions-current).

C. The Company filed a criminal and civil lawsuit against Wang Yu Tseng and Wang Chin She Ying, alleging embezzlement. The Company is seeking for indemnity for damages as follows:

(a) The above defendants illegally invested $5,700,000 in Ding Sen International Co., Ltd. and Horng Sen International Co., Ltd.; illegally purchased corporate bonds of Li Sen International Co., Ltd., etc. totaling $10,080,000; illegally lent $5,335,000 to Horng Sen International Co., Ltd.; illegally prepaid Ding Sen International Co., Ltd. and Horng Sen International Co., Ltd. totaling $4,246,600 ($2,760,900 of which had not been returned).

(b) The above defendants signed a contract with Tung Ho Multimedia Co., Ltd. to sell the business of cable modem networking and related facilities in March, 2006. Such transaction was approved by the Board of Directors in April, 2006. The Company believes that such transaction damaged the Company’s interest, hence, it filed a civil lawsuit.

On April 6, 2017, the Taiwan High Court rendered a decision on the aforementioned lawsuit, ordering Wang Lin Tai and eleven other defendants to pay the Company the amount of $25,704,210 in damages. The Company has appealed the part of the judgement that was not in its favor and the Supreme Court remanded the case to the High Court on June 6, 2018. The part of judgement in favor of the Company are final and the Company would subsequently carry out the enforcement proceedings. According to the Company’s attorney, the actual compensation received will depend on the final verdict and the actual assets held by those who are liable for the damages.

(2) Commitments

A. As of December 31, 2018 and 2017, the Company had outstanding contracts of equipment procurements and base transceiver stations construction totaling $3,142,119 and $3,489,886, respectively, that will be paid in the future or paid by issuing promissory notes.

B. The Company leased switch centers, base transceiver stations, offices, stores and circuit service under non-cancellable operating lease agreements. The details of the future aggregate minimum lease payments under non-cancellable operating leases are provided in Note 6(29).

C. The Company entered into a use of assets contract with the Taiwan Railways Administration (TRA). The Company signed the contract with the TRA in January, 2001. Please refer to Note 6(9) for details.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS POST BALANCE SHEET DATE

None.

12. OTHERS

(1)Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the debt to asset ratio. This ratio is calculated as total debts divided by total assets.

During the year ended December 31, 2018, the Company's strategy was unchanged from 2017. The debt to asset ratio was 17% and 14% as of December 31, 2018 and 2017, respectively.

(2)Financial instruments

A. Financial instruments by category

	December 31, 2018	December 31, 2017
Financial assets		
Financial assets at fair value through profit or loss		
Current financial assets held for trading	$ -	$ 410,683
Non-current financial assets at cost	-	4,008
Financial assets at amortised cost/loans and receivables		
Cash and cash equivalents	774,223	2,558,943
Current contract assets	261,427	-
Notes receivable, net	8,987	263,880
Accounts receivable, net	1,372,632	1,400,544
Accounts receivable due from related parties, net	120,938	62,790
Other receivables	126,085	124,246
Other current assets-restricted deposits	132,780	131,513
Current contract assets	166,239	-
Other non-current assets-guarantee deposits paid	196,871	158,533
Other non-current assets-restricted deposits	69,954	51,099
	$ 3,230,136	$ 5,166,239

	December 31, 2018	December 31, 2017
Financial liabilities		
Decrease in financial liabilities at amortised cost		
Short-term borrowings	$ 110,000	$ -
Notes payable	20,651	14,110
Accounts payable	801,428	839,596
Accounts payable to related parties	51,843	27,731
Other accounts payable	3,382,354	3,323,893
Other non-current liabilities-guarantee deposits paid	167,951	155,624
	$ 4,534,227	$ 4,360,954

B. Financial risk management policies

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance. Risk management is carried out by a central treasury department (Company treasury) under policies approved by the management level. Company treasury identifies, evaluates and hedges financial risks.

C. Significant financial risks and degrees of financial risks

(a) Market risk

i. Foreign exchange risk

(i) The Company's businesses involve other non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2018				
	Foreign Currency Amount (In Thousands)		Exchange Rate	Book Value (NTD)	
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	$	7,490	30.715	$	230,055
Investments accounted for using equity method					
USD:NTD		113	30.715		3,409
RMB:NTD		458	4.529		2,072
Financial liabilities					
Monetary items					
USD:NTD		510	30.715		15,665

	December 31, 2017				
	Foreign Currency Amount (In Thousands)		Exchange Rate	Book Value (NTD)	
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	$	5,163	29.760	$	153,651
Investments accounted for using equity method					
USD:NTD		115	29.760		3,409
Financial liabilities					
Monetary items					
USD:NTD		539	29.760		16,041

(ii) The total exchange (loss) gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2018 and 2017, amounted to ($140) and ($1,322), respectively.

(iii) Analysis of foreign currency market risk arising from significant foreign exchange variation:

	Year ended December 31, 2018		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 2,301	$ -
Financial liabilities			
Monetary items			
USD:NTD	1%	(157)	$ -

	Year ended December 31, 2017		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 1,537	$ -
Financial liabilities			
Monetary items			
USD:NTD	1%	(160)	$ -

ii. Price risk

(i) The Company's equity instruments, which are exposed to price risk, are the held financial assets at fair value through profit or loss. To manage its price risk arising from investments in equity instruments, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

(ii) The Company's main investments are beneficiary certificates. The prices of these financial assets would change due to the change of the future value of investment targets. If the prices of these financial assets had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2018 and 2017 would have increased/decreased by $0 and $4,107, respectively, as a result of gains/losses on financial assets classified as at fair value through profit or loss.

iii. Cash flow and fair value interest rate risk

(i) The Company's interest rate risk arises from loans from financial institutions. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. The Company has not drawn any borrowing in 2017. For the year ended December 31, 2018, the Company's borrowings at variable rate were mainly denominated in New Taiwan Dollars.

(ii) The Company analyzes its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions. These scenarios are run in specific times in order to decrease flowing interest rate risk. If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, profit after tax for the years ended December 31, 2018 would have increased/decreased by $733. Changes in interest expense mainly results from floating-rate borrowings.

(b)Credit risk

i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Company's credit policy, each local entity in the Company is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored. Credit risk mainly arises from outstanding receivables and investments in beneficiary certificates.

ii. The Company takes into consideration the historical experience. If the contract payments were past due over 90 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

iii. Based on the Company's past collection experience, the default occurs when the contract payments are past due over 180 days.

iv. The Company classifies customers' accounts receivable and contract assets in accordance with product types. The Company applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.

v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;

(ii) The disappearance of an active market for that financial asset because of financial difficulties;

(iii) Default or delinquency in interest or principal repayments;

(iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

vi. The Company will continue executing the recourse procedures to secure their rights on the defaulted financial assets. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures.

vii. The Company takes into consideration of forward-looking information to adjust historical experience to assess the default possibility of accounts receivable, notes receivable and contract assets. On December 31, 2018, the provision matrix is as follows:

	Not past due	Up to 90 days	91 to 180 days	Over 180 days	Total
December 31, 2018					
Expected loss rate	0.00%~2.82%	1.00%~75.36%	20.00%~96.74%	100%	
Total book value	$ 1,827,061	$ 165,123	$ 68,933	$ 451,723	$ 2,512,840
Loss allowance	($ 31,225)	($ 46,953)	($ 52,716)	($ 451,723)	($ 582,617)

viii. Movements in relation to the Company applying the simplified approach to provide loss allowance for accounts receivable and contract assets are as follows:

	Year ended December 31, 2018			
	Accounts receivable	Contract assets	Overdue receivables	Total
At January 1_IAS 39	$ 123,762	$ -	$ 425,584	$ 549,346
Adjustments under new standards	10,514	11,508	-	22,022
At January 1_IFRS 9	134,276	11,508	425,584	571,368
Provision for impairment	161,509	-	-	161,509
Reversal of impairment loss	-	(2,979)	-	(2,979)
Written-off impairment loss	-	-	(147,281)	(147,281)
Transferred to overdue receivables	(173,420)	-	173,420	-
At December 31	$ 122,365	$ 8,529	$ 451,723	$ 582,617

ix. Credit risk information as of December 31, 2017 is provided in Note 12(4).

(c) Liquidity risk

i. Each operating entity manages and maintains its capital to ensure it has sufficient cash to meet operational needs including fulfillment of contract and financial obligations and monitors the use of its credit facility to ensure that it complies with the loan agreement.

ii. When surplus cash held by the operating entities over and above balance required for working capital management, treasury in each operating entity invests surplus cash in beneficiary certificates, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As of December 31, 2018 and 2017, the Company held beneficiary certificates of $0 and $410,683, respectively, and that are expected to readily generate cash inflows for managing liquidity risk.

iii. The Company has the following undrawn borrowing facilities:

	December 31, 2018	December 31, 2017
Floating rate:		
Expiring within one year	$ 5,657,733	$ 7,100,000

iv. The table below analyzes the Company's non-derivative financial liabilities into relevant maturity based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2018	Less than 3 months	Between 3 months and 1year	Between 1 and 2 years	Over 2 years	Total
Non-derivative financial liabilities:					
Short-term borrowings	$ 1,100,534	$ -	$ -	$ -	$ 1,100,534
Notes payable	9,176	11,427	48	-	20,651
Accounts payable	418,545	382,883	-	-	801,428
Accounts payable-related parties	51,843	-	-	-	51,843
Other payables	3,354,289	28,065	-	-	3,382,354

December 31, 2017	Less than 3 months	Between 3 months and 1year	Between 1 and 2 years	Over 2 years	Total
Non-derivative financial liabilities:					
Notes payable	$ 6,681	$ 7,429	$ -	$ -	$ 14,110
Accounts payable	595,217	244,379	-	-	839,596
Accounts payable-related parties	27,731	-	-	-	27,731
Other payables	3,309,719	14,174	-	-	3,323,893

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in beneficiary certificates is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in equity securities without active market is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The Company did not hold any financial and non-financial instruments relating to this Level.

B. Financial instruments not measured at fair value

The carrying amounts of the Company's financial instruments not measured at fair value (including cash and cash equivalents, contract assets, notes receivable, accounts receivable (including related parties), other receivables, other current assets, other non-current assets - refundable deposits, restricted cash in banks, notes payable, accounts payable (including related parties) and other payables and other non-current liabilities - guarantee deposits received) are approximate to their fair values.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

(a) The related information of natures of the assets and liabilities is as follows:

December 31, 2018

None.

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets-recurring fair value measurements:				
Financial assets at fair value through profit or loss-beneficiary certificates	$ 410,683	$ -	$ -	$ 410,683

(b) The methods and assumptions the Company used to measure fair value are as follows:

i For the instruments the Company used market quoted prices as their fair values (that is, Level 1), beneficiary certificates uses net asset value as its market quoted price.

ii. The fair value of the Company's investment in equity securities without active market is accounted for using the market approach (Price Book Ratio or Price-Earnings Ratio). Observable inputs are using the price in comparable companies as parameter and the fair value is evaluated by taking into consideration the lack of market liquidity after discount.

D. For the years ended December 31, 2018 and 2017, there was neither transfer between Level 1 and Level 2, movement in Level 3 nor transfer into or out from Level 3.

(4)<u>Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017</u>

A. Summary of significant accounting policies adopted in 2017

(a) <u>Financial assets at fair value through profit or loss</u>

i. Financial assets held for trading. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term.

ii. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.

iii. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognized in profit or loss.

(b) <u>Available-for-sale financial assets</u>

Available-for-sale financial assets are initially recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets at cost'.

(c) Loans and receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. They are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(d) Impairment of financial assets

i. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

ii. The criteria that the Company uses to determine whether there is objective evidence of an impairment loss is as follows:

(i) Significant financial difficulty of the issuer or debtor;

(ii) A breach of contract, such as a default or delinquency in interest or principal payments;

(iii) The Company, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(iv) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;

(v) The disappearance of an active market for that financial asset because of financial difficulties;

(vi) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(vii) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(viii) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

iii. When the group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(i) Financial assets at amortized cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognized in profit or loss. 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 loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(ii) Financial assets at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognized in profit or loss. Impairment loss recognized for this category shall not be reversed subsequently. Impairment loss is recognized by adjusting the carrying amount of the asset through the use of an impairment allowance account.

B. The information of the reconciliations of carrying amount of financial assets (including allowance for impairment) transferred from December 31, 2017, IAS 39, to January 1, 2018, IFRS 9 is provided in Note 3(1).

C. The significant accounts as of December 31, 2017, are as follows:

(a) Financial assets at fair value through profit or loss

	December 31, 2017
Current items:	
Financial assets held for trading	
Open-end funds	$ 406,195
Valuation adjustment	4,488
	$ 410,683

i. The Company's counterparties of investments in debt instrument have good credit quality.

ii. The Company recognized net profit amounting to $1,782 on financial assets held for trading for the year ended December 31, 2017.

(b) Accounts receivable

		December 31, 2017
Accounts receivable	$	1,524,306
Less: Allowance for bad debts	(	123,762)
	$	1,400,544

D. Credit risk information for the year ended December 31, 2017 is as follows:

(a) Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Company's credit policy, each local entity in the Company is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored. Credit risk arises from outstanding receivables from telecommunication users and interconnection between telecommunication industries and investment in beneficiary certificates.

(b) For the year ended December 31, 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

(c) The credit quality of accounts receivable that were neither past due nor impaired was in the following categories based on the Company's Credit Quality Control Policy:

		December 31, 2017
Group 1-Telecommunication carriers, franchisees and dealers	$	172,031
Group 2-Mobile network customers		431,673
Group 3-Fixed network and internet customers		85,723
	$	689,427

Group 1- Telecommunication carriers, franchisees and dealers: Domestic or international telecommunication carriers, franchisees and dealers who sell mobile phones.

Group 2- Mobile network customers: customers who use mobile network services.

Group 3- Fixed network and internet customers: customers who use fixed network and internet services.

(d) Part of the Company's accounts receivable that were past due and has been assessed to be impaired in full amount was recognized as impaired financial assets. As of December 31, 2017, there were no financial assets that were past due but not impaired.

(e) Movement analysis of financial assets that were impaired is as follows:

i. As of December 31, 2017, part of the Company's accounts receivable that were past due and were not past due have been assessed to be impaired. Accounts receivable with full amount that were impaired amounted to $834,879.

ii. The movements of allowance for uncollectible accounts from the abovementioned impaired accounts receivable has been recognized are as follows:

	Year ended December 31, 2017		
	Individual provision	Group provision	Total
Balance, January 1	$ -	$ 104,412	$ 104,412
Provision for impairment	-	202,234	202,234
Transferred to overdue receivables	-	(182,884)	(182,884)
Balance, December 31	$ -	$ 123,762	$ 123,762

(f) The Company does not hold any collateral as security.

(5) Effects on initial application of IFRS 15 and information on application of IAS 18 in 2017

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 are set out below.

The Company provides telecommunications services, computer software and hardware integration services and sells mobile phones and other products. Revenue is measured at the fair value of the consideration received or receivable taking into account of business tax, returns, rebates and discounts for the telecommunications services and system integration services rendered, and sale of goods to external customers in the ordinary course of the Company's activities. Recognition of major revenue is as follows:

(a) Usage charge of broadband fixed lines services (including local network business, long distance network business and international network business), broadband wireless services, broadband internet services and the related value-added services, and the connection fees which charge other telecom operators are recognized on the basis of the contract terms, which includes the contractual call traffic and rate, and actual airtime.

(b) Individual customer dial-up internet service (without time limit of use) revenue and enterprise customer internet service revenue, including ADSL, enterprise special line and co-location, are calculated based on fixed rates and recognized during the period of service rendering.

(c) Revenue from sale of goods and significant risk and compensation relating to ownership of products are recognized when transferring to customers.

(d) Telecommunications installation set-up fee and activation fee are recognized at the first time customers use the line.

(e) Fixed monthly service fees (including broadband fixed lines business, broadband wireless, and broadband internet business) are recognized each month.

(f) Prepaid card revenue (including local, long-distance and international calls and other value-added services thru fixed and mobile networks) is recognized on the basis of the actual usage volume by the customers.

(g) Revenue from computer hardware and software integration services is determined based on terms of each contract and recognized by reference to the stage of completion of the contract activity.

B. The revenue recognized by using above accounting policies for the year ended December 31, 2017 are as follows:

	Year ended December 31, 2017
Telecommunication revenue	$ 11,058,114
Sales revenue	1,811,996
Others	721,849
	$ 13,591,959

C. The reconciliations of revenue-related accounts transferred from December 31, 2017, IAS 18, to January 1, 2018, IFRS 15, were provided in Note 3(1).

D. The effects and description of current balance sheet and comprehensive income statement items if the Company continues adopting above accounting policies for the year ended December 31,2018 are as follows:

	December 31, 2018		
	Balance by using IFRS15	Balance by using previous accounting policies	Effects from changes in accounting policy
Balance sheet items			
Current contract assets	$ 261,427	$ -	$ 261,427
Non-current contract assets:	166,239	-	166,239
Other non-current assets	4,775,143	2,006,808	2,768,335
Current contract liabilities:	192,176	-	192,176
Other current liabilities	51,993	244,169	(192,176)
Deferred income tax liabilities	195,498	-	195,498
Retained earnings	19,555,705	22,947,204	(3,391,499)

	Year ended December 31, 2018		
	Balance by using IFRS15	Balance by using previous accounting policies	Effects from changes in accounting policy
Comprehensive income statement items			
Operating revenue	$ 14,291,467	$ 14,333,397	($ 41,930)
Operating costs	(13,021,381)	(13,021,381)	-
Gross profit (loss) from operations	1,270,086	1,312,016	(41,930)
Selling expenses	(4,639,271)	(4,226,676)	(412,595)
Administrative expenses	(1,462,089)	(1,462,089)	-
Expected credit impairment loss	(158,530)	(158,530)	-
Operating loss	(4,989,804)	(4,535,279)	(454,525)
Non-operating income and expenses	206,856	206,856	-
Loss before tax	(4,782,948)	(4,328,423)	(454,525)
Income tax benefit	1,488,958	1,689,635	(200,677)
Loss	($ 3,293,990)	($ 2,638,788)	($ 655,202)
Basic losses per share (NTD)			
Basic	($ 0.77)	($ 0.61)	
Diluted	($ 0.77)	($ 0.61)	

The information of the effect from the above of changes in accounting policies is provided in Note 3(1).

13. SUPPLEMENTARY DISCLOSURES

(1)Significant transactions information

A. Financings provided: None.

B. Endorsement/guarantee provided: None.

C. Marketable securities held (not including investments in subsidiaries, associates and joint ventures): Please refer to table 1.

D. Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: Please refer to table 2.

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

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

G. Total purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital: Please refer to table 3.

H. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None.

I. Information about the derivative financial instruments transaction: None.

J. The business relationship between the parent and the subsidiaries and significant transactions between them: Please refer to table 4.

(2)Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 5.

(3)Information on investments in Mainland China

A. Basic information: Please refer to table 6.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

Asia Pacific Telecom Co., Ltd.

MARKETABLE SECURITIES HELD (NOT INCLUDING SUBSIDIARIES, ASSOCIATES, AND JOINT VENTURES)

Year ended December 31, 2018

Table 1

Amounts in thousands of NTD
(Except as otherwise indicated)

Held Company Name	Marketable securities Type and Name	Relationship with the Company	Financial Statement account	December 31, 2018 Shares / Units	Carrying value	Percentage of Ownership (%)	Fair value (Note 1)	Note
Asia Pacific Telecom Co., Ltd.	Stock-Alliance Digital Technology Co., Ltd.	Supervisor of the company	Financial assets at fair value through profit or loss-non-current	3,000,000	$ -	7.20	$ -	(Note 2)
Asia Pacific Telecom Co., Ltd.	Stock-Pacific Telecom Co., Ltd.	-	Financial assets at fair value through profit or loss-non-current	349,376	-	0.05	-	
			Total		$ -		$ -	

Note 1: The fair value of listed stocks, OTC stocks, and closed-end mutual funds are based on latest quoted fair prices of accounting period. Open-end and balanced mutual funds are based on the net assets value at the balance sheet date. The fair value of unquoted equity instruments without open market price are measured by valuation technique.

Note 2: As of June 29, 2018 the Board of Directors has resolved the liquidation of Alliance Digital Technology Co., Ltd. and the liquidation procedure has begun in January, 2019.

Asia Pacific Telecom Co., Ltd.

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL

Year ended December 31, 2018

Table 2

Amounts in thousands of NTD

(Except as otherwise indicated)

	Marketable securities	Financial Statement		Nature of	Beginning Balance		Acquisition		Disposal				Ending Balance	
Company Name	Type and Name	account	Counter-party	Relationship	Shares / Units	Amount	Shares / Units	Amount	Shares / Units	Amount	Carrying value	disposal	Shares / Units	Amount
Asia Pacific Telecom Co., Ltd.	Mega Diamond Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	32,944,760	$ 410,683	-	$ -	32,944,760	$ 411,686	$ 410,683	$ 1,003	-	$ -

Asia Pacific Telecom Co., Ltd.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

Year ended December 31, 2018

Table 3

Amounts in thousands of NTD

(Except as otherwise indicated)

			Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		
Company Name	Related Party	Nature of Relationships	Purchases/Sales	Amount	% to Total	Payment Terms	Unit price	Payment Terms	Ending Balance	% to Total	Note
Asia Pacific Telecom Co., Ltd.	Flnet Co., Ltd.	Group with significant influence to the Company	Sales	($ 196,470)	1%	Payment within 60 days after purchase	Not applicable	Not applicable	$ 72,922	5%	
Asia Pacific Telecom Co., Ltd.	AURORA Telecom Corp.	Investor’s associate with significant influence to the Company	Sales	(214,760)	1%	Payment within 60 days after purchase	Not applicable	Not applicable	35,986	2%	

Asia Pacific Telecom Co., Ltd.

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

Year ended December 31, 2018

Table 4

Amounts in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counter-party	Nature of Relationship (Note 2)	Intercompany Transactions: Financial Statement account	Intercompany Transactions: Amount (Note 4)	Intercompany Transactions: Terms	Intercompany Transactions: Percentage of consolidated Net revenues or total assets (Note 3)
0	Asia Pacific Telecom Co., Ltd.	Foxconn Global Network Corporation	Parent company to subsidiary	Cost of services	$ 268,141	Approximately the same as third parties	2%
0	Asia Pacific Telecom Co., Ltd.	Foxconn Global Network Corporation	Parent company to subsidiary	Other payables	42,800	Approximately the same as third parties	0%
0	Asia Pacific Telecom Co., Ltd.	Foxconn Global Network Corporation	Parent company to subsidiary	Maintenance expense	165,532	Approximately the same as third parties	1%
0	Asia Pacific Telecom Co., Ltd.	Foxconn Global Network Corporation	Parent company to subsidiary	Other payables	110,274	Approximately the same as third parties	0%
0	Asia Pacific Telecom Co., Ltd.	Foxconn Global Network Corporation	Parent company to subsidiary	Maintenance expense	357,386	Approximately the same as the third parties	1%
0	Asia Pacific Telecom Co., Ltd.	Foxconn Global Network Corporation	Parent company to subsidiary	Other payables	157,152	Approximately the same as the third parties	0%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1)Parent company is ‘0’.

(2)The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if he parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: Single transaction not exceeding $30,000 is not disclosed. If the parent company already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose.

Asia Pacific Telecom Co., Ltd.

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)

Year ended December 31, 2018

Table 5

Amounts in thousands of NTD
(Except as otherwise indicated)

				Original Investment Amount		Balance as of December 31, 2018					
Investor Company	Investee Company	Location	Main Business and Products	December 31, 2018	December 31, 2017	Shares (In Thousands)	Percentage of Ownership	Carrying Value	Net Income (Losses) of the Investee	Share of Profits/ Losses of Investee	Note
Asia Pacific Telecom Co., Ltd.	Asia Pacific Telecom Hong Kong Co., Ltd.	Hong kong	Telecommunication	$ 32,240	$ 32,240	7,800,002	100.00	$ 3,409	$ -	$ -	
Asia Pacific Telecom Co., Ltd.	Foxconn Global Network Corporation	Republic of China	System integration service	141,800	141,800	14,180,000	55.53	138,856	53,899	29,635	
Asia Pacific Telecom Co., Ltd.	Hon Conn Innovation Corporation	Republic of China	System software design	-	-	510,000	63.75	8,664	5,501	3,507	
										$ 33,142	

Asia Pacific Telecom Co., Ltd.

Information on investments in Mainland China

Year ended December 31, 2018

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Company name	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018: Remitted to Mainland China	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018: Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net loss of investee as of December 31, 2018	Ownership held by the Company (direct or indirect)	Investment loss recognised by the Company for the year ended December 31, 2018 (Note 2)	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
Shenzhen Hongyu Network Technology Co., Ltd	System intergration service	$ 2,323	(1)	$ -	$ 2,323	$ -	$ 2,323	($ 289)	55.53%	($ 160)	$ 2,072	$ -	Note 2(1) and 3

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

(1) Directly invest in a company in Mainland China.

(2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.

(3) Others

Note 2: In the 'Investment income loss recognised by the Company for the year ended December 31, 2018' column:

(1)The financial statements that are audited and attested by The Company's CPA.

(2)The financial statements that are unaudited.

Note 3: The Company acquired 100% of the share capital of Shenzhen Hongyu Network Technology Co., Ltd through its subsidiary Foxconn Global Network Corporation which the Company 55.53% of it shares.
The total investment amounted to USD76. The numbers in the following table are expressed in New Taiwan dollars.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) Note 4	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 5)
Foxconn Global Network Corporation	$ 2,323	$ 2,323	$ 150,021

Note 4: The Company reported to the Investment Commission of MOEA in October 2018 with approved amount of USD75,503.

Note 5: The ceiling on investments to an investee shall not be more than 60% of the investee's net assets.

Asia Pacific Telecom Co., Ltd.

DETAILS OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2018

(Expressed in thousands of New Taiwan dollars)

Statement 1

Items	Summary	Amount
Cash on hand and revolving funds		$ 8,769
Cash in banks		
Checking accounts and demand deposits		
－USD	USD$805,066.71 at exchange rate of 30.715	24,728
－NTD		590,683
Time deposits	USD$4,885,000 at exchange rate of 30.715	150,043
		$ 774,223

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Asia Pacific Telecom Co., Ltd.
DETAILS OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2018
(Expressed in thousands of New Taiwan dollars)

Statement 2

Customer name and summary	Amount	Note
General customers:		
Others	$ 1,494,997	The balance of each customer has not exceeded 5% of the accounts receivable.
Less: Allowance for bad debts	(122,365)	
	1,372,632	
Related parties:		
Flnet Co., Ltd.	72,922	
AURORA Telecom Corp.	35,986	
Others	12,030	The balance of each customer has not exceeded 5% of the accounts receivable.
	120,938	
	$ 1,493,570	

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Asia Pacific Telecom Co., Ltd.

MOVEMENT SUMMARY OF ACCUMULATED DEPRECIATION AND IMPAIRMENT CHARGES ON PROPERTY, PLANT AND EQUIPMENT

YEAR ENDED DECEMBER 31, 2018

(Expressed in thousands of New Taiwan dollars)

Statement 3

Items	Opening balance	Additions	Reductions	Transfers (Note 1)	Ending balance	Pledged to other as collateral	Note
Cost							
Land	$ 515,348	$ -	($ 300)	$ -	$ 515,048	None	
Buildings and structures	557,473	-	(1,014)	-	556,459	None	
Computer and communication equipment	35,669,441	1,908,182	(6,720,554)	1,013,565	31,870,634	None	
Construction in progress and equipment to be inspected	1,317,406	630,187	-	(1,209,430)	738,163	None	
Others	361,903	22,511	(12,532)	5,671	377,553	None	
	38,421,571	2,560,880	(6,734,400)	(190,194)	34,057,857		
Accumulated depreciation							
Buildings and structures	(192,437)	(13,545)	208	-	(205,774)		Note 2
Computer and communication equipment	(20,575,384)	(2,679,668)	4,684,841	5,302	(18,564,909)		Note 2
Others	(166,753)	(70,562)	5,957	1,930	(229,428)		Note 2
	(20,934,574)	(2,763,775)	4,691,006	7,232	(19,000,111)		
Accumulated impairment							
Buildings and structures	(9,696)	-	-	-	(9,696)		
Computer and communication equipment	(4,939,707)	-	1,999,492	-	(2,940,215)		
Others	(7,415)	-	17	-	(7,398)		
	(4,956,818)	-	1,999,509	-	(2,957,309)		
	$ 12,530,179	($ 202,895)	($ 43,885)	($ 182,962)	$ 12,100,437		

Note 1: The transfers include reclassification of intangible assets amounting to $242,350, provisions of decommissioning liabilities amounting to $68,084, transfers of operating costs, inventories amounting to $8,495, $1,334 , respectively and transfers from other non-current assets amounting to $1,133.

Note 2: Information on depreciation methods and useful lives is provided in Note 4(14).

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Asia Pacific Telecom Co., Ltd.
MOVEMENT SUMMARY OF INTANGIBLE ASSETS
YEAR ENDED DECEMBER 31, 2018
(Expressed in thousands of New Taiwan dollars)

Statement 4

Items	Opening balance	Additions	Reductions	Transfers	Amortisations	Ending balance	Note
4G concession	$ 12,167,972	$ -	$ -	$ -	($ 904,400)	$ 11,263,572	Note
3G concession	-	-	-	-	-	-	Note
Computer software	458,070	411,847	(559)	241,915	(250,209)	861,064	Note
	$ 12,626,042	$ 411,847	($ 559)	$ 241,915	($ 1,154,609)	$ 12,124,636	

Note: Information on amortisation methods is provided in Note 4(16).

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Asia Pacific Telecom Co., Ltd.
DETAILS OF OPERATING REVENUE
YEAR ENDED DECEMBER 31, 2018
(Expressed in thousands of New Taiwan dollars)

Statement 5

Items	Quantity	Amount
Mobile service - voice service revenue		$ 482,305
- Mobile data telecommunication revenue		7,319,335
- Circuit connection sharing revenue		385,361
		8,187,001
Landline service - voice service revenue		1,096,990
- Circuit connection sharing revenue		997,073
		2,094,063
Internet service revenue		78,948
Other operating revenue		
- Sales revenue	Note	3,120,780
- Others		810,675
		3,931,455
		$ 14,291,467

Note: There are no listed details of sales revenue due to various kinds, specifications and measurement unit

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Asia Pacific Telecom Co., Ltd.
DETAILS OF OPERATING COST
DECEMBER 31, 2018
(Expressed in thousands of New Taiwan dollars)

Statement 6

Items	Summary	Amount
Direct telecommunication cost - mobile service		
Circuit connection sharing cost		$ 1,047,736
Direct telecommunication cost - landline service		
Circuit connection sharing cost		886,874
Internet service cost		16,502
Indirect telecommunication cost		
Employee benefit expense		241,910
Depreciation		2,611,751
Amortisation		1,383,633
Rent cost		1,391,824
Maintenance expense		554,568
Others		936,880
		$ 7,120,566
Other operating cost		
Cost of sales		3,174,853
Others		774,850
		3,949,703
		$ 13,021,381

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Asia Pacific Telecom Co., Ltd.
DETAILS OF OPERATING EXPENSES
YEAR ENDED DECEMBER 31, 2018
(Expressed in thousands of New Taiwan dollars)

Statement 7

Items	Selling expenses	Administrative expenses	Total
Employee benefit expense	$ 675,818	$ 853,115	$ 1,528,933
Depreciation	55,403	96,621	152,024
Amortisation	4,751	137,509	142,260
Commissions expense	3,126,485	-	3,126,485
Rent cost	109,464	52,842	162,306
Maintenance expense	5,356	156,411	161,767
Others (Note)	661,994	165,591	827,585
	$ 4,639,271	$ 1,462,089	$ 6,101,360

Note: The balance of each item has not exceeded 5% of the operating expenses.

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Asia Pacific Telecom Co., Ltd.
CURRENT EMPLOYEE BENEFITS, DEPRECIATION AND AMORTISATION EXPENSES SUMMARISED BY FUNCTION
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

Statement 8

By function / By nature	2018			2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expense						
Wages and salaries	$ 207,172	$ 1,308,357	$ 1,515,529	$ 211,656	$ 1,241,952	$ 1,453,608
Labor and health insurance fees	17,540	113,623	131,163	17,653	98,805	116,458
Pension expense	11,034	42,599	53,633	11,179	39,725	50,904
Directors' remuneration	-	4,245	4,245	-	4,761	4,761
Other employee benefit expenses	6,164	60,109	66,273	6,029	54,436	60,465
Depreciation	2,611,751	152,024	2,763,775	2,248,640	147,507	2,396,147
Amortisation	1,383,633	142,260	1,525,893	1,122,401	141,206	1,263,607

Note: As of December 31, 2018 and 2017, the Company hired 1,962 and 1,709 employees, respetively, including 11 and 14 non-employee Directors.

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Asia Pacific Telecom Co., Ltd.

Chairman : Fang-Ming Lu