

**Far EasTone Telecommunications  
Co., Ltd. and Subsidiaries**

**Consolidated Financial Statements for the  
Three Months Ended March 31, 2021 and 2020 and  
Independent Auditors' Review Report**

## **INDEPENDENT AUDITORS' REVIEW REPORT**

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

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of Far EasTone Telecommunications Co., Ltd. ("Far EasTone") and its subsidiaries (collectively, the "Group") as of March 31, 2021 and 2020, and the related consolidated statements of comprehensive income, the consolidated statements of changes in equity and cash flows for the three months ended March 31, 2021 and 2020, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### **Scope of Review**

We conducted our reviews in accordance with the Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are An-Hwei Lin and Yung-Hsiang Chao.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

May 6, 2021

Notice to Readers

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

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

# FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2021 (Reviewed)		December 31, 2020 (Audited)		March 31, 2020 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Notes 6 and 30)	\$ 4,460,607	3	\$ 5,713,875	3	\$ 5,567,717	3
Financial assets at fair value through profit or loss - current (Note 29)	684,924	-	690,639	-	563,587	-
Financial assets at amortized cost - current (Notes 8 and 30)	875,458	1	856,480	1	712,413	-
Contract assets - current (Note 24)	4,764,059	3	4,840,684	3	4,536,914	3
Notes receivable, net (Note 9)	11,177	-	20,446	-	21,877	-
Accounts receivable, net (Note 9)	7,485,359	4	7,752,189	5	7,125,668	4
Accounts receivable - related parties (Notes 9 and 30)	199,167	-	329,612	-	192,257	-
Inventories (Note 10)	2,509,472	1	3,116,812	2	1,895,876	1
Prepaid expenses	860,997	1	823,266	-	1,031,929	1
Other financial assets - current (Notes 30 and 31)	768,265	-	760,953	-	1,311,519	1
Other current assets (Notes 24 and 30)	<u>122,606</u>	<u>-</u>	<u>247,501</u>	<u>-</u>	<u>181,400</u>	<u>-</u>
Total current assets	<u>22,742,091</u>	<u>13</u>	<u>25,152,457</u>	<u>14</u>	<u>23,141,157</u>	<u>13</u>
NONCURRENT ASSETS						
Financial assets at fair value through other comprehensive income - noncurrent (Notes 7 and 29)	811,939	-	809,560	-	938,203	1
Investments accounted for using the equity method (Note 12)	1,728,598	1	1,681,518	1	1,537,917	1
Contract assets - noncurrent (Note 24)	3,215,150	2	3,221,916	2	2,735,335	2
Property, plant and equipment, net (Notes 13, 30 and 31)	38,715,497	23	38,205,535	22	34,775,577	20
Right-of-use assets (Notes 14 and 30)	8,612,787	5	8,633,704	5	8,327,649	5
Investment properties (Note 15)	838,564	-	838,564	1	983,635	1
Concessions, net (Notes 1 and 16)	73,762,872	43	75,032,771	43	78,146,470	46
Goodwill (Note 16)	11,176,831	7	11,176,831	6	11,176,831	6
Other intangible assets (Note 16)	3,022,413	2	3,180,169	2	3,367,474	2
Deferred income tax assets (Note 4)	866,697	1	835,461	1	801,144	-
Incremental costs of obtaining a contract - noncurrent (Note 24)	3,557,245	2	3,490,644	2	3,446,074	2
Other noncurrent assets (Notes 4, 9, 17, 30 and 31)	<u>1,187,200</u>	<u>1</u>	<u>1,170,190</u>	<u>1</u>	<u>1,195,249</u>	<u>1</u>
Total noncurrent assets	<u>147,495,793</u>	<u>87</u>	<u>148,276,863</u>	<u>86</u>	<u>147,431,558</u>	<u>87</u>
TOTAL	<u>\$ 170,237,884</u>	<u>100</u>	<u>\$ 173,429,320</u>	<u>100</u>	<u>\$ 170,572,715</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 18)	\$ 2,767,764	2	\$ 377,764	-	\$ 15,630,000	9
Short-term bills payable (Note 18)	3,931,032	2	389,715	-	2,122,053	1
Contract liabilities - current (Note 24)	2,075,439	1	2,190,246	1	2,115,722	1
Notes payable	7,494	-	12,561	-	10,916	-
Accounts payable (Note 30)	5,355,381	3	6,366,459	4	5,487,094	3
Other payables (Note 20)	5,826,922	3	6,136,912	4	5,085,212	3
Current tax liabilities (Note 4)	3,029,179	2	2,630,252	1	2,492,647	1
Provisions - current (Note 21)	186,979	-	184,512	-	180,136	-
Lease liabilities - current (Notes 14 and 30)	2,989,023	2	2,758,815	2	2,916,426	2
Current portion of long-term borrowings (Notes 18 and 19)	8,703,810	5	-	-	2,499,685	2
Other current liabilities (Note 30)	<u>1,247,440</u>	<u>1</u>	<u>1,032,311</u>	<u>1</u>	<u>1,111,806</u>	<u>1</u>
Total current liabilities	<u>36,120,463</u>	<u>21</u>	<u>22,079,547</u>	<u>13</u>	<u>39,651,697</u>	<u>23</u>
NONCURRENT LIABILITIES						
Contract liabilities - noncurrent (Note 24)	183,373	-	189,322	-	204,888	-
Bonds payable (Note 19)	28,575,279	17	33,771,854	20	32,767,463	19
Long-term borrowings (Note 18)	25,917,261	16	39,734,159	23	16,096,431	10
Provisions - noncurrent (Note 21)	1,089,766	1	1,049,170	1	970,658	1
Deferred income tax liabilities (Note 4)	2,175,185	1	2,173,850	1	2,173,806	1
Lease liabilities - noncurrent (Notes 14 and 30)	5,319,643	3	5,397,645	3	5,165,273	3
Net defined benefit liabilities - noncurrent (Note 4)	503,759	-	509,089	-	481,794	-
Guarantee deposits received - noncurrent	253,362	-	269,462	-	278,699	-
Other noncurrent liabilities	<u>8,013</u>	<u>-</u>	<u>8,013</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total noncurrent liabilities	<u>64,025,641</u>	<u>38</u>	<u>83,102,564</u>	<u>48</u>	<u>58,139,012</u>	<u>34</u>
Total liabilities	<u>100,146,104</u>	<u>59</u>	<u>105,182,111</u>	<u>61</u>	<u>97,790,709</u>	<u>57</u>
EQUITY ATTRIBUTABLE TO OWNERS OF FAR EASTONE						
Capital stock						
Common stock	<u>32,585,008</u>	<u>19</u>	<u>32,585,008</u>	<u>19</u>	<u>32,585,008</u>	<u>19</u>
Capital surplus	<u>5,701,451</u>	<u>3</u>	<u>5,701,421</u>	<u>3</u>	<u>5,820,041</u>	<u>4</u>
Retained earnings						
Legal reserve	20,299,484	12	20,299,484	11	19,425,986	11
Special reserve	598,988	-	598,988	-	606,730	-
Unappropriated earnings	<u>10,040,164</u>	<u>6</u>	<u>8,228,676</u>	<u>5</u>	<u>13,495,177</u>	<u>8</u>
Total retained earnings	<u>30,938,636</u>	<u>18</u>	<u>29,127,148</u>	<u>16</u>	<u>33,527,893</u>	<u>19</u>
Other equity	<u>(94,491)</u>	<u>-</u>	<u>(99,883)</u>	<u>-</u>	<u>(6,451)</u>	<u>-</u>
Total equity attributable to owners of Far EasTone	69,130,604	40	67,313,694	38	71,926,491	42
NONCONTROLLING INTERESTS	<u>961,176</u>	<u>1</u>	<u>933,515</u>	<u>1</u>	<u>855,515</u>	<u>1</u>
Total equity	<u>70,091,780</u>	<u>41</u>	<u>68,247,209</u>	<u>39</u>	<u>72,782,006</u>	<u>43</u>
TOTAL	<u>\$ 170,237,884</u>	<u>100</u>	<u>\$ 173,429,320</u>	<u>100</u>	<u>\$ 170,572,715</u>	<u>100</u>

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

# FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 24 and 30)	\$ 20,835,775	100	\$ 19,388,840	100
OPERATING COSTS (Notes 10, 25 and 30)	<u>14,661,777</u>	<u>70</u>	<u>12,679,320</u>	<u>65</u>
GROSS PROFIT	<u>6,173,998</u>	<u>30</u>	<u>6,709,520</u>	<u>35</u>
OPERATING EXPENSES (Notes 25 and 30)				
Marketing	2,530,436	12	2,488,146	13
General and administrative	1,188,371	6	1,185,156	6
Expected credit losses	<u>69,305</u>	<u>-</u>	<u>68,576</u>	<u>-</u>
Total operating expenses	<u>3,788,112</u>	<u>18</u>	<u>3,741,878</u>	<u>19</u>
OPERATING INCOME	<u>2,385,886</u>	<u>12</u>	<u>2,967,642</u>	<u>16</u>
NONOPERATING INCOME AND EXPENSES				
(Notes 25 and 30)				
Other income	23,267	-	38,001	-
Other gains and losses	3,143	-	(36,080)	-
Financial costs	(177,552)	(1)	(152,466)	(1)
Share of the gains of associates	44,049	-	17,484	-
Losses on disposal of property, plant and equipment and intangible assets	<u>(62,080)</u>	<u>-</u>	<u>(136,787)</u>	<u>(1)</u>
Total nonoperating income and expenses	<u>(169,173)</u>	<u>(1)</u>	<u>(269,848)</u>	<u>(2)</u>
INCOME BEFORE INCOME TAX	2,216,713	11	2,697,794	14
INCOME TAX (Notes 4 and 26)	<u>377,616</u>	<u>2</u>	<u>512,581</u>	<u>3</u>
NET INCOME	<u>1,839,097</u>	<u>9</u>	<u>2,185,213</u>	<u>11</u>

(Continued)

# FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2021		2020	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Note 23)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gains (losses) on investments in equity instruments designated as at fair value through other comprehensive income	\$ 3,701	-	\$ (7,809)	-
Share of the other comprehensive income of associates accounted for using the equity method	<u>33</u>	<u>-</u>	<u>506</u>	<u>-</u>
	<u>3,734</u>	<u>-</u>	<u>(7,303)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(113)	-	(1,379)	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method	<u>1,823</u>	<u>-</u>	<u>(945)</u>	<u>-</u>
	<u>1,710</u>	<u>-</u>	<u>(2,324)</u>	<u>-</u>
Total other comprehensive income (loss), net of income tax	<u>5,444</u>	<u>-</u>	<u>(9,627)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 1,844,541</u>	<u>9</u>	<u>\$ 2,175,586</u>	<u>11</u>
NET INCOME ATTRIBUTABLE TO:				
Owners of Far EasTone	\$ 1,811,488	9	\$ 2,172,196	11
Noncontrolling interests	<u>27,609</u>	<u>-</u>	<u>13,017</u>	<u>-</u>
	<u>\$ 1,839,097</u>	<u>9</u>	<u>\$ 2,185,213</u>	<u>11</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of Far EasTone	\$ 1,816,880	9	\$ 2,162,536	11
Noncontrolling interests	<u>27,661</u>	<u>-</u>	<u>13,050</u>	<u>-</u>
	<u>\$ 1,844,541</u>	<u>9</u>	<u>\$ 2,175,586</u>	<u>11</u>
EARNINGS PER SHARE, IN NEW TAIWAN DOLLARS (Note 27)				
Basic	<u>\$ 0.56</u>		<u>\$ 0.67</u>	
Diluted	<u>\$ 0.56</u>		<u>\$ 0.67</u>	

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

(Concluded)

# **FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES**

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

	Equity Attributable to Owners of Far EasTone					Other Equity (Note 23)					
	Capital Stock (Note 23)	Capital Surplus (Note 23)	Retained Earnings			Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	(Losses) Gains on Hedging Instruments	Total	Noncontrolling Interests (Note 23)	Total Equity
			Legal Reserve (Note 23)	Special Reserve (Note 23)	Unappropriated Earnings (Note 23)						
BALANCE AT JANUARY 1, 2020	\$ 32,585,008	\$ 5,820,041	\$ 19,425,986	\$ 606,730	\$ 11,322,981	\$ (9,717)	\$ 25,180	\$ (12,254)	\$ 69,763,955	\$ 842,465	\$ 70,606,420
Net income for the three months ended March 31, 2020	-	-	-	-	2,172,196	-	-	-	2,172,196	13,017	2,185,213
Other comprehensive (loss) income for the three months ended March 31, 2020, net of income tax	-	-	-	-	-	(1,412)	(7,303)	(945)	(9,660)	33	(9,627)
BALANCE AT MARCH 31, 2020	<u>\$ 32,585,008</u>	<u>\$ 5,820,041</u>	<u>\$ 19,425,986</u>	<u>\$ 606,730</u>	<u>\$ 13,495,177</u>	<u>\$ (11,129)</u>	<u>\$ 17,877</u>	<u>\$ (13,199)</u>	<u>\$ 71,926,491</u>	<u>\$ 855,515</u>	<u>\$ 72,782,006</u>
BALANCE AT JANUARY 1, 2021	\$ 32,585,008	\$ 5,701,421	\$ 20,299,484	\$ 598,988	\$ 8,228,676	\$ (20,598)	\$ (75,931)	\$ (3,354)	\$ 67,313,694	\$ 933,515	\$ 68,247,209
Changes in equity from investments in associates accounted for using the equity method	-	30	-	-	-	-	-	-	30	-	30
Net income for the three months ended March 31, 2021	-	-	-	-	1,811,488	-	-	-	1,811,488	27,609	1,839,097
Other comprehensive (loss) income for the three months ended March 31, 2021, net of income tax	-	-	-	-	-	(194)	3,734	1,852	5,392	52	5,444
BALANCE AT MARCH 31, 2021	<u>\$ 32,585,008</u>	<u>\$ 5,701,451</u>	<u>\$ 20,299,484</u>	<u>\$ 598,988</u>	<u>\$ 10,040,164</u>	<u>\$ (20,792)</u>	<u>\$ (72,197)</u>	<u>\$ (1,502)</u>	<u>\$ 69,130,604</u>	<u>\$ 961,176</u>	<u>\$ 70,091,780</u>

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

# FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 2,216,713	\$ 2,697,794
Adjustments for:		
Depreciation	2,871,435	3,023,433
Amortization	271,689	263,908
Amortization of concessions	1,269,899	747,899
Expected credit losses	69,305	68,576
Net loss on fair value changes of financial assets at fair value through profit or loss	5,715	65,751
Financial costs	177,552	152,466
Interest income	(10,220)	(20,199)
Share of the gains of associates	(44,049)	(17,484)
Losses on disposal of property, plant and equipment and intangible assets	62,080	136,787
(Reversal of write-down) write-down of inventories	(5,484)	2,233
Gains on modifications of lease arrangements	(345)	(778)
Net changes in operating assets and liabilities		
Contract assets	83,391	(753,006)
Notes receivable	9,269	49,009
Accounts receivable	204,977	463,154
Accounts receivable - related parties	130,445	52,681
Inventories	612,824	1,070,710
Prepaid expenses	(37,731)	(205,537)
Other current assets	125,441	(23,570)
Incremental costs of obtaining a contract	(66,601)	(47,967)
Contract liabilities	(120,756)	69,332
Notes payable	(5,067)	(8,647)
Accounts payable	(1,011,078)	447,005
Other payables	(798,986)	(926,337)
Provisions	558	(1,728)
Other current liabilities	210,818	(52,660)
Net defined benefit liabilities	(5,346)	(4,744)
Cash generated from operations	6,216,448	7,248,081
Interest received	9,912	38,173
Interest paid	(195,693)	(116,322)
Income taxes (paid) refunded	(7,324)	951,142
Net cash generated from operating activities	<u>6,023,343</u>	<u>8,121,074</u>

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# FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2021	2020
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	\$ -	\$ (400,000)
Acquisition of financial assets at amortized cost	(18,978)	-
Proceeds from the disposal of financial assets at amortized cost	-	31,174
Acquisition of property, plant and equipment	(2,041,423)	(900,415)
Proceeds from the disposal of property, plant and equipment	1,437	259
Increase in refundable deposits	(82,133)	(97,970)
Decrease in refundable deposits	57,679	93,908
Acquisition of intangible assets	(113,934)	(42,168,065)
(Increase) decrease in other financial assets	<u>(7,312)</u>	<u>155,977</u>
Net cash used in investing activities	<u>(2,204,664)</u>	<u>(43,285,132)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	2,390,000	15,140,000
Increase in short-term bills payable	3,541,317	1,767,418
Proceeds from the issuance of bonds payable	-	4,993,485
Proceeds from long-term borrowings	-	16,096,431
Repayment of long-term borrowings	(10,311,812)	(4,400,000)
Increase in guarantee deposits received	10,282	25,253
Decrease in guarantee deposits received	(24,623)	(32,667)
Repayment of the principal portion of lease liabilities	<u>(676,937)</u>	<u>(732,346)</u>
Net cash (used in) generated from financing activities	<u>(5,071,773)</u>	<u>32,857,574</u>
<b>EFFECT OF EXCHANGE RATE CHANGES</b>	<u>(174)</u>	<u>(616)</u>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	(1,253,268)	(2,307,100)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD</b>	<u>5,713,875</u>	<u>7,874,817</u>
<b>CASH AND CASH EQUIVALENTS, END OF THE PERIOD</b>	<u>\$ 4,460,607</u>	<u>\$ 5,567,717</u>

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

(Concluded)

# **FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)**

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### **1. ORGANIZATION AND OPERATIONS**

Far EasTone Telecommunications Co., Ltd. (Far EasTone) was incorporated in the Republic of China (ROC) on April 11, 1997 and began commercial operations on January 20, 1998. Far EasTone's stock was initially listed and commenced trading on the over-the-counter (OTC) securities exchange (known as the Taipei Exchange, TPEx) of the ROC on December 10, 2001, but later ceased trading on the TPEx and transferred listing of its stock on the Taiwan Stock Exchange (TWSE) on August 24, 2005. Far EasTone provides wireless communications, Internet and international simple resale (ISR) services and also sells cellular phone equipment and accessories. As of March 31, 2021 and 2020, Far Eastern New Century Corporation (Far Eastern New Century) and its affiliates directly and indirectly owned 38.28% of Far EasTone's stock. Since Far Eastern New Century and its subsidiaries have the power to cast the majority of votes at the meeting of Far EasTone's board of directors, Far Eastern New Century has control over Far EasTone's finances, operations and personnel affairs. Thus, Far Eastern New Century is the ultimate parent company of Far EasTone.

For long-term business development, on October 30, 2013, Far EasTone bid for and was granted two fourth-generation (4G) wireless communications concessions, GSM 700 and GSM 1800 (GSM stands for Global System for Mobile Communications), which are valid through December 31, 2030. From 2015 to 2017, Far EasTone bid for and was granted another two fourth-generation (4G) wireless communications concessions, GSM 2600 and GSM 2100, both of which are valid through December 31, 2033. In February 2020, Far EasTone bid for and was granted two fifth-generation (5G) wireless communications concessions of 3.5GHz spectrum and 28GHz spectrum, which are valid through December 31, 2040.

On October 14, 2020, Far EasTone registered as a telecommunications enterprise with the approval of the National Communications Commission (NCC). Far EasTone registered its business items in accordance with the Telecommunications Management Act.

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

### **2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements were reported to Far EasTone's board of directors on May 6, 2021.

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

- a. Application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group’s accounting policies.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Noncurrent”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **a. Statement of compliance**

The interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

##### **b. Basis of preparation**

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

##### **c. Basis of consolidation**

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

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

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

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of Far EasTone and to the noncontrolling interests even if this results in the noncontrolling interests having a deficit balance.

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

See Note 11, Schedule F and Schedule G for detailed information on subsidiaries, including the percentages of ownership and main businesses.

d. Other significant accounting policies

Except for the following, the accounting policies applied in the interim consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2020. For the summary of other significant accounting policies, refer to the consolidated financial statements for the year ended December 31, 2020.

1) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year.

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The critical accounting judgments and key sources of estimation uncertainty are the same as those applied to the consolidated financial statements for the year ended December 31, 2020.

## 6. CASH AND CASH EQUIVALENTS

	March 31, 2021	December 31, 2020	March 31, 2020
Cash on hand	\$ 10,250	\$ 10,444	\$ 11,331
Checking and demand deposits	4,378,978	5,335,282	3,307,657
Cash equivalents			
Commercial paper purchased under resale agreements	-	226,803	1,921,169
Certificates of deposits	<u>71,379</u>	<u>141,346</u>	<u>327,560</u>
	<u>\$ 4,460,607</u>	<u>\$ 5,713,875</u>	<u>\$ 5,567,717</u>

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Noncurrent</u>			
Investments in equity instruments at FVTOCI	\$ 811,939	\$ 809,560	\$ 938,203

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

## 8. FINANCIAL ASSETS AT AMORTIZED COST

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Current</u>			
Certificates of deposits with original maturities of more than 3 months	\$ 875,458	\$ 856,480	\$ 712,413

## 9. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Notes receivable</u>			
At amortized cost			
Gross carrying amount	\$ 11,177	\$ 20,446	\$ 21,877
Less: Allowance for impairment loss	-	-	-
	<u>\$ 11,177</u>	<u>\$ 20,446</u>	<u>\$ 21,877</u>
Notes receivable - operating	<u>\$ 11,177</u>	<u>\$ 20,446</u>	<u>\$ 21,877</u>
Accounts receivable (including related parties and noncurrent portion)			
At amortized cost			
Gross carrying amount	\$ 8,568,396	\$ 8,951,670	\$ 8,090,477
Less: Allowance for impairment loss	(748,653)	(725,460)	(670,847)
Less: Unrealized interest income	(7,553)	(8,862)	(7,171)
Less: Unearned finance income	<u>(5,535)</u>	<u>(5,949)</u>	<u>-</u>
	<u>\$ 7,806,655</u>	<u>\$ 8,211,399</u>	<u>\$ 7,412,459</u>

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

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Gross amount of installment accounts receivable	\$ 137,438	\$ 152,552	\$ 123,867
Allowance for impairment loss	(3,480)	(3,483)	-
Unrealized interest income	<u>(7,553)</u>	<u>(8,862)</u>	<u>(7,171)</u>
	<u>\$ 126,405</u>	<u>\$ 140,207</u>	<u>\$ 116,696</u>
Current	\$ 44,130	\$ 52,099	\$ 22,162
Noncurrent	<u>82,275</u>	<u>88,108</u>	<u>94,534</u>
	<u>\$ 126,405</u>	<u>\$ 140,207</u>	<u>\$ 116,696</u>

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

At the end of the reporting period, the Group's accounts receivable from a finance lease were as follows:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Gross amount of finance lease receivables	\$ 51,847	\$ 53,841
Unearned finance income	<u>(5,535)</u>	<u>(5,949)</u>
	<u>\$ 46,312</u>	<u>\$ 47,892</u>
	<b>March 31, 2021</b>	<b>December 31, 2020</b>
<u>Undiscounted lease payments</u>		
Year 1	\$ 7,976	\$ 7,976
Year 2	7,976	7,976
Year 3	7,976	7,976
Year 4	7,976	7,976
Year 5	7,976	7,976
Year 6 onwards	<u>11,967</u>	<u>13,961</u>
	51,847	53,841
Less: Unearned finance income	(5,535)	(5,949)
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
Finance lease receivables	<u>\$ 46,312</u>	<u>\$ 47,892</u>
Current	\$ 6,458	\$ 6,402
Noncurrent	<u>39,854</u>	<u>41,490</u>
	<u>\$ 46,312</u>	<u>\$ 47,892</u>

The Group entered into a finance lease agreement with a client to lease out its data center equipment as part of the project business services provided to the client. The term of the finance lease entered into was 8 years. The interest rate inherent in the lease was 3.5%, which was determined at the contract date and was fixed for the entire term of the lease.

The Group's credit period for the accounts receivable is 30 to 60 days.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of notes receivable and accounts receivable at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for all notes receivable and accounts receivable at an amount equal to lifetime expected credit loss (ECLs). The expected credit losses on notes receivable and accounts receivable are estimated using an allowance matrix prepared by reference to the past default records of the debtor and an analysis of the debtor's current financial position, adjusted for the general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the allowance for losses based on the past due status of receivables is not further distinguished according to different segments of the Group's customer base.

The Group recognizes an allowance for impairment loss when there is information indicating that a debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery of the receivable. For notes receivable and accounts receivable that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The Group's expected credit loss rate ranges of receivables which were not overdue and receivables which were overdue were 0.05%-7.00% and 6.02%-100%, respectively.

The Group measures the loss allowance for finance lease receivables at an amount equal to lifetime ECLs. The respective leased equipment served as collateral for the finance lease receivables. As of March 31, 2021 and December 31, 2020, no finance lease receivable was past due. The Group has not recognized a loss allowance for finance lease receivables after taking into consideration the historical default experience and the future prospects of the industries in which the lessees operate, together with the value of collateral held over these finance lease receivables.

The following table details the loss allowance of notes receivable and accounts receivable based on the Group's allowance matrix:

March 31, 2021

	<b>Not Overdue</b>	<b>Overdue Up to 60 Days</b>	<b>Overdue 61 Days or More</b>	<b>Total</b>
Gross carrying amount	\$ 7,557,028	\$ 678,099	\$ 331,358	\$ 8,566,485
Loss allowance (lifetime ECLs)	<u>(474,326)</u>	<u>(71,122)</u>	<u>(203,205)</u>	<u>(748,653)</u>
Amortized cost	<u>\$ 7,082,702</u>	<u>\$ 606,977</u>	<u>\$ 128,153</u>	<u>\$ 7,817,832</u>



December 31, 2020

	<b>Not Overdue</b>	<b>Overdue Up to 60 Days</b>	<b>Overdue 61 Days or More</b>	<b>Total</b>
Gross carrying amount	\$ 8,031,117	\$ 556,147	\$ 370,041	\$ 8,957,305
Loss allowance (lifetime ECLs)	<u>(467,264)</u>	<u>(60,229)</u>	<u>(197,967)</u>	<u>(725,460)</u>
Amortized cost	<u>\$ 7,563,853</u>	<u>\$ 495,918</u>	<u>\$ 172,074</u>	<u>\$ 8,231,845</u>

March 31, 2020

	<b>Not Overdue</b>	<b>Overdue Up to 60 Days</b>	<b>Overdue 61 Days or More</b>	<b>Total</b>
Gross carrying amount	\$ 6,896,933	\$ 851,941	\$ 356,309	\$ 8,105,183
Loss allowance (lifetime ECLs)	<u>(361,315)</u>	<u>(78,883)</u>	<u>(230,649)</u>	<u>(670,847)</u>
Amortized cost	<u>\$ 6,535,618</u>	<u>\$ 773,058</u>	<u>\$ 125,660</u>	<u>\$ 7,434,336</u>

The movements of the loss allowance of notes receivable and accounts receivable were as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 725,460	\$ 679,136
Add: Amounts recovered	49,175	46,245
Add: Net remeasurement of loss allowance	69,305	68,576
Less: Amounts written off	(95,304)	(123,225)
Foreign exchange gains and losses	<u>17</u>	<u>115</u>
Balance at March 31	<u>\$ 748,653</u>	<u>\$ 670,847</u>

## 10. INVENTORIES

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Cellular phone equipment and accessories	\$ 2,003,662	\$ 2,663,920	\$ 1,536,575
Others	<u>505,810</u>	<u>452,892</u>	<u>359,301</u>
	<u>\$ 2,509,472</u>	<u>\$ 3,116,812</u>	<u>\$ 1,895,876</u>

Costs of inventories sold were \$7,137,970 thousand and \$5,461,306 thousand for the three months ended March 31, 2021 and 2020, respectively.

The reversal of write-down (write-down) of inventories amounting to \$5,484 thousand and \$(2,233) thousand were included in the cost of sales for the three months ended March 31, 2021 and 2020, respectively.

## 11. SUBSIDIARIES

### Subsidiaries Included in the Consolidated Financial Statements

Main businesses and percentages of ownership are shown as follows:

Investor Company	Investee Company	Main Businesses and Products	Percentage of Ownership (%)			Note
			March 31, 2021	December 31, 2020	March 31, 2020	
Far EasTone	NCIC	Telecommunications services	100.00	100.00	100.00	Dissolved in 2020 with the approval of the local government
	ARCOA	Sales of communications products and office equipment	61.63	61.63	61.63	
	KGEx.com	Telecommunications services	99.99	99.99	99.99	
	YSDT	Electronic information services	96.18	96.18	86.41	
	Yuan Cing	Call center services	100.00	100.00	100.00	
	FEIS	Investment	100.00	100.00	100.00	
	Yuan Bao	Data processing services and electronic information services	100.00	100.00	100.00	
	FEPIA	Property insurance agent	100.00	100.00	100.00	
FEIS	FETI	Computer software, data processing and network information services	-	-	41.67	
NCIC	ISSDU	Security and monitoring service via internet	100.00	100.00	100.00	
	DU (Cayman)	Investment	100.00	100.00	100.00	
	New Diligent	Investment	100.00	100.00	100.00	
	YSDT	Electronic information services	0.67	0.67	2.40	
	Prime Ecopower	Energy technology services	100.00	100.00	100.00	
	Nextlink Technology	Electronic information services	70.00	70.00	70.00	
New Diligent	FEND	Investment	100.00	100.00	100.00	Dissolved in 2020 with the approval of the local government
	Sino Lead	Telecommunications services	100.00	100.00	100.00	
	New Diligent Hong Kong	Investment	100.00	100.00	100.00	
FEND	FETI	Computer software, data processing and network information services	-	-	58.33	
DU (Cayman)	DUIT	Design, research, installment and maintenance of computer software and systems	100.00	100.00	100.00	
ARCOA	DataExpress	Sale of communications products	70.00	70.00	70.00	Dissolved on April 1, 2020 due to the merger with DataExpress
DataExpress	Linkwell	Sale of communications products	-	-	100.00	
Nextlink Technology	Home Master	Sale of communications products	100.00	100.00	100.00	
	Microfusion Technology	Electronic information services	100.00	100.00	100.00	
	Nextlink (HK) Technology	Electronic information services	100.00	100.00	100.00	
	Microfusion (HK) Technology	Electronic information services	100.00	100.00	-	
Nextlink (HK) Technology	Nextlink (SH) Technology	Electronic information services	100.00	100.00	100.00	

In order to enrich operating capital and speed up business expansion in the mobile ecommerce market in order to get a leading position in the industry, YSDT raised \$800,000 thousand through the issuance of 80,000,000 shares of common stock at an issue price of NT\$10 per share in May 2020. Far EasTone's board of directors resolved in May 2020 that Far EasTone would subscribe for the new common stock issued by YSDT with a total subscription amount of \$800,000 thousand.

## 12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

### Investments in Associates

	March 31, 2021	December 31, 2020	March 31, 2020
Material associate			
Far Eastern Electronic Toll Collection Co., Ltd.	\$ 1,327,742	\$ 1,269,488	\$ 1,081,578
Associates that are not individually material	<u>400,856</u>	<u>412,030</u>	<u>456,339</u>
	<u>\$ 1,728,598</u>	<u>\$ 1,681,518</u>	<u>\$ 1,537,917</u>

The Group is the largest single stockholder of Far Eastern Electronic Toll Collection Co., Ltd. (FETC) with 39.42% of voting rights as of March 31, 2021, December 31, 2020 and March 31, 2020, and was the largest single stockholder of Yuan Hsin Digital Payment Co., Ltd. (YHDP) with 30% of voting rights as of March 31, 2020. The holdings of the other stockholders of FETC and YHDP are not widely dispersed. Despite having the largest holding, the Group cannot direct the relevant activities of FETC and YHDP and does not have control over FETC and YHDP. However, management of the Group considered the Group as exercising significant influence over FETC and YHDP and, therefore, classified FETC and YHDP as associates of the Group.

Material associates:

Name of Associate	Nature of Activities	Main Place of Business	Interests and Voting Rights		
			March 31, 2021	December 31, 2020	March 31, 2020
Far Eastern Electronic Toll Collection Co., Ltd.	Electronic information services and electronic toll collection services	Taiwan	39.42%	39.42%	39.42%

#### Far Eastern Electronic Toll Collection Co., Ltd.

As of June 30, 2011, the usage rate of electronic toll collection (ETC) services had not reached the requirement stated in the contract of the Electronic Toll Collection BOT Project (ETC Project). Thus, Far Eastern Electronic Toll Collection Co., Ltd. (FETC) filed a lawsuit against Taiwan Area National Freeway Bureau (TANFB), and the Supreme Court remanded this case to the Taipei District Court Civil Division in September 2015. FETC had accrued the related penalties. On October 19, 2018, the Taipei District Court pronounced the judgment in FETC's favor. The TANFB filed an appeal on November 9, 2018. The High Court overruled the TANFB's appeal on June 11, 2019, and on July 8, 2019, the TANFB filed another appeal to the Supreme Court. On January 21, 2021, the Supreme Court reversed the original judgment made by the High Court on June 11, 2019 and remanded the case to the High Court; the case is currently under trial in the High Court.

FETC failed to complete the taximeter system infrastructure within a specified period under the ETC Project requirements. The Taipei District Court Civil Division pronounced on May 20, 2016 that FETC should pay the compensation for breach of contract to TANFB. FETC filed an appeal on May 31, 2016 and accrued related penalties.

### 13. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Operating Equipment	Computer Equipment	Other Equipment	Construction-in-progress	Total
<u>Cost</u>							
Balance at January 1, 2021	\$ 7,191,408	\$ 9,648,717	\$ 85,563,488	\$ 13,916,984	\$ 6,679,501	\$ 2,554,932	\$ 125,555,030
Additions	-	649	1,980	2,786	10,709	2,581,178	2,597,302
Disposals	-	(5,703)	(587,072)	(70,395)	(84,882)	(710)	(748,762)
Effects of foreign currency exchange difference	-	-	-	-	1	-	1
Adjustments and reclassification	-	33,774	3,136,081	58,183	57,530	(3,285,568)	-
Balance at March 31, 2021	<u>\$ 7,191,408</u>	<u>\$ 9,677,437</u>	<u>\$ 88,114,477</u>	<u>\$ 13,907,558</u>	<u>\$ 6,662,859</u>	<u>\$ 1,849,832</u>	<u>\$ 127,403,571</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2021	\$ (95,894)	\$ (4,399,769)	\$ (63,816,330)	\$ (13,096,501)	\$ (5,941,001)	\$ -	\$ (87,349,495)
Depreciation expense	-	(71,990)	(1,720,254)	(134,107)	(57,614)	-	(1,983,965)
Disposals	-	5,702	485,937	70,314	83,434	-	645,387
Effects of foreign currency exchange difference	-	-	-	-	(1)	-	(1)
Adjustments and reclassification	-	-	-	(186)	186	-	-
Balance at March 31, 2021	<u>\$ (95,894)</u>	<u>\$ (4,466,057)</u>	<u>\$ (65,050,647)</u>	<u>\$ (13,160,480)</u>	<u>\$ (5,914,996)</u>	<u>\$ -</u>	<u>\$ (88,688,074)</u>
Carrying amount at January 1, 2021	<u>\$ 7,095,514</u>	<u>\$ 5,248,948</u>	<u>\$ 21,747,158</u>	<u>\$ 820,483</u>	<u>\$ 738,500</u>	<u>\$ 2,554,932</u>	<u>\$ 38,205,535</u>
Carrying amount at March 31, 2021	<u>\$ 7,095,514</u>	<u>\$ 5,211,380</u>	<u>\$ 23,063,830</u>	<u>\$ 747,078</u>	<u>\$ 747,863</u>	<u>\$ 1,849,832</u>	<u>\$ 38,715,497</u>
<u>Cost</u>							
Balance at January 1, 2020	\$ 7,034,392	\$ 7,980,284	\$ 81,405,422	\$ 14,079,672	\$ 6,427,921	\$ 2,445,310	\$ 119,373,001
Additions	-	697	-	1,048	49,122	731,010	781,877
Disposals	-	(3,808)	(331,404)	(122,648)	(43,070)	(3,058)	(503,988)
Adjustments and reclassification	-	65,154	874,727	43,839	77,345	(1,061,065)	-
Balance at March 31, 2020	<u>\$ 7,034,392</u>	<u>\$ 8,042,327</u>	<u>\$ 81,948,745</u>	<u>\$ 14,001,911</u>	<u>\$ 6,511,318</u>	<u>\$ 2,112,197</u>	<u>\$ 119,650,890</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2020	\$ (95,894)	\$ (4,267,375)	\$ (59,881,952)	\$ (12,996,513)	\$ (5,873,519)	\$ -	\$ (83,115,253)
Depreciation expense	-	(53,399)	(1,818,822)	(170,836)	(73,114)	-	(2,116,171)
Disposals	-	3,808	188,197	121,752	42,354	-	356,111
Adjustments and reclassification	-	-	-	-	-	-	-
Balance at March 31, 2020	<u>\$ (95,894)</u>	<u>\$ (4,316,966)</u>	<u>\$ (61,512,577)</u>	<u>\$ (13,045,597)</u>	<u>\$ (5,904,279)</u>	<u>\$ -</u>	<u>\$ (84,875,313)</u>
Carrying amount at March 31, 2020	<u>\$ 6,938,498</u>	<u>\$ 3,725,361</u>	<u>\$ 20,436,168</u>	<u>\$ 956,314</u>	<u>\$ 607,039</u>	<u>\$ 2,112,197</u>	<u>\$ 34,775,577</u>

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

Buildings	
Main buildings	33-55 years
Other building equipment	3-45 years
Operating equipment	3-26 years
Computer equipment	1-11 years
Other equipment	1-20 years

### 14. LEASE ARRANGEMENTS

#### a. Right-of-use assets

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Carrying amount</u>			
Land	\$ 1,152	\$ 1,368	\$ -
Buildings	8,372,380	8,428,566	8,104,262
Other equipment	<u>239,255</u>	<u>203,770</u>	<u>223,387</u>
	<u>\$ 8,612,787</u>	<u>\$ 8,633,704</u>	<u>\$ 8,327,649</u>

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Additions to right-of-use assets	\$ 926,202	\$ 1,007,990
Depreciation charge for right-of-use assets		
Land	\$ 216	\$ -
Buildings	855,080	874,840
Other equipment	32,174	32,422
	<u>\$ 887,470</u>	<u>\$ 907,262</u>

Except for the aforementioned additions and recognized depreciation, the Group did not have any significant sublease or impairment of right-of-use assets during the three months ended March 31, 2021 and 2020.

b. Lease liabilities

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
<u>Carrying amount</u>			
Current	\$ 2,989,023	\$ 2,758,815	\$ 2,916,426
Noncurrent	\$ 5,319,643	\$ 5,397,645	\$ 5,165,273

Discount rate ranges for lease liabilities were as follows:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Land	0.62%	0.62%	-
Buildings	0.52%-1.44%	0.53%-1.44%	0.62%-1.44%
Other equipment	0.52%-0.99%	0.53%-0.99%	0.62%-0.99%

c. Material lease activities and terms (the Group is lessee)

The Group leased some of the land and buildings for cell sites, data centers, offices and retail stores and leased other equipment for operating uses with lease terms of 1 to 20 years. The Group does not have bargain purchase options to acquire the land, buildings and equipment at the end of the lease terms.

d. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties are set out in Note 15.

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Expenses relating to short-term leases	\$ 25,043	\$ 8,191
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ 8,342	\$ 8,490
Total cash outflow for leases	<u>\$ (724,639)</u>	<u>\$ (744,769)</u>

The Group has elected to apply the recognition exemption for the lease of certain buildings and other equipment that qualify as short-term leases and thus did not recognize right-of-use assets and lease liabilities for these leases.

## 15. INVESTMENT PROPERTIES

Balance at March 31, 2021 and December 31, 2020	<u>\$ 838,564</u>
Balance at March 31, 2020	<u>\$ 983,635</u>

The lease terms of investments properties range from 0.5-6 years. The rights of lease term extension contain clauses for market rental reviews. The lessee does not have a bargain purchase option to acquire the investment property at the expiry of the lease period.

The maturity analysis of lease payments receivable under operating leases of investment properties is as follows:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Year 1	\$ 16,609	\$ 13,803	\$ 20,406
Year 2	13,078	10,250	12,976
Year 3	7,638	4,576	7,443
Year 4	4,411	93	2,227
Year 5	4,499	-	-
Year 6 onwards	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 46,235</u>	<u>\$ 28,722</u>	<u>\$ 43,052</u>

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

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Independent valuation	<u>\$ 838,564</u>	<u>\$ 838,564</u>	<u>\$ 983,635</u>

The fair values of the investment properties as of December 31, 2020 and 2019 were based on the valuations respectively carried out on January 15, 2021 and January 13, 2020 by independent qualified professional valuers Mr. Tsai, Chia-Ho and Mr. Lee, Ken-Yuan. The aforementioned valuers are from DTZ Cushman & Wakefield, a member of certified ROC real estate appraisers. After consultation with the appraisers, the Group determined that the fair values reported at December 31, 2020 and 2019 were still valid as of March 31, 2021 and 2020, respectively.

The fair value of investment properties was measured using the income approach. The significant assumptions used are stated below. An increase in estimated future net cash inflows or a decrease in discount rates would result in an increase in the fair value.

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Expected future cash inflows	\$ 1,048,890	\$ 1,048,890	\$ 1,285,832
Expected future cash outflows	<u>(31,212)</u>	<u>(31,212)</u>	<u>(33,976)</u>
Expected future cash inflows, net	<u>\$ 1,017,678</u>	<u>\$ 1,017,678</u>	<u>\$ 1,251,856</u>
Discount rate	2.01%-2.20%	2.01%-2.20%	2.00%-2.29%

The market rentals in the area where the investment properties are located were between \$1 thousand and \$18 thousand per ping per month (1 ping = 3.3 square meters). The market rentals for comparable properties were between \$1 thousand and \$16 thousand per ping per month.

All of the investment properties have been leased out under operating leases. The rental incomes generated for the three months ended March 31, 2021 and 2020 were \$4,338 thousand and \$5,810 thousand, respectively.

The expected future cash inflows generated by investment properties referred to rental income, interest income on rental deposits, loss on vacancy rate of space and disposal value. The rental income was extrapolated using the comparative market rentals covering 10 years, excluding values that are overly high or overly low, taking into account the annual rental growth rate, loss on vacancy rate of space was extrapolated using the vacancy rates of the neighboring stores and factories, the interest income on rental deposits was extrapolated using the interest rate announced by the central bank for the one-year average deposit interest rate of five major banks, which was 0.77% and 1.04% for the years ended December 31, 2020 and 2019, respectively, and the disposal value was determined using the direct capitalization method under the income approach. The expected future cash outflows on investment properties included expenditures such as land value taxes, house taxes, insurance premium, management fee, maintenance costs, replacement allowance and depreciation. The expenditures were extrapolated on the basis of the current level of expenditures, taking into account the future adjustment to the government-announced land value and the tax rate promulgated under the House Tax Act.

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

## 16. INTANGIBLE ASSETS

	Concessions	Goodwill	Computer Software	Other Intangible Assets	Total
<u>Cost</u>					
Balance at January 1, 2021	\$ 90,002,000	\$ 11,194,104	\$ 18,531,583	\$ 852,527	\$ 120,580,214
Additions	-	-	113,934	-	113,934
Disposals	-	-	(125,425)	-	(125,425)
Balance at March 31, 2021	<u>\$ 90,002,000</u>	<u>\$ 11,194,104</u>	<u>\$ 18,520,092</u>	<u>\$ 852,527</u>	<u>\$ 120,568,723</u>
<u>Accumulated amortization and impairment</u>					
Balance at January 1, 2021	\$ (14,969,229)	\$ (17,273)	\$ (15,654,384)	\$ (549,557)	\$ (31,190,443)
Amortization	(1,269,899)	-	(256,943)	(14,746)	(1,541,588)
Disposals	-	-	125,424	-	125,424
Balance at March 31, 2021	<u>\$ (16,239,128)</u>	<u>\$ (17,273)</u>	<u>\$ (15,785,903)</u>	<u>\$ (564,303)</u>	<u>\$ (32,606,607)</u>
Carrying amount at January 1, 2021	<u>\$ 75,032,771</u>	<u>\$ 11,176,831</u>	<u>\$ 2,877,199</u>	<u>\$ 302,970</u>	<u>\$ 89,389,771</u>
Carrying amount at March 31, 2021	<u>\$ 73,762,872</u>	<u>\$ 11,176,831</u>	<u>\$ 2,734,189</u>	<u>\$ 288,224</u>	<u>\$ 87,962,116</u>

(Continued)

	Concessions	Goodwill	Computer Software	Other Intangible Assets	Total
<u>Cost</u>					
Balance at January 1, 2020	\$ 46,960,000	\$ 11,194,104	\$ 17,830,546	\$ 852,527	\$ 76,837,177
Additions	43,042,000	-	126,065	-	43,168,065
Disposals	<u>-</u>	<u>-</u>	<u>(9,715)</u>	<u>-</u>	<u>(9,715)</u>
Balance at March 31, 2020	<u>\$ 90,002,000</u>	<u>\$ 11,194,104</u>	<u>\$ 17,946,896</u>	<u>\$ 852,527</u>	<u>\$ 119,995,527</u>
<u>Accumulated amortization and impairment</u>					
Balance at January 1, 2020	\$ (11,107,631)	\$ (17,273)	\$ (14,687,183)	\$ (490,573)	\$ (26,302,660)
Amortization	(747,899)	-	(249,162)	(14,746)	(1,011,807)
Disposals	<u>-</u>	<u>-</u>	<u>9,715</u>	<u>-</u>	<u>9,715</u>
Balance at March 31, 2020	<u>\$ (11,855,530)</u>	<u>\$ (17,273)</u>	<u>\$ (14,926,630)</u>	<u>\$ (505,319)</u>	<u>\$ (27,304,752)</u>
Carrying amount at March 31, 2020	<u>\$ 78,146,470</u>	<u>\$ 11,176,831</u>	<u>\$ 3,020,266</u>	<u>\$ 347,208</u>	<u>\$ 92,690,775</u>
					(Concluded)

Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Concessions	14 to 21 years
Computer software	1 to 7 years
Other intangible assets	4 to 15.5 years

Refer to Note 16 of the consolidated financial statements for the year ended December 31, 2020 for the related information of goodwill.

## 17. OTHER NONCURRENT ASSETS

	March 31, 2021	December 31, 2020	March 31, 2020
Refundable deposits	\$ 1,046,019	\$ 1,021,556	\$ 1,085,662
Others	<u>141,181</u>	<u>148,634</u>	<u>109,587</u>
	<u>\$ 1,187,200</u>	<u>\$ 1,170,190</u>	<u>\$ 1,195,249</u>

## 18. BORROWINGS

### a. Short-term borrowings

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Unsecured borrowings</u>			
Credit loans	<u>\$ 2,767,764</u>	<u>\$ 377,764</u>	<u>\$ 15,630,000</u>
Interest rate range	0.72%-1.60%	0.66%-1.65%	0.74%-1.65%



b. Short-term bills payable

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
<u>Unsecured borrowings</u>			
Commercial papers payable	\$ 3,920,000	\$ 390,000	\$ 2,125,000
Less: Unamortized discount	<u>(1,664)</u>	<u>(285)</u>	<u>(2,947)</u>
	<u>3,918,336</u>	<u>389,715</u>	<u>2,122,053</u>
<u>Secured borrowings</u>			
Commercial papers payable	12,700	-	-
Less: Unamortized discount	<u>(4)</u>	<u>-</u>	<u>-</u>
	<u>12,696</u>	<u>-</u>	<u>-</u>
Short-term bills payable	<u>\$ 3,931,032</u>	<u>\$ 389,715</u>	<u>\$ 2,122,053</u>
<u>Interest rate range</u>			
Unsecured commercial papers payable	0.44%-1.59%	0.38%-1.59%	0.66%-1.59%
Secured commercial papers payable	1.70%	-	-

c. Long-term borrowings

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
<u>Unsecured borrowings</u>			
Credit loans	\$ 19,450,000	\$ 27,650,000	\$ 9,500,000
Less: Current portion	(3,500,000)	-	-
Long-term commercial papers payable	9,900,000	12,000,000	6,600,000
Less: Unamortized discount on commercial papers payable	<u>(1,917)</u>	<u>(4,072)</u>	<u>(3,569)</u>
	<u>25,848,083</u>	<u>39,645,928</u>	<u>16,096,431</u>
<u>Secured borrowings</u>			
Bank loans	74,264	75,535	-
Less: Current portion	(5,086)	-	-
Long-term commercial papers payable	-	12,700	-
Less: Unamortized discount on commercial papers payable	<u>-</u>	<u>(4)</u>	<u>-</u>
	<u>69,178</u>	<u>88,231</u>	<u>-</u>
Long-term borrowings	<u>\$ 25,917,261</u>	<u>\$ 39,734,159</u>	<u>\$ 16,096,431</u>
<u>Interest rate range</u>			
Credit loans	0.68%-0.87%	0.68%-0.99%	0.73%-0.95%
Unsecured commercial papers payable	0.85%-0.91%	0.85%-0.91%	0.90%-0.97%
Secured bank loans	1.60%-1.70%	1.60%-1.70%	-
Secured commercial papers payable	-	1.70%	-

- 1) The credit loans are payable in New Taiwan dollars. Repayment of principal will be made in full on maturity together with interest payment. Under some contracts, loans are treated as revolving credit facilities, and the maturity dates of the loans are based on the terms as specified in the contracts. The repayment dates of the loans are no later than June 2023.

- 2) The commercial papers payable are treated as revolving credit facilities under contracts. The repayment dates of the commercial papers payable are no later than June 2023.
- 3) For related information on the property, plant and equipment that have been pledged as collateral for the secured borrowings, see Note 31.

## 19. BONDS PAYABLE

	March 31, 2021	December 31, 2020	March 31, 2020
4th unsecured domestic bonds	\$ -	\$ -	\$ 2,499,685
2016 1st unsecured domestic bonds	5,198,724	5,198,304	5,197,046
2017 1st unsecured domestic bonds	4,498,440	4,498,076	4,496,982
2017 2nd unsecured domestic bonds	1,998,262	1,998,135	1,997,754
2017 3rd unsecured domestic bonds	2,997,645	2,997,441	2,996,828
2018 1st unsecured domestic bonds	4,996,458	4,996,193	4,995,400
2019 1st unsecured domestic bonds	4,995,533	4,995,240	4,994,359
2019 2nd unsecured domestic bonds	3,096,194	3,096,037	3,095,566
2020 1st unsecured domestic bonds	4,994,514	4,994,267	4,993,528
2020 2nd unsecured domestic bonds	<u>998,233</u>	<u>998,161</u>	<u>-</u>
	33,774,003	33,771,854	35,267,148
Less: Current portion	<u>(5,198,724)</u>	<u>-</u>	<u>(2,499,685)</u>
	<u>\$ 28,575,279</u>	<u>\$ 33,771,854</u>	<u>\$ 32,767,463</u>

On March 16, 2020, Far EasTone issued the first unsecured domestic bonds of 2020, with an aggregate principal amount of \$5,000,000 thousand and a par value of \$10,000 thousand. The bonds included five-year bonds, seven-year bonds and ten-year bonds, with principal amounts of \$1,500,000 thousand, \$2,500,000 thousand and \$1,000,000 thousand and with coupon interest rates of 0.67%, 0.70% and 0.77%, respectively. Interest is paid annually starting from the date of issuance and the principal will be repaid in full on the maturity date.

## 20. OTHER LIABILITIES

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Current</u>			
Other payables			
Acquisition of properties	\$ 1,870,405	\$ 1,361,194	\$ 772,214
Salaries and bonuses	1,059,275	1,619,412	1,022,763
Commission	766,236	864,214	988,433
Maintenance fees	539,736	555,498	503,354
Compensation of employees and remuneration of directors	161,738	304,824	180,162
Others	<u>1,429,532</u>	<u>1,431,770</u>	<u>1,618,286</u>
	<u>\$ 5,826,922</u>	<u>\$ 6,136,912</u>	<u>\$ 5,085,212</u>

## 21. PROVISIONS

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Current</u>			
Dismantling obligation	\$ 134,240	\$ 133,219	\$ 133,304
Product warranty	<u>52,739</u>	<u>51,293</u>	<u>46,832</u>
	<u>\$ 186,979</u>	<u>\$ 184,512</u>	<u>\$ 180,136</u>
<u>Noncurrent</u>			
Dismantling obligation	<u>\$ 1,089,766</u>	<u>\$ 1,049,170</u>	<u>\$ 970,658</u>
		<b>Dismantling Obligation</b>	<b>Product Warranty</b>
Balance at January 1, 2021		\$ 1,182,389	\$ 51,293
Additional provisions recognized		42,505	3,789
Reductions arising from payments		<u>(888)</u>	<u>(2,343)</u>
Balance at March 31, 2021		<u>\$ 1,224,006</u>	<u>\$ 52,739</u>
Balance at January 1, 2020		\$ 1,094,702	\$ 46,945
Additional provisions recognized		10,875	4,062
Reductions arising from payments		<u>(1,615)</u>	<u>(4,175)</u>
Balance at March 31, 2020		<u>\$ 1,103,962</u>	<u>\$ 46,832</u>

## 22. RETIREMENT BENEFIT PLANS

For defined benefit plans, employee benefit expenses amounted to \$3,194 thousand and \$3,432 thousand for the three months ended March 31, 2021 and 2020, respectively, which were calculated by using the actuarially determined pension cost discount rates as of December 31, 2020 and 2019, respectively.

## 23. EQUITY

### a. Capital stock

#### 1) Common stock

	March 31, 2021	December 31, 2020	March 31, 2020
Stock authorized (in thousands)	<u>4,200,000</u>	<u>4,200,000</u>	<u>4,200,000</u>
Capital authorized	<u>\$ 42,000,000</u>	<u>\$ 42,000,000</u>	<u>\$ 42,000,000</u>
Issued and fully paid stock (in thousands)	<u>3,258,501</u>	<u>3,258,501</u>	<u>3,258,501</u>
Issued capital	<u>\$ 32,585,008</u>	<u>\$ 32,585,008</u>	<u>\$ 32,585,008</u>

Issued common stock, which have a par value of NT\$10, entitle their holders to one vote per share and a right to dividends.

## 2) Global depositary receipts (GDRs)

Since 2004, part of Far EasTone's issued common stock have been trading on the Luxemburg Stock Exchange in the form of GDRs. One GDR unit represents 15 shares of Far EasTone's common stock. As of March 31, 2021, December 31, 2020 and March 31, 2020, there were 198 thousand, 198 thousand and 196 thousand units of GDRs outstanding, representing 2,967 thousand, 2,967 thousand and 2,941 thousand common stock, respectively.

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

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

### b. Capital surplus

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
From business combinations	\$ 5,686,435	\$ 5,686,435	\$ 5,820,034
Share of changes in equities of associates	<u>15,016</u>	<u>14,986</u>	<u>7</u>
	<u>\$ 5,701,451</u>	<u>\$ 5,701,421</u>	<u>\$ 5,820,041</u>

Capital surplus from business combinations may be used to offset a deficit. When Far EasTone has no deficit, such capital surplus may be distributed as cash dividends or may be transferred to capital stock once a year within a certain percentage of Far EasTone's paid-in capital. Capital surplus from share of changes in equities of associates may be used to offset a deficit only.

### c. Retained earnings and dividend policy

Under the dividend policy as set forth in the Articles, where Far EasTone made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses in previous years, setting aside 10% of the net profit after tax plus the items other than the net profit after tax which is included in the current year's retained earnings as legal reserve, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by Far EasTone's board of directors as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends and bonuses to stockholders. For the policies on the distribution of compensation of employees and remuneration of directors, refer to Note 25 d. compensation of employees and remuneration of directors.

At least 50% of the balance of net income less accumulated deficit, legal reserve and special reserve should be appropriated as dividends. The cash dividends should be at least 50% of total dividends declared. The adjustment of this percentage may be approved by the stockholders depending on the cash requirement for any significant future capital expenditures or plans to improve the financial structure.

The legal reserve may be used to offset a deficit. If Far EasTone has no deficit and the legal reserve exceeds 25% of Far EasTone's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under Rule No. 1090150022, Rule No. 10901500221, Rule No. 1010012865 and Rule No. 1030006415 issued by the FSC and the directive titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs”, Far EasTone should appropriate or reverse a special reserve.

The appropriations of earnings for 2020 and 2019, which had been proposed by the board of directors on February 25, 2021 and approved in the stockholders’ meeting on June 19, 2020, respectively, were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Legal reserve	\$ 822,798	\$ 873,498
Special reserve	124,528	(7,742)
Cash dividends	7,279,491	10,456,529
Cash dividends per share (NT\$)	2.234	3.209

In addition to distributing cash dividends at NT\$3.209 per share from the unappropriated earnings, Far EasTone’s stockholders also approved the cash distribution of \$133,599 thousand from the additional paid-in capital from business combinations at NT\$0.041 per share. Therefore, Far EasTone’s stockholders received NT\$3.25 per share in 2020.

In addition to distributing cash dividends at NT\$2.234 per share from the unappropriated earnings, Far EasTone’s board of directors proposed the cash distribution of \$3,310,637 thousand from the additional paid-in capital from business combinations at NT\$1.016 per share. Therefore, Far EasTone’s stockholders will receive NT\$3.25 per share in 2021.

The appropriation of earnings for 2020 is subject to the resolution of the stockholders in the stockholders’ meeting which is to be held on June 23, 2021.

d. Other equity items

Adjustments to other equity items for the three months ended March 31, 2021 and 2020 are summarized as follows:

	<b>Exchange Differences on Translating the Financial Statements of Foreign Operations</b>	<b>Unrealized Gains and Losses on Financial Assets at Fair Value through Other Comprehen- sive Income</b>	<b>Gains and Losses on Hedging Instruments</b>	<b>Total</b>
<u>For the three months ended March 31, 2021</u>				
Beginning balance	\$ (20,598)	\$ (75,931)	\$ (3,354)	\$ (99,883)
Recorded as adjustments to stockholders’ equity	(1,310)	3,701	-	2,391
Share of the other comprehensive income of associates	<u>1,116</u>	<u>33</u>	<u>1,852</u>	<u>3,001</u>
Ending balance	<u>\$ (20,792)</u>	<u>\$ (72,197)</u>	<u>\$ (1,502)</u>	<u>\$ (94,491)</u>
<u>For the three months ended March 31, 2020</u>				
Beginning balance	\$ (9,717)	\$ 25,180	\$ (12,254)	\$ 3,209
Recorded as adjustments to stockholders’ equity	(2,523)	(7,809)	-	(10,332)
Share of the other comprehensive income of associates	<u>1,111</u>	<u>506</u>	<u>(945)</u>	<u>672</u>
Ending balance	<u>\$ (11,129)</u>	<u>\$ 17,877</u>	<u>\$ (13,199)</u>	<u>\$ (6,451)</u>

e. Noncontrolling interests

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Beginning balance	\$ 933,515	\$ 842,465
Share of profit	27,609	13,017
Other comprehensive income during the period		
Exchange differences on translating the financial statements of foreign operations	<u>52</u>	<u>33</u>
Ending balance	<u>\$ 961,176</u>	<u>\$ 855,515</u>

**24. REVENUE**

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Contract revenue		
Sales of inventories	\$ 7,113,458	\$ 5,540,524
Telecommunications service revenue	11,238,837	11,467,860
Other revenue	<u>2,007,346</u>	<u>1,980,844</u>
	20,359,641	18,989,228
Other operating revenue	<u>476,134</u>	<u>399,612</u>
	<u>\$ 20,835,775</u>	<u>\$ 19,388,840</u>

a. Contract balances

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>	<b>January 1, 2020</b>
Contract assets				
Bundle sale of goods	\$ 7,219,814	\$ 7,274,473	\$ 6,653,375	\$ 6,655,168
Others	895,320	924,052	754,799	-
Less: Allowance for impairment loss	<u>(135,925)</u>	<u>(135,925)</u>	<u>(135,925)</u>	<u>(135,925)</u>
	<u>\$ 7,979,209</u>	<u>\$ 8,062,600</u>	<u>\$ 7,272,249</u>	<u>\$ 6,519,243</u>
Contract assets - current	\$ 4,764,059	\$ 4,840,684	\$ 4,536,914	\$ 4,186,206
Contract assets - noncurrent	<u>3,215,150</u>	<u>3,221,916</u>	<u>2,735,335</u>	<u>2,333,037</u>
	<u>\$ 7,979,209</u>	<u>\$ 8,062,600</u>	<u>\$ 7,272,249</u>	<u>\$ 6,519,243</u>

(Continued)

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>	<b>January 1, 2020</b>
Contract liabilities				
Goods	\$ 162,483	\$ 174,842	\$ 124,373	\$ 119,538
Services	<u>2,096,329</u>	<u>2,204,726</u>	<u>2,196,237</u>	<u>2,131,740</u>
	<u>\$ 2,258,812</u>	<u>\$ 2,379,568</u>	<u>\$ 2,320,610</u>	<u>\$ 2,251,278</u>
Contract liabilities - current	\$ 2,075,439	\$ 2,190,246	\$ 2,115,722	\$ 2,040,678
Contract liabilities - noncurrent	<u>183,373</u>	<u>189,322</u>	<u>204,888</u>	<u>210,600</u>
	<u>\$ 2,258,812</u>	<u>\$ 2,379,568</u>	<u>\$ 2,320,610</u>	<u>\$ 2,251,278</u>
				(Concluded)

For details of notes receivable and accounts receivable, refer to Note 9.

For the three months ended March 31, 2021 and 2020, the changes in contract asset and contract liability balances primarily resulted from the timing difference between the Group's satisfaction of performance obligations and the respective customer's payment. Except for the above changes, there are no other significant changes.

b. Assets related to contract costs

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Current			
Costs to fulfill a contract (included in other current assets)	<u>\$ 8,747</u>	<u>\$ 10,554</u>	<u>\$ -</u>
Noncurrent			
Incremental costs of obtaining a contract	<u>\$ 3,557,245</u>	<u>\$ 3,490,644</u>	<u>\$ 3,446,074</u>

1) Costs to fulfill a contract

The Group provides project business services, and the direct costs which are used to fulfill future performance obligations are recognized as costs to fulfill a contract within the expected recoverable scope (accounted for as other current assets). Costs to fulfill a contract are reclassified as operating costs in the contract period, in line with the revenue recognition method.

2) Incremental costs of obtaining a contract

The Group considered its past experience and believes the commission and subsidies paid for obtaining contracts are wholly recoverable. Total expenses recognized were \$766,831 thousand and \$717,820 thousand for the three months ended March 31, 2021 and 2020, respectively.

c. Disaggregation of revenue

Refer to Note 37 for information about the disaggregation of revenue.

## 25. CONSOLIDATED NET INCOME

### a. Financial costs

	For the Three Months Ended March 31	
	2021	2020
Interest on financial liabilities measured at amortized cost	\$ 158,841	\$ 130,149
Interest on lease liabilities	17,332	19,431
Other financial costs	<u>1,379</u>	<u>2,886</u>
	<u>\$ 177,552</u>	<u>\$ 152,466</u>

### b. Depreciation and amortization

	For the Three Months Ended March 31	
	2021	2020
Property, plant and equipment	\$ 1,983,965	\$ 2,116,171
Right-of-use assets	887,470	907,262
Intangible assets	<u>271,689</u>	<u>263,908</u>
	<u>\$ 3,143,124</u>	<u>\$ 3,287,341</u>
Depreciation expense categorized by function		
Operating costs	\$ 2,550,881	\$ 2,670,629
Operating expenses	<u>320,554</u>	<u>352,804</u>
	<u>\$ 2,871,435</u>	<u>\$ 3,023,433</u>
Amortization expense categorized by function		
Operating costs	\$ 54,535	\$ 62,644
Marketing expenses	69,822	59,775
General and administrative expenses	<u>147,332</u>	<u>141,489</u>
	<u>\$ 271,689</u>	<u>\$ 263,908</u>

### c. Employee benefits expense

	For the Three Months Ended March 31	
	2021	2020
Retirement benefits		
Defined contribution plans	\$ 73,016	\$ 42,858
Defined benefit plans	<u>3,194</u>	<u>3,432</u>
	<u>76,210</u>	<u>46,290</u>
		(Continued)



	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Other employee benefits		
Salary	\$ 1,455,386	\$ 1,496,978
Insurance	140,486	133,565
Others	<u>78,346</u>	<u>82,475</u>
	<u>1,674,218</u>	<u>1,713,018</u>
	<u>\$ 1,750,428</u>	<u>\$ 1,759,308</u>
Categorized by function		
Operating costs	\$ 252,175	\$ 312,611
Operating expenses	<u>1,498,253</u>	<u>1,446,697</u>
	<u>\$ 1,750,428</u>	<u>\$ 1,759,308</u>

(Concluded)

d. Compensation of employees and remuneration of directors

Far EasTone distributes compensation of employees and remuneration of directors at the rates of 1% to 2% and no higher than 1%, respectively, of net profit before income tax, compensation of employees and remuneration of directors. For the three months ended March 31, 2021 and 2020, the compensation of employees and the remuneration of directors represented 2% and 0.72%, respectively, of net profit before income tax, compensation of employees and remuneration of directors.

The accrued compensation of employees and remuneration of directors for the three months ended March 31, 2021 and 2020 were as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Compensation of employees	<u>\$ 42,566</u>	<u>\$ 56,251</u>
Remuneration of directors	<u>\$ 15,324</u>	<u>\$ 20,250</u>

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

The appropriations of compensation of employees and remuneration of directors for 2020 and 2019 resolved by the board of directors on February 25, 2021 and February 19, 2020, respectively, are stated below:

	<b>For the Year Ended December 31</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Cash</b>	<b>Stock</b>	<b>Cash</b>	<b>Stock</b>
Compensation of employees	\$ 205,762	\$ -	\$ 213,933	\$ -
Remuneration of directors	74,074	-	77,016	-

There was no difference between the amounts of the compensation of employees and the remuneration of directors resolved by the board of directors and the respective amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

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

## 26. INCOME TAX

### a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax	\$ 407,090	\$ 490,840
Deferred tax	<u>(29,474)</u>	<u>21,741</u>
Income tax expense recognized in profit or loss	<u>\$ 377,616</u>	<u>\$ 512,581</u>

### b. Income tax recognized in other comprehensive income

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Deferred tax</u>		
In respect of the current period		
Fair value changes of financial assets at fair value through other comprehensive income	<u>\$ 427</u>	<u>\$ (49)</u>

### c. Income tax assessments

Income tax returns of Far EasTone through 2018 have been assessed by the tax authorities.

Income tax returns of Nextlink Technology through 2017 have been assessed by the tax authorities. Income tax returns of NCIC, ARCOA, YSDT, ISSDU, Microfusion Technology, Data Express, Linkwell and Home Master through 2018 have been assessed by the tax authorities. Income tax returns of KGEx.com, Yuan Cing, Prime Ecopower, New Diligent and Yuan Bao through 2019 have been assessed by the tax authorities.

## 27. EARNINGS PER SHARE

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

### Net Income for the Period

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Net income for the period attributable to Far EasTone	\$ 1,811,488	\$ 2,172,196
Effect of potentially dilutive common stock:		
Compensation of employees	<u>-</u>	<u>-</u>
Earnings used in the calculation of diluted earnings per share	<u>\$ 1,811,488</u>	<u>\$ 2,172,196</u>

### Weighted Average Number of Common Stock Outstanding

	<b>(In Thousands of Shares)</b>	
	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Weighted average number of common stock used in the calculation of basic earnings per share	3,258,501	3,258,501
Effect of potentially dilutive common stock:		
Compensation of employees	<u>2,770</u>	<u>2,608</u>
Weighted average number of common stock used in the calculation of diluted earnings per share	<u>3,261,271</u>	<u>3,261,109</u>

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

## 28. CASH FLOW INFORMATION

### Changes in Liabilities Arising from Financing Activities (Including Noncash Transactions)

For the three months ended March 31, 2021 and 2020, changes in liabilities arising from financing activities, including noncash transactions, were as follows:

#### For the three months ended March 31, 2021

	Balance on January 1, 2021	Cash Flows from Financing Activities	Changes in Noncash Transactions		Cash Flows from Operating Activities - Interest Paid	Balance on March 31, 2021
			New Leases	Others		
Lease liabilities (including the current and noncurrent portion)	\$ 8,156,460	\$ (676,937)	\$ 889,137	\$ (42,662)	\$ (17,332)	\$ 8,308,666

#### For the three months ended March 31, 2020

	Balance on January 1, 2020	Cash Flows from Financing Activities	Changes in Noncash Transactions		Cash Flows from Operating Activities - Interest Paid	Balance on March 31, 2020
			New Leases	Others		
Lease liabilities (including the current and noncurrent portion)	\$ 7,899,717	\$ (732,346)	\$ 1,000,417	\$ (66,658)	\$ (19,431)	\$ 8,081,699

## 29. FINANCIAL INSTRUMENTS

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

- 1) Financial liabilities recognized in the consolidated financial statements with material differences between their carrying amounts and their fair values

	March 31, 2021		December 31, 2020		March 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial liabilities</u>						
Bonds payable	\$ 33,774,003	\$ 33,963,892	\$ 33,771,854	\$ 33,972,196	\$ 35,267,148	\$ 35,412,644

### 2) Fair value hierarchy

	March 31, 2021			
	Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>				
Bonds payable	\$ 33,963,892	\$ -	\$ -	\$ 33,963,892
	December 31, 2020			
	Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>				
Bonds payable	\$ 33,972,196	\$ -	\$ -	\$ 33,972,196

	<b>March 31, 2020</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial liabilities</u>				
Bonds payable	<u>\$ 35,412,644</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,412,644</u>

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

1) Fair value hierarchy

	<b>March 31, 2021</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at fair value through profit or loss</u>				
Mutual funds	<u>\$ -</u>	<u>\$ 684,924</u>	<u>\$ -</u>	<u>\$ 684,924</u>

<u>Financial assets at fair value through other comprehensive income</u>				
Domestic/foreign unlisted common stock	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 811,939</u>	<u>\$ 811,939</u>

	<b>December 31, 2020</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at fair value through profit or loss</u>				
Mutual funds	<u>\$ -</u>	<u>\$ 690,639</u>	<u>\$ -</u>	<u>\$ 690,639</u>
<u>Financial assets at fair value through other comprehensive income</u>				
Domestic/foreign unlisted common stock	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 809,560</u>	<u>\$ 809,560</u>

	<b>March 31, 2020</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at fair value through profit or loss</u>				
Mutual funds	<u>\$ -</u>	<u>\$ 563,587</u>	<u>\$ -</u>	<u>\$ 563,587</u>
<u>Financial assets at fair value through other comprehensive income</u>				
Domestic/foreign unlisted common stock	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 938,203</u>	<u>\$ 938,203</u>

There were no transfers of financial assets between the fair value measurements of Level 1 and Level 2 for the three months ended March 31, 2021 and 2020.

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

	Financial Instruments at Fair Value Through Other Comprehensive Income	
	For the Three Months Ended March 31	
	2021	2020
Beginning balance	\$ 809,560	\$ 447,735
Additions	-	500,000
Recognized in other comprehensive income	3,274	(7,760)
Effects of foreign currency exchange differences	<u>(895)</u>	<u>(1,772)</u>
Ending balance	<u>\$ 811,939</u>	<u>\$ 938,203</u>

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

Financial Instrument	Valuation Techniques and Inputs
Mutual funds	Valuation based on the fair values of a portfolio of funds; the fair value of a portfolio of funds is the aggregate of the fair values of each subfund in the portfolio net of management and operating expenses for the subfunds.

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

Financial Instrument	Valuation Techniques and Inputs
Domestic/foreign unlisted common stock	<p>a) Asset-based approach. Valuation based on the fair value of an investee, calculated through each investment of the investee using the income approach, market approach or a combination of the two approaches, while also taking the liquidity premium into consideration.</p> <p>b) Transaction method of market approach. The approach is a valuation strategy that looks at market ratios of companies with similar profitability at the end of the reporting period, while taking the liquidity premium into consideration.</p>

c. Categories of financial instruments

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Financial assets</u>			
Financial assets at fair value through profit or loss	\$ 684,924	\$ 690,639	\$ 563,587
Financial assets at amortized cost (Note 1)	15,002,262	16,691,289	16,269,334
Financial assets at fair value through other comprehensive income	811,939	809,560	938,203

Financial liabilities

Financial liabilities at amortized cost (Note 2)	81,566,403	87,273,410	80,257,017
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Note 1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, debt investments, notes receivable, accounts receivable (including related parties), other receivables (including related parties), refundable deposits and other financial assets.

Note 2: The balances include financial liabilities at amortized cost, which comprise short-term borrowings, short-term bills payable, notes payable, accounts payable (including related parties), other payables (including related parties), bonds payable (including current portion), long-term borrowings (including current portion) and guarantee deposits received.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, accounts receivable, accounts payable, bonds payable and borrowings. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include currency risk, interest rate risk, credit risk and liquidity risk. In order to reduce financial risk, the Group is committed to identify, assess and avoid the uncertainty of market and reduce the potential downside effects of market changes against the Group's financial performance.

The Group's significant financial activities are reviewed by the board of directors of the entities in the Group in accordance with the related rules and internal control system. The Group should implement the overall financial management objective as well as observe the levels of delegated authority and ensure that those with delegated authority carry out their duties.

1) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see Note (a) below) and interest rates (see Note (b) below).

a) Foreign currency risk

The Group owns foreign currency-denominated assets and enters into transactions where expected future purchases or payments are denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed through investing in foreign currency deposits at the appropriate time.

### Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% increase and decrease in the New Taiwan dollar (NTD) against the U.S. dollar. The sensitivity rate of 5% is used when reporting foreign currency risk internally to key management personnel, and it represents management's basis for assessing the reasonably possible changes in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency-denominated monetary items, for which their translation at the end of the reporting period is adjusted for a 5% change in foreign currency rates. The negative number shown in the currency impact table below indicates a decrease in pre-tax profit associated with the NTD strengthening 5% against the U.S. dollar. For a 5% weakening of the NTD against the U.S. dollar, there would be an equal and opposite impact on pre-tax profit, and the balances below would be positive.

	<b>USD Impact</b>	
	<b>For the Three Months Ended</b>	
	<b>March 31</b>	
	<b>2021</b>	<b>2020</b>
5% change in sensitivity rate		
USD	<u>\$ (25,550)</u>	<u>\$ (34,930)</u>

#### b) Interest rate risk

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

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

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Fair value interest rate risk			
Financial assets	\$ 2,596,330	\$ 2,894,941	\$ 4,970,231
Financial liabilities	75,657,881	80,678,181	74,305,453
Cash flow interest rate risk			
Financial assets	4,670,593	5,592,104	3,768,961
Financial liabilities	2,890,000	2,110,000	3,350,000

### Sensitivity analysis

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



Had interest rates been 25 basis points higher/lower and all other variables been held constant, the income before income tax for the three months ended March 31, 2021 and 2020 would have increased/decreased by \$1,113 thousand and \$262 thousand, respectively, which were mainly affected by bank deposits and borrowings with floating interest rates.

c) Other price risks

The Group is exposed to equity price risks through its equity investments in mutual fund beneficial certificates and domestic/foreign unlisted common stock. The Group manages the risk by holding a portfolio of investments with different risk levels. In addition, the Group has appointed a special team to monitor the price risk.

Sensitivity analysis

The following sensitivity analysis was determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% higher/lower, the pre-tax profit for the three months ended March 31, 2021 and 2020 would have increased/decreased by \$34,246 thousand and \$28,179 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL; and the pre-tax other comprehensive income for the three months ended March 31, 2021 and 2020 would have increased/decreased by \$40,597 thousand and \$46,910 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

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

The Group has a policy of dealing only with creditworthy counterparties. The credit lines of those counterparties were granted through credit analysis and investigation based on the information supplied by independent rating agencies. The counterparties' transaction type, financial position and collateral are also taken into consideration. All credit lines have expiration dates and are subject to reexamination before any extension is granted.

The Group transacts with a large number of unrelated customers and thus, credit risk is not highly concentrated.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, the management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. The Group's unutilized overdraft and bank loan facilities amounted to \$45,443,108 thousand, \$38,831,375 thousand and \$34,905,047 thousand as of March 31, 2021, December 31, 2020 and March 31, 2020, respectively.

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

	<b>Carrying Amount</b>	<b>Contractual Cash Flows</b>	<b>Within 1 Year</b>	<b>1-5 Years</b>	<b>More than 5 Years</b>
<u>March 31, 2021</u>					
Short-term borrowings	\$ 2,767,764	\$ 2,773,266	\$ 2,773,266	\$ -	\$ -
Short-term bills payable	3,931,032	3,932,700	3,932,700	-	-
Long-term borrowings	29,422,347	29,690,714	3,671,108	26,019,606	-
Bonds payable	33,774,003	34,975,370	5,521,770	21,250,845	8,202,755
Lease liabilities	<u>8,308,666</u>	<u>8,415,001</u>	<u>3,042,168</u>	<u>5,310,682</u>	<u>62,151</u>
	<u>\$ 78,203,812</u>	<u>\$ 79,787,051</u>	<u>\$ 18,941,012</u>	<u>\$ 52,581,133</u>	<u>\$ 8,264,906</u>
<u>December 31, 2020</u>					
Short-term borrowings	\$ 377,764	\$ 378,543	\$ 378,543	\$ -	\$ -
Short-term bills payable	389,715	390,000	390,000	-	-
Long-term borrowings	39,734,159	40,143,593	254,077	39,826,391	63,125
Bonds payable	33,771,854	35,071,460	321,770	26,521,735	8,227,955
Lease liabilities	<u>8,156,460</u>	<u>8,267,314</u>	<u>2,813,456</u>	<u>5,400,893</u>	<u>52,965</u>
	<u>\$ 82,429,952</u>	<u>\$ 84,250,910</u>	<u>\$ 4,157,846</u>	<u>\$ 71,749,019</u>	<u>\$ 8,344,045</u>
<u>March 31, 2020</u>					
Short-term borrowings	\$ 15,630,000	\$ 15,742,375	\$ 15,742,375	\$ -	\$ -
Short-term bills payable	2,122,053	2,125,000	2,125,000	-	-
Long-term borrowings	16,096,431	16,216,481	74,680	16,141,801	-
Bonds payable	35,267,148	36,771,990	2,847,720	21,835,935	12,088,335
Lease liabilities	<u>8,081,699</u>	<u>8,202,938</u>	<u>2,976,756</u>	<u>5,188,596</u>	<u>37,586</u>
	<u>\$ 77,197,331</u>	<u>\$ 79,058,784</u>	<u>\$ 23,766,531</u>	<u>\$ 43,166,332</u>	<u>\$ 12,125,921</u>

Additional information about the maturity analysis for lease liabilities:

	<b>March 31, 2021</b>				
	<b>Within 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>
Lease liabilities	<u>\$ 3,042,168</u>	<u>\$ 5,310,682</u>	<u>\$ 62,009</u>	<u>\$ 81</u>	<u>\$ 61</u>
	<b>December 31, 2020</b>				
	<b>Within 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>
Lease liabilities	<u>\$ 2,813,456</u>	<u>\$ 5,400,893</u>	<u>\$ 49,410</u>	<u>\$ 1,829</u>	<u>\$ 1,726</u>
	<b>March 31, 2020</b>				
	<b>Within 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>
Lease liabilities	<u>\$ 2,976,756</u>	<u>\$ 5,188,596</u>	<u>\$ 37,586</u>	<u>\$ -</u>	<u>\$ -</u>

### 30. TRANSACTIONS WITH RELATED PARTIES

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

a. The Group's related parties and their relationships

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

(Continued)

<b>Related Party</b>	<b>Relationship with the Group</b>
Far Eastern Construction Co., Ltd.	Subsidiary of FENC
Fu Kwok Garment Manufacturing Co., Ltd.	Subsidiary of FENC
Oriental Petrochemical (Taiwan) Co., Ltd.	Subsidiary of FENC
Air Liquide Far Eastern Co., Ltd.	Other related party (equity-method investee of FENC)
Far Eastern General Contractor Inc.	Subsidiary of FENC
Oriental Resources Development Limited	Subsidiary of FENC
Far Eastern Fibertech Co., Ltd.	Subsidiary of FENC
Far Eastern Realty Management Co., Ltd.	Subsidiary of FENC
Ding & Ding Management Consultant Co., Ltd.	Other related party (substantive related party)
Yuan Hsin Digital Payment Co., Ltd.	Subsidiary of FENC
Far Eastern Polyclinic of Far Eastern Medical Foundation	Other related party (same chairman as Far EasTone)
FETC International Co., Ltd.	Subsidiary of FENC
Far Eastern Polytex (Vietnam) Ltd.	Subsidiary of FENC
Deutsche Far Eastern Asset Management Co., Ltd.	Other related party (substantive related party)
Kowloon Cement Corporation Limited	Other related party (substantive related party)
Asia Cement (Singapore) PTE. Ltd	Other related party (substantive related party)
Jianxi Yadong Cement Co., Ltd	Other related party (substantive related party)
Everest Textile Co., Ltd.	Other related party (substantive related party)
Kaohsiung Rapid Transit Corporation	Other related party (substantive related party)
Oriental Petrochemical (Shanghai) Corporation	Subsidiary of FENC
Yuan Ding Enterprise (Shanghai) Limited	Subsidiary of FENC
System Corporation	Other related party (substantive related party)
Oriental Green Materials Limited	Subsidiary of FENC
Far Eastern Leasing Corporation	Other related party (substantive related party)
	(Concluded)

b. Operating revenue

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
FENC	\$ 7,507	\$ 9,461
Subsidiaries of FENC	47,590	35,861
Other related parties	<u>78,923</u>	<u>78,964</u>
	<u>\$ 134,020</u>	<u>\$ 124,286</u>

Operating revenue from related parties includes revenue from sales of inventories, mobile telecommunications services, fixed network telecommunications services, storage services and customer services, of which the terms and conditions conformed to normal business practices.

c. Operating costs and expenses

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Operating cost		
FENC	\$ 120	\$ 60
Subsidiaries of FENC	2,275	5,111
Other related parties	<u>17,930</u>	<u>12,681</u>
	<u>\$ 20,325</u>	<u>\$ 17,852</u>
Operating expenses		
FENC	\$ 27,981	\$ 35,921
Subsidiaries of FENC	62,247	49,986
Other related parties	<u>29,444</u>	<u>21,357</u>
	<u>\$ 119,672</u>	<u>\$ 107,264</u>

The above related parties provide telecommunications operating related services to the Group. The terms and conditions conformed to normal business practices.

d. Property transactions

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Acquisition of property, plant and equipment		
Subsidiaries of FENC	<u>\$ 5,705</u>	<u>\$ 2,704</u>

e. Lease arrangements - the Group is lessee

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Acquisition of right-of-use assets		
Other related parties	<u>\$ 6,506</u>	<u>\$ 9,135</u>

  

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Lease liabilities - current			
FENC	\$ 3,311	\$ 2,939	\$ 3,288
Subsidiaries of FENC	6,286	30,417	32,122
Other related parties	<u>20,465</u>	<u>18,294</u>	<u>16,945</u>
	<u>\$ 30,062</u>	<u>\$ 51,650</u>	<u>\$ 52,355</u>

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Lease liabilities - noncurrent			
FENC	\$ 312	\$ 1,128	\$ 3,654
Subsidiaries of FENC	3,481	13,820	37,565
Other related parties	<u>14,431</u>	<u>15,067</u>	<u>15,355</u>
	<u>\$ 18,224</u>	<u>\$ 30,015</u>	<u>\$ 56,574</u>

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Financial costs		
FENC	\$ 5	\$ 16
Subsidiaries of FENC	54	190
Other related parties	<u>64</u>	<u>69</u>
	<u>\$ 123</u>	<u>\$ 275</u>

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

f. Bank deposits, financial assets at amortized cost and other financial assets

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Other related parties			
FEIB	<u>\$ 2,896,076</u>	<u>\$ 4,408,565</u>	<u>\$ 2,666,686</u>

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

g. Receivables and payables - related parties

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Accounts receivable - related parties			
FENC	\$ 766	\$ 1,541	\$ 1,640
Subsidiaries of FENC	18,268	38,172	27,546
Other related parties	<u>180,133</u>	<u>289,899</u>	<u>163,071</u>
	<u>\$ 199,167</u>	<u>\$ 329,612</u>	<u>\$ 192,257</u>
Other receivables - related parties (included in other current assets)			
Subsidiaries of FENC	\$ 3,570	\$ 3,554	\$ 4,225
Other related parties	<u>6,032</u>	<u>5,704</u>	<u>13,150</u>
	<u>\$ 9,602</u>	<u>\$ 9,258</u>	<u>\$ 17,375</u>

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Accounts payable - related parties (included in accounts payable)			
Subsidiaries of FENC	\$ 6,428	\$ 2,507	\$ 2,781
Other related parties	<u>11,754</u>	<u>9,467</u>	<u>10,767</u>
	<u>\$ 18,182</u>	<u>\$ 11,974</u>	<u>\$ 13,548</u>
Other payables - related parties (included in other current liabilities)			
FENC	\$ 32,999	\$ 23,153	\$ 29,242
Subsidiaries of FENC	85,276	84,929	63,988
Other related parties	<u>11,103</u>	<u>9,662</u>	<u>6,811</u>
	<u>\$ 129,378</u>	<u>\$ 117,744</u>	<u>\$ 100,041</u>

h. Refundable deposits (included in other noncurrent assets)

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Subsidiaries of FENC	\$ 15,145	\$ 20,743	\$ 60,306
Other related parties	<u>2,215</u>	<u>2,215</u>	<u>2,201</u>
	<u>\$ 17,360</u>	<u>\$ 22,958</u>	<u>\$ 62,507</u>

i. Others

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Interest income		
Subsidiaries of FENC	\$ 4	\$ 6
Other related parties		
FEIB	3,045	5,762
Others	<u>1</u>	<u>1</u>
	<u>3,046</u>	<u>5,763</u>
	<u>\$ 3,050</u>	<u>\$ 5,769</u>
Financial costs		
Other related parties	<u>\$ 44</u>	<u>\$ 57</u>

j. Remuneration of key management personnel

The remuneration of directors and other members of key management personnel during the three months ended March 31, 2021 and 2020 was as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term benefits	\$ 94,838	\$ 99,321
Post-employment benefits	<u>782</u>	<u>833</u>
	<u>\$ 95,620</u>	<u>\$ 100,154</u>

The remuneration of directors and key management personnel is determined by the remuneration committee based on the performance of individuals and market trends.

### 31. ASSETS PLEDGED OR MORTGAGED

Assets pledged or mortgaged, i.e., used as collateral for the purchase of inventory, for transactions with financial institutions and for litigation, were as follows:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Other financial assets - current	\$ 414,572	\$ 408,912	\$ 350,143
Property, plant and equipment, net	99,720	104,461	-
Other noncurrent assets	<u>531</u>	<u>531</u>	<u>-</u>
	<u>\$ 514,823</u>	<u>\$ 513,904</u>	<u>\$ 350,143</u>

### 32. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments of the Group were as follows:

a. Significant commitments

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Unpaid acquisition of property, plant and equipment and intangible assets under contracts	<u>\$ 21,834,690</u>	<u>\$ 8,635,068</u>	<u>\$ 3,537,887</u>
Unpaid acquisition of inventories under contracts	<u>\$ 2,474,504</u>	<u>\$ 3,588,647</u>	<u>\$ 2,729,391</u>

b. All lease commitments (the Group as a lessee), including short-term leases, with lease terms commencing after the balance sheet dates are as follows:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Lease commitments	<u>\$ 200,135</u>	<u>\$ 323,370</u>	<u>\$ 182,707</u>



- c. The Group provided \$0 thousand, \$0 thousand and \$100,000 thousand as bank guarantees for its purchases from suppliers as of March 31, 2021, December 31, 2020 and March 31, 2020, respectively.
- d. On September 4, 2020, the board of directors of Far EasTone resolved to enter into a business cooperation agreement with Asia-Pacific Telecom Co., Ltd. (APTC). Once approval from the competent authority is obtained, Far EasTone will cooperate with APTC on frequency and network matters whereby Far EasTone shares its 3.5GHz spectrum used for providing 5G services with APTC in exchange for the sharing of two-ninths of 3.5GHz spectrum's related capitalized costs and expenses by APTC. The aforementioned business cooperation has been approved by the NCC on March 3, 2021. As of May 6, 2021, Far EasTone is still waiting for the approval from the Fair Trade Commission regarding the aforementioned business cooperation.

In order to maximize the efficiency of utilizing Far EasTone's network and spectrum resources, and to enhance Far EasTone's competitiveness in the 5G markets, on September 4, 2020, the board of directors of Far EasTone resolved to acquire 11.58% ownership of APTC through private placement by subscribing for 500,000,000 new common stock issued by APTC with the amount invested not exceeding \$5,000,000 thousand after obtaining an approval from the competent authority, and to issue new common stock in exchange for part of APTC's shares held by Hon Hai Precision Industry Co., Ltd. under a share swap arrangement on June 30, 2022.

- e. In order to increase the efficient utilization of Far EasTone's spectrum and enhance the competitiveness of Far EasTone in maintaining consumer interests, on November 5, 2020, the board of directors of Far EasTone resolved to enter into a business cooperation agreement with APTC once approval from the competent authority has been obtained. The content of the agreement includes: (a) mutual sharing of 700MHz spectrum between Far EasTone and APTC whereby Far EasTone will bear seven-ninths and APTC will bear two-ninths of the 700MHz spectrum's related capitalized costs and expenses, this agreement will be valid from November 5, 2020 to December 31, 2030; (b) the exchange of Far EasTone's 20 MHz frequency band (2595MHz to 2615MHz spectrum) with 10MHz frequency band (upper segment of 723MHz to 728MHz spectrum and lower segment of 778MHz to 783MHz spectrum) held by APTC, the value of the aforementioned spectrum swap shall be determined in accordance with the agreement. If the competent authority approves the sharing of 700MHz spectrum earlier than the execution date of the spectrum swap, the spectrum swap agreement will be automatically terminated without implementation of the stated obligations.

### **33. OTHER ITEMS**

As of the date the consolidated financial statements were authorized for issue, the Group had assessed that the COVID-19 pandemic would have no material impact on the Group's ability to continue as a going concern, asset impairment and financing risk. The Group will continue to observe and assess the possible impact that the COVID-19 pandemic will have on the Group's aforesaid aspects.

### **34. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

- a. In order to enhance the efficiency of the usage of assets, the board of directors of NCIC, Far EasTone's subsidiary, resolved on February 25, 2021 that NCIC would sell a part of its properties located in the Neihu District of Taipei City. On April 28, 2021, NCIC reached an agreement with MediaTek Inc., a non-related party, to sell the aforementioned properties for \$3,260,000 thousand.
- b. On May 6, 2021, the board of directors of Far EasTone resolved to: (a) cease trading its issued common stock on the Luxemburg Stock Exchange in the form of GDRs; (b) issue domestic unsecured corporate bonds at an amount not exceeding \$10,000,000 thousand to fulfill the needs for long-term working capital, and the bonds are to be issued in different installments. The chairman, or his appointed deputy in his absence, is authorized to decide on all matters pertaining to the issuance of bonds.

### 35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

(In Thousands, Except Exchange Rate)

#### March 31, 2021

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 35,964	28.535 (USD:NTD)	\$ 1,026,231
Nonmonetary items			
USD	32,435	28.535 (USD:NTD)	925,547
USD	4,316	6.569 (USD:RMB)	123,168
<u>Financial liabilities</u>			
Monetary items			
USD	18,056	28.535 (USD:NTD)	515,240

#### December 31, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 34,237	28.48 (USD:NTD)	\$ 975,082
Nonmonetary items			
USD	32,864	28.48 (USD:NTD)	935,968
USD	4,116	6.507 (USD:RMB)	117,229
<u>Financial liabilities</u>			
Monetary items			
USD	12,647	28.48 (USD:NTD)	360,173

March 31, 2020

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 40,754	30.225 (USD:NTD)	\$ 1,231,802
Nonmonetary items			
USD	27,636	30.225 (USD:NTD)	835,312
USD	5,000	7.1034 (USD:RMB)	151,125

Financial liabilities

Monetary items			
USD	17,641	30.225 (USD:NTD)	533,206

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

<b>For the Three Months Ended March 31</b>				
<b>2021</b>			<b>2020</b>	
<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gains (Losses)</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gains (Losses)</b>
NTD	1 (NTD:NTD)	\$ (6,346)	1 (NTD:NTD)	\$ 11,511
RMB	4.376 (RMB:NTD)	580	4.310 (RMB:NTD)	372
HKD	3.657 (HKD:NTD)	<u>(1,016)</u>	3.874 (HKD:NTD)	<u>1,146</u>
		<u>\$ (6,782)</u>		<u>\$ 13,029</u>

### 36. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions

- 1) Financing provided to others: Schedule A
- 2) Endorsements/guarantees provided: None
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures): Schedule B
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None

- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Schedule C
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Schedule D
  - 9) Trading in derivative instruments: None
  - 10) Significant transactions between Far EasTone and its subsidiaries and among subsidiaries: Schedule E
- b. Information on investees: Schedule F
  - c. Information on investments in mainland China
    - 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Schedule G
    - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: Schedule E
      - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
      - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
      - c) The amount of property transactions and the amount of the resultant gains or losses.
      - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
      - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to the financing of funds.
      - f) Other transactions that have material effect on profit or loss for the period or on the financial position, such as the rendering or receipt of services.
  - d. Information of major stockholders: List all stockholders with ownership of 5% or greater showing the name of the stockholder, the number of shares owned, and percentage of ownership of each stockholder: Schedule H

### 37. SEGMENT INFORMATION

Products and services from which reportable segments derive their revenues:

The information provided to the Group's chief operating decision maker in order to allocate resources to the segments and assess their performance focuses on the type of goods or services delivered or provided. As required by IFRS 8 "Operating Segments," the Group defined its operating segments as follows:

- a. Mobile services business: Providing mobile telecommunications services
- b. Fixed-line services business: Providing international direct dial, local network, long-distance network and broadband access services
- c. Sales business: Selling cellular phones, computers and accessories

Segment operating income represented the profit generated by each operating segment, which included specifically attributable segment revenue, costs, expenses, interest revenue, other revenue, equity in investees' net income and losses, financial costs, other expenses and general and administrative expenses. The profits were the measures reported to the chief operating decision maker to allocate resources to the segments and assess their performance. However, the measure of segment assets was not provided to the chief operating decision maker.

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

	For the Three Months Ended March 31, 2021				
	Mobile Services Business	Fixed-line Services Business	Sales Business	Adjustment and Elimination	Consolidation
Revenue generated from external customers	\$ 10,590,689	\$ 2,411,765	\$ 7,833,321	\$ -	\$ 20,835,775
Revenue generated within the Group (Note)	<u>50,232</u>	<u>561,556</u>	<u>4,270</u>	<u>(616,058)</u>	<u>-</u>
Total revenue	<u>\$ 10,640,921</u>	<u>\$ 2,973,321</u>	<u>\$ 7,837,591</u>	<u>\$ (616,058)</u>	<u>\$ 20,835,775</u>
Segment operating income	<u>\$ 1,475,536</u>	<u>\$ 522,852</u>	<u>\$ 658,683</u>	<u>\$ (440,358)</u>	<u>\$ 2,216,713</u>
	For the Three Months Ended March 31, 2020				
	Mobile Services Business	Fixed-line Services Business	Sales Business	Adjustment and Elimination	Consolidation
Revenue generated from external customers	\$ 10,759,755	\$ 2,170,428	\$ 6,458,657	\$ -	\$ 19,388,840
Revenue generated within the Group (Note)	<u>60,498</u>	<u>556,103</u>	<u>5,143</u>	<u>(621,744)</u>	<u>-</u>
Total revenue	<u>\$ 10,820,253</u>	<u>\$ 2,726,531</u>	<u>\$ 6,463,800</u>	<u>\$ (621,744)</u>	<u>\$ 19,388,840</u>
Segment operating income	<u>\$ 1,981,745</u>	<u>\$ 365,763</u>	<u>\$ 799,880</u>	<u>\$ (449,594)</u>	<u>\$ 2,697,794</u>

Note: Represents sales of goods and other income between segments.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
FOR THE THREE MONTHS ENDED MARCH 31, 2021  
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note)	Aggregate Financing Limit (Note)
													Item	Value		
1	New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Other receivables - related parties	Yes	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	0.7337%	Business transaction Short-term financing	\$ 2,260,020	-	\$ -	-	\$ -	\$ 2,260,020	\$ 12,440,311
		Far EasTone Telecommunications Co., Ltd.	Other receivables - related parties	Yes	8,500,000	8,500,000	7,500,000	0.7137%-0.7337%		-	For business operations	-	-	-	9,952,249	12,440,311

Note: Where New Century InfoComm Tech Co., Ltd. (NCIC) provides loans for business transactions and short-term financing needs, the amount of loans is limited to 50% of NCIC’s net worth. A) For business transactions: The individual loan amount should not exceed the business transaction amount between the two parties. The business transaction amount refers to the estimated amount in the year the loan contract was signed or the prior year’s actual transaction amount. B) For loans provided due to short-term financing needs, both the financing limit for each borrower and the aggregate financing limit should not exceed 40% of NCIC’s net worth.

**FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES**

**MARKETABLE SECURITIES HELD**

**MARCH 31, 2021**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2021				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Far EasTone Telecommunications Co., Ltd.	<u>Stock</u> App Works Fund II Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	7,500,000	\$ 75,185	11.11	\$ 75,185	Note B
	CDIB Capital Innovation Accelerator Limited	-	Financial assets at fair value through other comprehensive income - noncurrent	9,000,000	90,240	10.71	90,240	Note B
	LINE Bank Taiwan Limited	-	Financial assets at fair value through other comprehensive income - noncurrent	50,000,000	449,003	5.00	449,003	Note B
ARCOA Communication Co., Ltd.	<u>Stock</u> THI consultants	-	Financial assets at fair value through other comprehensive income - noncurrent	1,213,594	12,190	18.32	12,190	Note B
	Web Point Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	160,627	1,618	0.63	1,618	Note B
New Century InfoComm Tech Co., Ltd.	<u>Stock</u> Kaohsiung Rapid Transit Corporation	Other related party	Financial assets at fair value through other comprehensive income - noncurrent	8,858,191	49,872	3.18	49,872	Note B
	Bank Pro E-service Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	450,000	4,500	3.33	4,500	Note B
	<u>Stock certificate</u> Changing.ai Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	500,000	6,163	2.50	6,163	Note B
	<u>Overseas funds</u> Opas Fund Segregated Portfolio Tranche A	Other related party	Financial assets at fair value through profit or loss - current	13,491.781	494,709	-	494,709	Note A
	Opas Fund Segregated Portfolio Tranche B	Other related party	Financial assets at fair value through profit or loss - current	5,000	190,215	-	190,215	Note A
	<u>Stock certificate</u> TBCASoft, Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	980,435	123,168	6.77	123,168	Note B

Note A: The market values of the overseas funds were calculated at their net asset values as of March 31, 2021.

Note B: The fair values of financial assets at fair value through other comprehensive income were calculated using inputs and valuation methods.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE THREE MONTHS ENDED MARCH 31, 2021  
(In Thousands of New Taiwan Dollars)

Purchaser (Seller) of Goods	Related Party	Relationship	Transaction Details				Abnormal Transaction		Accounts/Other Receivables (Payables)	
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total
Far EasTone Telecommunications Co., Ltd.	ARCOA Communication Co., Ltd.	Subsidiary	Operating costs and marketing expenses	\$ 1,648,414	13	Based on agreement	\$ -	-	Accounts payable and other payables	\$ (878,557) (5)
	New Century InfoComm Tech Co., Ltd.	Subsidiary	Operating revenue	(432,263)	(3)	Based on agreement			Accounts receivable	55,308 1
			Operating costs	528,321	5	Based on agreement	-	-	Accounts payable and other payables (Note A)	(495,577) (3)
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating revenue	(528,321)	(21)	Based on agreement	-	-	Accounts receivable (Note B)	495,577 34
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating revenue	(1,648,414)	(61)	Based on agreement	-	-	Accounts receivable	878,557 67
	Home Master Technology Ltd.	Subsidiary of DataExpress Infotech Co., Ltd.	Operating costs	432,263	17	Based on agreement			Accounts payable	(55,308) (5)
			Operating revenue	(380,418)	(14)	Based on agreement	-	-	Accounts receivable	198,460 15
Home Master Technology Ltd.	ARCOA Communication Co., Ltd.	Parent company	Operating costs	380,418	85	Based on agreement	-	-	Accounts payable	(198,460) (79)

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

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



**FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
MARCH 31, 2021  
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
Far EasTone Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd.	Subsidiary	\$ 240,236	(Note A)	\$ -	-	\$ 1,859	\$ -
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	9,558,347	(Note B)	-	-	9,179,026	-
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd. Home Master Technology Ltd.	Parent company	878,557	7.52	-	-	373,552	-
		Subsidiary of DataExpress Infotech Co., Ltd.	198,596	5.75	-	-	189	-

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

Note B: All interconnection revenue, costs and collection of revenue from international direct dialing between Far EasTone and NCIC were settled in net amounts and included in accounts receivable/payable-related parties. The turnover rate was unavailable as the receivables from related parties were due to the collection of telecommunications bills by Far EasTone on behalf of NCIC and the financing provided by NCIC to Far EasTone.

**FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS  
FOR THE THREE MONTHS ENDED MARCH 31, 2021  
(In Thousands of New Taiwan Dollars)**

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Assets/Revenue (Note C)
0	Far EasTone Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd.	1	Other receivables - related parties	\$ 239,828	Note E	-
				Refundable deposits	5,266	Note E	-
				Accounts payable - related parties	3,851	Note E	-
				Other payables - related parties	9,554,496	Note E	6
				Lease liabilities	97,377	Note E	-
				Contract liabilities	4,230	Note E	-
				Operating revenue	36,684	Note E	-
				Operating costs	528,321	Note E	3
				Operating expenses	14,795	Note E	-
				Nonoperating income and gains	13,218	Note E	-
				Nonoperating expenses	16,117	Note E	-
		ARCOA Communication Co., Ltd.	1	Accounts receivable - related parties	55,308	Note E	-
				Other receivables - related parties	2,137	Note E	-
				Accounts payable - related parties	837,769	Note E	-
				Other payables - related parties	40,788	Note E	-
				Contract liabilities	23,347	Note E	-
				Operating revenue	432,263	Note E	2
				Operating costs	1,529,811	Note E	7
				Operating expenses	124,278	Note E	1
		KGEx.com Co., Ltd.	1	Accounts receivable - related parties	5,903	Note E	-
				Other receivables - related parties	3,226	Note E	-
				Other payables - related parties	5,664	Note E	-
				Operating revenue	9,649	Note E	-
				Operating expenses	18,945	Note E	-
		Yuan Cing Co., Ltd.	1	Other receivables - related parties	10,468	Note E	-
				Other payables - related parties	19,831	Note E	-
				Operating expenses	23,791	Note E	-
				Nonoperating income and gains	2,123	Note E	-
		DataExpress Infotech Co., Ltd.	1	Other receivables - related parties	3,011	Note E	-
				Accounts payable - related parties	1,761	Note E	-
				Other payables - related parties	46,429	Note E	-
				Operating revenue	12,020	Note E	-
				Operating costs	2,106	Note E	-
				Operating expenses	55,002	Note E	-
				Other payables - related parties	25,425	Note E	-
				Operating expenses	22,799	Note E	-
		Information Security Services Digital United Inc.	1	Other receivables - related parties	3,677	Note E	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Assets/Revenue (Note C)
		Yuanshi Digital Technology Co., Ltd.	1	Accounts payable - related parties Other payables - related parties Operating costs Operating expenses Accounts receivable - related parties Other receivables - related parties Accounts payable - related parties Other payables - related parties Operating revenue Operating expenses Nonoperating income and gains	\$ 1,797 14,880 1,150 1,785 25,764 11,152 7,965 9,102 35,103 4,441 1,831	Note E Note E Note E Note E Note E Note E Note E Note E Note E Note E Note E	- - - - - - - - - - -
		Prime Ecopower Co., Ltd.	1	Other receivables - related parties	1,204	Note E	-
		Yuan Bao Fintech Co., Ltd.	1	Other receivables - related parties	2,391	Note E	-
		FarEastone Property Insurance Agency Co., Ltd.	1	Accounts receivable - related parties Other receivables - related parties Operating revenue	92,632 1,246 82,627	Note E Note E Note E	- - -
1	New Century InfoComm Tech Co., Ltd.	KGEx.com Co., Ltd.	3	Accounts receivable - related parties Accounts payable - related parties Other payables - related parties Operating revenue Operating costs Operating expenses	2,287 11,020 9,119 5,923 18,278 15,348	Note E Note E Note E Note E Note E Note E	- - - - - -
		Yuan Cing Co., Ltd.	3	Other payables - related parties Operating costs Operating expenses	1,546 2,347 1,219	Note E Note E Note E	- - -
		Information Security Services Digital United Inc.	3	Other receivables - related parties Accounts payable - related parties Other payables - related parties Operating costs Nonoperating income and gains	1,190 25,613 2,984 10,616 1,381	Note E Note E Note E Note E Note E	- - - - -
		Yuanshi Digital Technology Co., Ltd.	3	Accounts receivable - related parties Operating revenue	1,943 1,498	Note E Note E	- -
		Nextlink Technology Co., Ltd.	3	Accounts payable - related parties Operating costs	6,442 16,863	Note E Note E	- -
		Microfusion Technology Co., Ltd.	3	Accounts payable - related parties Operating costs	6,425 8,114	Note E Note E	- -
2	ARCOA Communication Co., Ltd.	Yuanshi Digital Technology Co., Ltd.	3	Accounts receivable - related parties Operating revenue	74,485 28,652	Note E Note E	- -
		DataExpress Infotech Co., Ltd.	3	Accounts receivable - related parties Accounts payable - related parties Operating revenue	1,012 4,700 1,844	Note E Note E Note E	- - -
		Home Master Technology Ltd.	3	Accounts receivable - related parties Operating revenue	198,460 380,418	Note E Note E	- 2

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Assets/Revenue (Note C)
3	Yuan Cing Co., Ltd.	Yuanshi Digital Technology Co., Ltd.	3	Accounts receivable - related parties Operating revenue	\$ 1,112 3,411	Note E Note E	- -
4	DataExpress Infotech Co., Ltd.	Home Master Technology Ltd.	3	Other receivables - related parties Operating revenue Nonoperating income and gains	6,267 3,667 2,828	Note E Note E Note E	- - -
5	Yuanshi Digital Technology Co., Ltd.	Information Security Services Digital United Inc.	3	Other payables - related parties	1,433	Note E	-
6	Nextlink Technology Co., Ltd.	Microfusion Technology Co., Ltd.  Nextlink (HK) Technology Co., Ltd.	3  3	Other receivables - related parties Accounts payable - related parties Operating costs Nonoperating income and gains Accounts receivable - related parties Other receivables - related parties Operating revenue Nonoperating income and gains	20,934 2,128 1,505 3,000 17,915 27,400 12,005 5,400	Note E Note E Note E Note E Note E Note E Note E Note E	- - - - - - - -
7	Microfusion Technology Co., Ltd.	Nextlink (HK) Technology Co., Ltd.  Nextlink (Shanghai) Technology Co., Ltd.	3  3	Accounts receivable - related parties Operating revenue Accounts receivable - related parties	20,095 21,417 5,841	Note E Note E Note E	- - -

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

1. “0” for Far EasTone Telecommunications Co., Ltd. (“Far EasTone”).
2. “1” onward for subsidiaries.

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

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

Note C: For assets and liabilities, amount is shown as a percentage of consolidated total assets as of March 31, 2021; while revenues, costs and expenses are shown as a percentage of consolidated total operating revenues for the three months ended March 31, 2021.

Note D: The information shown in the schedule represents the eliminated material intercompany transactions.

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

(Concluded)

**FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES**

**INFORMATION ON INVESTEEES**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2021**  
(In Thousands of New Taiwan Dollar, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of March 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				March 31, 2021	December 31, 2020	Number of Shares	Percentage of Ownership (%)	Carrying Amount			
Far EasTone Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd.	Taiwan	Telecommunications services	\$ 22,249,283	\$ 22,249,283	2,100,000,000	100.00	\$ 27,342,317	\$ 391,977	\$ 366,178	Note A
	ARCOA Communication Co., Ltd.	Taiwan	Sales of communications products and office equipment	1,305,802	1,305,802	82,762,221	61.63	720,425	45,125	41,013	Note A
	KGEx.com. Co., Ltd.	Taiwan	Telecommunications services	2,340,472	2,340,472	68,897,234	99.99	945,866	42,284	42,278	Note A
	Yuanshi Digital Technology Co., Ltd.	Taiwan	Electronic information services	1,686,169	1,686,169	107,004,329	96.18	(119,003)	(54,541)	(52,460)	Note A
	Yuan Cing Co., Ltd.	Taiwan	Call center services	-	-	2,000,000	100.00	44,895	4,182	4,182	Notes A and E
	Far Eastern Info Service (Holding) Ltd.	Bermuda	Investments	92,616	92,616	1,200	100.00	5,032	258	258	Note A
	Yuan Bao Fintech Co., Ltd.	Taiwan	Data processing service and electronic information services	60,000	60,000	6,000,000	100.00	49,186	(2,859)	(2,859)	Note A
	FarEastone Property Insurance Agency Co., Ltd.	Taiwan	Property insurance agent	5,000	5,000	500,000	100.00	82,668	18,082	18,082	Note A
	Far Eastern Electronic Toll Collection Co., Ltd.	Taiwan	Electronic information services and electronic toll collection service	2,542,396	2,542,396	118,250,967	39.42	1,327,742	134,233	52,719	Note B
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	139,500	139,500	5,446,644	15.00	37,939	(3,024)	(819)	Note B
ARCOA Communication Co., Ltd.	Yuan Hsin Digital Payment Co., Ltd.	Taiwan	Other financing and supporting services	600,000	600,000	16,451,538	21.98	115,811	(34,633)	(7,613)	Note B
	DataExpress Infotech Co., Ltd.	Taiwan	Sale of communications products	141,750	141,750	13,895,664	70.00	265,895	29,611	-	Note C
New Century InfoComm Tech Co., Ltd.	New Diligent Co., Ltd.	Taiwan	Investments	540,000	540,000	54,000,000	100.00	82,376	453	-	Note C
	Information Security Service Digital United Inc.	Taiwan	Security and monitoring service via internet	148,777	148,777	10,249,047	100.00	112,204	(16,967)	-	Note C
	Digital United (Cayman) Ltd.	Cayman Islands	Investments	317,446	317,446	10,320,000	100.00	170,245	1,310	-	Note C
	Yuanshi Digital Technology Co., Ltd.	Taiwan	Electronic information services	20,000	20,000	749,885	0.67	(834)	(54,541)	-	Note A
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	46,500	46,500	1,815,548	5.00	12,646	(3,024)	-	Note B
	Prime Ecopower Co., Ltd.	Taiwan	Energy technology services	160,000	160,000	16,000,000	100.00	123,682	(3,748)	-	Note C
	Drive Catalyst SPC-SP Tranche One	Cayman Islands	Investments	123,220	123,220	4,000	25.00	106,586	90	-	Note B
	Drive Catalyst SPC-SP Tranche Three	Cayman Islands	Investments	122,300	122,300	4,000	25.00	127,874	49	-	Note B
	Nextlink Technology Co., Ltd.	Taiwan	Electronic information services	420,000	420,000	3,430,000	70.00	431,214	8,562	-	Note C
New Diligent Co., Ltd.	Sino Lead Enterprise Limited	Hong Kong	Telecommunications services	125	125	30,000	100.00	270	(21)	-	Note C
	Far Eastern New Diligent Company Ltd.	British Virgin Islands	Investments	330,598	330,598	-	100.00	20,361	444	-	Note C
	New Diligent Hong Kong Co., Ltd.	Hong Kong	Investments	3,051	3,051	-	100.00	2,293	2	-	Note C
DataExpress Infotech Co., Ltd.	Home Master Technology Ltd.	Taiwan	Sale of communications products	10,000	10,000	-	100.00	56,202	8,911	-	Note C
Nextlink Technology Co., Ltd.	Microfusion Technology Co., Ltd.	Taiwan	Electronic information services	17,000	17,000	2,600,000	100.00	32,941	2,732	-	Note C
	Nextlink (HK) Technology Co., Ltd.	Hong Kong	Electronic information services	973	973	-	100.00	14,610	6,059	-	Note C
	Microfusion (HK) Technology Co., Ltd.	Hong Kong	Electronic information services	1,494	1,494	-	100.00	1,271	150	-	Note C

Note A:    Subsidiary.

Note B:    Investee of the Group accounted for using the equity method.

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

Note D:    Investments in mainland China are shown in Schedule G.

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE THREE MONTHS ENDED MARCH 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note A)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of March 31, 2021	Accumulated Repatriation of Investment Income as of March 31, 2021
					Outward	Inward						
Digital United Information Technologies (Shanghai) Ltd.	Design, research, installment and maintenance of computer software and system	\$ 88,459 (US\$ 3,100,000)	2	\$ 88,459 (US\$ 3,100,000)	\$ -	\$ -	\$ 88,459 (US\$ 3,100,000)	\$ 953	100.00	\$ 953	\$ 6,894 (RMB 1,587,000)	\$ -
Nextlink (Shanghai) Technology Co., Ltd.	Electronic information services	2,055 (US\$ 72,000)	2	2,055 (US\$ 72,000)	-	-	2,055 (US\$ 72,000)	363	70.00	363	1,582 (HK\$ 432,000)	-

Company Name	Accumulated Investments in Mainland China as of March 31, 2021	Investment Amounts Authorized by the Investment Commission, MOEA	Limit on Investments (Note B)
Far EasTone Telecommunications Co., Ltd.	\$ 92,616 (Note C)	\$ 92,616 (Note C)	\$ 41,478,362
New Century InfoComm Tech Co., Ltd.	88,459 (US\$ 3,100,000)	88,459 (US\$ 3,100,000)	14,928,374
New Diligent Co., Ltd.	425,942 (US\$ 14,927,000) (Note C)	425,942 (US\$ 14,927,000) (Note C)	49,426
Nextlink Technology Co., Ltd.	2,055 (US\$ 72,000)	2,055 (US\$ 72,000)	70,492

Note A: Method of investment is as follows:

1.

Far EasTone made the investment directly.

2.

Far EasTone made the investment indirectly through a company registered in a third region. The companies registered in a third region are Digital United (Cayman) Ltd. and Nextlink (HK) Technology Co., Ltd.

3.

Others.

Note B: The limit is up to 60% of the investor’s net worth as stated in the Principles Governing the Review of Investment or Technical Corporation in Mainland China, which was issued on August 29, 2008 by the Investment Commission of the MOEA.

Note C: The amount includes \$92,616 thousand and US\$14,927,000 from investee companies which were dissolved, but the registration of the investment amount had not been written off with the Investment Commission of the MOEA. In addition, an investment amount of US\$73,000 registered with the Investment Commission of the MOEA was remitted back to Taiwan on June 27, 2012 and the same amount was written off on the same date.

**FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES****INFORMATION ON MAJOR STOCKHOLDERS****MARCH 31, 2021**

Name of Major Stockholder	Shareholding	
	Number of Shares	Percentage of Ownership (%)
Yuan Ding Investment Co., Ltd.	1,066,657,614	32.73
Shin Kong Life Insurance Co., Ltd.	273,732,000	8.40
Cathay Life Insurance Co., Ltd.	225,798,230	6.92

Note: The information on major stockholders presented in the above table lists the major stockholders whose combined shareholdings of ordinary and preference shares are at least 5% of Far EasTone's total shares, as calculated by the Taiwan Depository & Clearing Corporation based on the number of dematerialized shares (including treasury shares) which have been registered and delivered on the last working day of the current quarter. The number of shares recorded in Far EasTone's consolidated financial statements may be different from the number of dematerialized shares which have completed registration and delivery due to differences in the basis of preparation and calculation.