Far EasTone Telecommunications Co., Ltd.

Financial Statements for the Years Ended December 31, 2019 and 2018 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of Far EasTone Telecommunications Co., Ltd. (the Company), which comprise the balance sheets as of December 31, 2019 and 2018, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the financial statements for the year ended December 31, 2019 are described as follows:

Impairment Loss of Property, Plant and Equipment, Right-of-Use Assets, Intangible Assets (Including Goodwill) and the Incremental Costs of Obtaining A Contract

As of December 31, 2019, the balances of property, plant and equipment, right-of-use assets, intangible assets and the incremental costs of obtaining a contract account for 61% of the Company's total assets and are material for the financial statements as a whole. Economic trends, market competition, and technological development influence the operations of the Company and management's evaluation of and judgment on the expected economic benefits and recoverable amounts of the cash-generating units to which the assets belong, which in turn is used for the evaluation of such assets' impairment. Thus, the impairment of property, plant and equipment, right-of-use assets, intangible assets and the incremental costs of obtaining a contract is considered a key audit matter.

For estimates and judgments related to property, plant and equipment, right-of-use assets, intangible assets as well as the incremental costs of obtaining a contract, refer to Note 5 to the accompanying financial statements. For other related disclosures, refer to Notes 11, 12, 14 and 21.

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

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

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

Recognition of Mobile Telecommunications Service Revenue

Mobile telecommunications service revenue is the main source of the Company's revenue, and it accounts for 62% of the Company's total revenue for the year ended December 31, 2019. The calculation of mobile telecommunications service revenue relies heavily on automated systems and includes complicated and huge amounts of data transmission. In order to meet market demands and remain competitive, the Company often launches different combinations of products and services which make the calculation of revenue more complex and directly affect the accuracy and timing of revenue recognition. Due to the complexity of revenue calculation and the inherent risk that revenue could be manipulated to meet the expectation of users of the financial statements; therefore, the recognition of mobile telecommunications service revenue is considered a key audit matter.

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

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

1. Reviewed the contracts of mobile subscribers to confirm the accuracy of the information in the billing system.

2. Tested the accuracy of the billing calculation.

3. Tested the completeness and accuracy of the calculation and billing of monthly fees and airtime fees.

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

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

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

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 19, 2020

<u>*Notice to Readers*</u>

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 29)	$ 2,133,722	2	$ 1,251,405	1
Financial assets at amortized cost - current (Notes 4 and 29)	62,396	-	45,999	-
Contract assets - current (Notes 4 and 21)	4,182,336	3	3,762,170	3
Notes receivable (Notes 4, 8 and 29)	36,623	-	21,848	-
Accounts receivable, net (Notes 4 and 8)	6,057,384	5	5,955,063	5
Accounts receivable - related parties (Notes 4, 8 and 29)	197,660	-	210,399	-
Other receivables - related parties (Note 29)	71,534	-	42,253	-
Inventories (Notes 4 and 9)	2,056,102	2	2,692,121	2
Prepaid expenses (Note 3)	546,090	-	842,127	1
Other financial assets - current (Notes 4, 29 and 30)	1,412,657	1	1,409,962	1
Other current assets	43,763	-	14,681	-
Total current assets	16,800,267	13	16,248,028	13
NONCURRENT ASSETS				
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4, 7 and 28)	198,701	-	191,245	-
Investments accounted for using the equity method (Notes 3, 4, 10 and 29)	29,353,017	22	30,191,630	23
Contract assets - noncurrent (Notes 4 and 21)	2,333,037	2	1,535,757	1
Property, plant and equipment, net (Notes 3, 4, 11 and 29)	19,870,908	15	24,980,931	19
Right-of-use assets (Notes 3, 4, 12 and 29)	7,905,664	6	-	-
Investment properties (Notes 4 and 13)	734,944	-	739,771	1
Concessions, net (Notes 1, 4 and 14)	35,852,369	27	38,688,253	30
Computer software, net (Notes 4 and 14)	2,865,094	2	3,000,111	2
Goodwill (Notes 4 and 14)	10,283,031	8	10,283,031	8
Deferred income tax assets (Notes 4 and 23)	656,382	-	701,459	1
Refundable deposits (Note 29)	739,399	1	543,268	-
Incremental costs of obtaining a contract - noncurrent (Notes 4 and 21)	3,999,985	3	2,106,684	2
Other noncurrent assets (Note 1)	1,106,501	1	-	-
Total noncurrent assets	115,899,032	87	112,962,140	87
TOTAL	$ 132,699,299	100	$ 129,210,168	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4 and 15)	$ -	-	$ 1,500,000	1
Short-term bills payable (Notes 4 and 15)	-	-	999,720	1
Contract liabilities - current (Notes 4 and 21)	1,674,699	1	2,075,984	2
Notes payable	16,260	-	11,530	-
Accounts payable	2,379,428	3	1,895,115	1
Accounts payable - related parties (Note 29)	967,515	-	665,327	1
Other payables (Notes 3 and 17)	5,007,135	4	5,824,899	5
Other payables - related parties (Notes 3 and 29)	4,760,467	4	8,408,279	7
Current tax liabilities (Notes 3, 4 and 23)	1,275,630	1	3,004,824	2
Lease liabilities - current (Notes 3, 4, 12 and 29)	2,583,464	2	-	-
Current portion of long-term borrowings (Notes 4 and 16)	2,499,356	2	3,199,112	2
Guarantee deposits received - current	139,852	-	146,250	-
Other current liabilities (Notes 3, 4, 17 and 18)	777,989	-	1,524,340	1
Total current liabilities	22,081,795	17	29,255,380	23
NONCURRENT LIABILITIES				
Bonds payable (Notes 4 and 16)	27,772,106	21	22,175,150	17
Long-term borrowings (Notes 4 and 15)	4,400,000	3	700,000	1
Provisions - noncurrent (Notes 4 and 18)	386,912	-	352,975	-
Deferred income tax liabilities (Notes 4 and 23)	2,072,265	2	2,072,265	2
Lease liabilities - noncurrent (Notes 3, 4, 12 and 29)	4,938,574	4	-	-
Net defined benefit liabilities - noncurrent (Notes 4 and 19)	486,495	-	660,374	-
Guarantee deposits received - noncurrent	214,840	-	224,255	-
Other noncurrent liabilities (Notes 3, 4, 10 and 17)	582,357	-	452,271	-
Total noncurrent liabilities	40,853,549	30	26,637,290	20
Total liabilities	62,935,344	47	55,892,670	43
EQUITY				
Capital stock				
Common stock	32,585,008	25	32,585,008	25
Capital surplus	5,820,041	4	5,820,041	5
Retained earnings				
Legal reserve	19,425,986	15	18,487,851	14
Special reserve	606,730	-	626,328	1
Unappropriated earnings	11,322,981	9	15,766,913	12
Total retained earnings	31,355,697	24	34,881,092	27
Other equity	3,209	-	31,357	-
Total equity	69,763,955	53	73,317,498	57
TOTAL	$ 132,699,299	100	$ 129,210,168	100

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4, 21 and 29)	$ 66,101,283	100	$ 65,909,728	100
OPERATING COSTS (Notes 4, 9, 22 and 29)	43,417,660	66	42,684,950	65
GROSS PROFIT	22,683,623	34	23,224,778	35
OPERATING EXPENSES (Notes 4, 21, 22 and 29)				
Marketing	8,231,574	12	8,357,627	13
General and administrative	3,954,929	6	4,692,036	7
Expected credit losses	259,724	-	197,463	-
Total operating expenses	12,446,227	18	13,247,126	20
OPERATING INCOME	10,237,396	16	9,977,652	15
NONOPERATING INCOME AND EXPENSES (Notes 4, 13, 22 and 29)				
Other income	154,891	-	126,947	-
Other gains and losses	74,891	-	177,926	-
Financial costs	(525,040)	(1)	(445,995)	(1)
Share of the profit of subsidiaries and associates	1,212,146	2	1,850,848	3
Losses on disposal of property, plant, equipment and intangible assets	(748,565)	(1)	(320,760)	-
Total nonoperating income and expenses	168,323	-	1,388,966	2
INCOME BEFORE INCOME TAX	10,405,719	16	11,366,618	17
INCOME TAX (Notes 4 and 23)	1,670,735	3	1,985,267	3
NET INCOME	8,734,984	13	9,381,351	14
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 19, 20 and 28)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	11,070	-	53,621	-
Unrealized gains on investments in equity instruments designated as at fair value through other comprehensive income	7,456	-	12,745	-
Share of other comprehensive income (loss) of subsidiaries and associates	19,599	-	(237)	-
	38,125	-	66,129	-

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FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	$ (187)	-	$ (105)	-
Share of other comprehensive (loss) income of subsidiaries and associates	(52,333)	-	12,522	-
	(52,520)	-	12,417	-
Total other comprehensive (loss) income, net of income tax	(14,395)	-	78,546	-
TOTAL COMPREHENSIVE INCOME	$ 8,720,589	13	$ 9,459,897	14
EARNINGS PER SHARE, IN NEW TAIWAN DOLLARS (Note 24)				
Basic	$ 2.68		$ 2.88	
Diluted	$ 2.68		$ 2.88	

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Capital Stock (Note 20)			Retained Earnings			Other Equity (Notes 4 and 20)				
	Number of Shares (In Thousands)	Amounts	Capital Surplus (Notes 4 and 20)	Legal Reserve (Note 20)	Special Reserve (Notes 4 and 20)	Unappropriated Earnings (Notes 3, 4 and 20)	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized (Losses) Gains on Financial Assets at Fair Value Through Other Comprehensive Income	Cash Flow Hedges	Gains on Hedging Instruments	Total
BALANCE AT JANUARY 1, 2018	3,258,501	$ 32,585,008	$ 8,143,345	$ 17,405,561	$ 783,467	$ 10,822,899	$ 4,122	$ -	$ 14,010	$ -	$ 69,758,412
Effects of retrospective application and retrospective restatement	-	-	-	-	-	6,364,273	-	(11,733)	(14,010)	14,010	6,352,540
BALANCE AT JANUARY 1, 2018 AS RESTATED	3,258,501	32,585,008	8,143,345	17,405,561	783,467	17,187,172	4,122	(11,733)	-	14,010	76,110,952
Appropriation of the 2017 earnings											
Legal reserve	-	-	-	1,082,290	-	(1,082,290)	-	-	-	-	-
Special reserve	-	-	-	-	(157,139)	157,139	-	-	-	-	-
Cash dividends - NT$3.037 per share	-	-	-	-	-	(9,896,067)	-	-	-	-	(9,896,067)
Cash dividends from capital surplus - NT$0.713 per share	-	-	(2,323,311)	-	-	-	-	-	-	-	(2,323,311)
Changes in equity from investments in associates accounted for using the equity method	-	-	7	-	-	(6)	-	-	-	-	1
Changes in ownership interests of subsidiaries	-	-	-	-	-	(33,974)	-	-	-	-	(33,974)
Net income for the year ended December 31, 2018	-	-	-	-	-	9,381,351	-	-	-	-	9,381,351
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	-	53,588	75	12,541	-	12,342	78,546
BALANCE AT DECEMBER 31, 2018	3,258,501	32,585,008	5,820,041	18,487,851	626,328	15,766,913	4,197	808	-	26,352	73,317,498
Effects of retrospective application and retrospective restatement	-	-	-	-	-	(54,754)	-	-	-	-	(54,754)
BALANCE AT JANUARY 1, 2019 AS RESTATED	3,258,501	32,585,008	5,820,041	18,487,851	626,328	15,712,159	4,197	808	-	26,352	73,262,744
Appropriation of the 2018 earnings											
Legal reserve	-	-	-	938,135	-	(938,135)	-	-	-	-	-
Special reserve	-	-	-	-	(19,598)	19,598	-	-	-	-	-
Cash dividends - NT$3.75 per share	-	-	-	-	-	(12,219,378)	-	-	-	-	(12,219,378)
Net income for the year ended December 31, 2019	-	-	-	-	-	8,734,984	-	-	-	-	8,734,984
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	13,753	(13,914)	24,372	-	(38,606)	(14,395)
BALANCE AT DECEMBER 31, 2019	3,258,501	$ 32,585,008	$ 5,820,041	$ 19,425,986	$ 606,730	$ 11,322,981	$ (9,717)	$ 25,180	$ -	$ (12,254)	$ 69,763,955

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 10,405,719	$ 11,366,618
Adjustments for:		
Depreciation	11,135,462	8,101,870
Amortization	842,021	759,851
Amortization of concessions	2,835,884	3,132,257
Expected credit losses	259,724	197,463
Financial costs	525,040	445,995
Interest income	(34,524)	(33,131)
Dividend income	(5,400)	-
Share of the profit of subsidiaries and associates	(1,212,146)	(1,850,848)
Loss on disposal of property, plant, equipment and intangible assets	748,565	320,760
Loss on disposal of subsidiary and associate	773	2,486
(Reversal of write-down) write-down of inventories	(9,759)	24,065
Loss on change in fair value of investment properties	4,827	21,721
Gain on modifications of lease arrangements	(1,260)	-
Net changes in operating assets and liabilities		
Contract assets	(1,217,446)	570,692
Notes receivable	(14,775)	13,617
Accounts receivable	(362,045)	(250,669)
Accounts receivable - related parties	12,739	42,577
Other receivables - related parties	(26,479)	223,694
Inventories	645,778	834,654
Prepaid expenses	(87,135)	(161,160)
Other current assets	(29,217)	(2,900)
Incremental costs of obtaining a contract	(1,893,301)	(274,941)
Contract liabilities	(401,285)	(386,783)
Notes payable	4,730	(581)
Accounts payable	484,313	(767,956)
Accounts payable - related parties	302,188	(942,235)
Other payables	(495,465)	(888,747)
Other payables - related parties	(20,367)	(51,108)
Provisions	(13,051)	(70,101)
Other current liabilities	(695,370)	897,548
Net defined benefit liabilities	(160,042)	(13,566)
Cash generated from operations	21,528,696	21,261,142
Interest received	33,378	36,082
Dividends received	2,245,086	1,738,841
Interest paid	(481,543)	(427,652)
Income taxes paid	(3,344,987)	(1,816,791)
Net cash generated from operating activities	19,980,630	20,791,622

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FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	$ -	$ (45,000)
Remittance of cash due to capital reduction of financial assets at fair value through other comprehensive income	-	61,500
Acquisition of financial assets at amortized cost	(16,397)	(3,511)
Acquisition of investments accounted for using the equity method	(60,000)	-
Increase in prepayment for an investment	(105,000)	-
Net cash inflow on disposal of a subsidiary	10,500	-
Acquisition of property, plant and equipment	(3,874,384)	(4,264,224)
Proceeds from the disposal of property, plant and equipment	15,291	139,930
Increase in refundable deposits	(458,670)	(245,017)
Decrease in refundable deposits	262,539	163,961
Acquisition of intangible assets	(707,198)	(951,970)
Cash received through a merger	-	3,761
(Increase) decrease in other financial assets	(2,695)	1,165,546
Increase in other noncurrent assets	(1,001,501)	-
Net cash used in investing activities	(5,937,515)	(3,975,024)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term borrowings	(1,500,000)	981,000
(Decrease) increase in short-term bills payable	(999,720)	999,720
Proceeds from the issuance of bonds payable	8,088,850	4,993,390
Repayment of bonds payable	(3,200,000)	(6,500,000)
Proceeds from long-term borrowings	4,400,000	700,000
Repayment of long-term borrowings	(700,000)	(10,100,000)
Increase in guarantee deposits received	38,150	48,807
Decrease in guarantee deposits received	(53,963)	(126,352)
(Decrease) increase in financing obtained from other payables - related parties	(3,600,000)	4,570,000
Repayment of the principal portion of lease liabilities	(3,414,737)	-
Cash dividends paid	(12,219,378)	(12,219,378)
Acquisition of partial interest of subsidiary	-	(5,398)
Net cash used in financing activities	(13,160,798)	(16,658,211)
INCREASE IN CASH AND CASH EQUIVALENTS	882,317	158,387
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	1,251,405	1,093,018
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$ 2,133,722	$ 1,251,405

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Far EasTone Telecommunications Co., Ltd. (the Company) was incorporated in the Republic of China (ROC) on April 11, 1997 and began commercial operations on January 20, 1998. The Company's 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. The Company provides wireless communications, Internet and international simple resale (ISR) services and also sells cellular phone equipment and accessories. As of December 31, 2019 and 2018, Far Eastern New Century Corporation (Far Eastern New Century) and its affiliates directly and indirectly owned 38.28% of the Company's stock. Since Far Eastern New Century and its subsidiaries have the power to cast the majority of votes at the meeting of the Company's board of directors, Far Eastern New Century has control over the Company's finances, operations and personnel affairs. Thus, Far Eastern New Century is the ultimate parent company of the Company.

The Company provides second-generation (2G) wireless communications services under type I licenses issued by the Directorate General of Telecommunications (DGT) of the ROC. These licenses allowed the Company to provide services for 15 years starting from 1997. The National Communications Commission (NCC) approved the renewal of the licenses when they were due. However, 2G wireless communication services were terminated on June 30, 2017.

The DGT also issued the Company a type II license to provide Internet and ISR services until December 2021.

Through the completion of the merger with Yuan-Ze Telecommunications Co., Ltd. on May 2, 2005, the Company acquired a third-generation (3G) wireless communications license which was issued by the DGT and is valid through December 31, 2018.

On October 30, 2013, the Company bid for two fourth-generation (4G) wireless communications licenses, GSM700 and GSM1800 (GSM - global system for mobile communications), which are valid through December 31, 2030. On December 7, 2015 and November 15, 2017, the Company bid for fourth-generation (4G) wireless communications licenses GSM2600 and GSM2100, respectively, both of which are valid through December 31, 2033.

On January 16, 2020, the Company bid for wireless communications licenses and acquired the licenses, 80MHz of 3.5GHz spectrum and 400MHz of 28GHz spectrum, with an amount of $41,012,000 thousand under the first stage Quantity Bid. The deposit for the bidding price which amounted to $1,000,000 thousand was included in other noncurrent assets.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on February 19, 2020.

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

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

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

<u>IFRS 16 "Leases"</u>

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

<u>Definition of a lease</u>

The Company reassesses whether a contract is, or contains, a lease in accordance with the definition of a lease under IFRS 16. Contracts that are reassessed as containing a lease are accounted for in accordance with the transitional provisions under IFRS 16.

<u>The Company as lessee</u>

The Company recognizes right-of-use assets and lease liabilities for all leases on the balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Company presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the statements of cash flows. Leased assets and finance lease payables were recognized on the balance sheets for contracts classified as finance leases.

The Company elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the aforementioned incremental borrowing rate. The Company applies IAS 36 to all right-of-use assets.

For leases previously classified as finance leases under IAS 17, the carrying amount of right-of-use assets and lease liabilities on January 1, 2019 are determined as at the carrying amount of the respective leased assets and finance lease payables on December 31, 2018.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 0.98%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 8,127,203
Less: Recognition exemption for short-term leases	(290,112)
Undiscounted amount on January 1, 2019	$ 7,837,091
Discounted amount using the incremental borrowing rate on January 1, 2019	$ 7,712,398
Add: Finance lease liabilities on December 31, 2018	96,845
Lease liabilities recognized on January 1, 2019	$ 7,809,243

The Company as lessor

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

The impact on assets, liabilities, and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	**Adjustments Arising from Initial Application**	**Restated on January 1, 2019**
Current assets			
Prepaid expenses	$ 842,127	$ (383,172)	$ 458,955
Noncurrent assets			
Investments accounted for using the equity method	30,191,630	(4,225)	30,187,405
Property, plant and equipment, net	24,980,931	(190,813)	24,790,118
Right-of-use assets	-	8,171,386	8,171,386
Total assets	129,210,168	7,593,176	136,803,344
Current liabilities			
Other payables (including related parties)	14,233,178	(51,836)	14,181,342
Current tax liabilities	3,004,824	(12,632)	2,992,192
Lease liabilities - current	-	2,751,976	2,751,976
Other current liabilities	1,524,340	(49,585)	1,474,755
Noncurrent liabilities			
Lease liabilities - noncurrent	-	5,057,267	5,057,267
Other noncurrent liabilities	452,271	(47,260)	405,011
Total liabilities	55,892,670	7,647,930	63,540,600
Equity			
Retained earnings	34,881,092	(54,754)	34,826,338
Total equity	73,317,498	(54,754)	73,262,744

b. The IFRSs endorsed by the FSC for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

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

Note 2: The Company shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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

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

New IFRSs	Effective Date Announced by IASB (Note)
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, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

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

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

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

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

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

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

Classification of Current and Noncurrent Assets and Liabilities

Current assets include:

a. Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

a. Liabilities held primarily for the purpose of trading;

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

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

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

Foreign Currencies

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

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

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

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

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

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

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is included in the calculation of equity transactions but is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Inventories

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price under normal conditions less estimated selling expenses. Cost is determined using the weighted-average method.

Investments in Subsidiaries

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

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

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

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

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

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

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

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

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

Investments in Associates

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

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

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

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

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

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

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, which forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

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

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

Property, Plant and Equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss. Before January 1, 2019, property, plant and equipment also included assets held under finance leases.

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

The depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. For assets which were held under finance leases before January 1, 2019, if their respective lease terms are shorter than their useful lives, such assets are depreciated over their lease terms. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effects of any changes in estimates accounted for on a prospective basis.

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

Investment Properties

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

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

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

Goodwill

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

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

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

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

Intangible Assets

a. Intangible assets acquired separately

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

b. Intangible assets acquired in a business combination

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

c. Derecognition of intangible assets

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

Assets Related to Contract Costs

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

Impairment of Property, Plant and Equipment, Right-of-Use Assets, Intangible Assets (Other Than Goodwill) and Assets Related to Contract Costs

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

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

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

Before the Company recognizes an impairment loss from assets related to contract costs, any impairment loss on incremental costs of obtaining a contract applicable under IFRS 15 shall be recognized in accordance with applicable standards. The impairment loss from the assets related to the contract costs is then recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Company expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

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

Financial Instruments

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

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

a. Financial assets

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

1) Measurement category

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

a) Financial assets at amortized cost

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

i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.

ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

i. Purchased or originated credit impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and

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

A financial asset is credit impaired when one or more of the following events have occurred:

i. Significant financial difficulty of the issuer or the borrower;

ii. Breach of contract, such as a default;

iii. It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv. The disappearance of an active market for that financial asset because of financial difficulties.

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

b) Investments in equity instruments at FVTOCI

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

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2) Impairment of financial assets and contract assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable) and contract assets.

The Company always recognizes lifetime expected credit losses (ECLs) for accounts receivable and contract assets. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

a) Internal or external information show that the debtor is unlikely to pay its creditors.

b) When a financial asset is more than 120 days past due, unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

3) Derecognition of financial assets

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

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

b. Equity instruments

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

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

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

c. Financial liabilities

1) Subsequent measurement

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

2) Derecognition of financial liabilities

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

Provisions

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

a. Decommissioning, restoration and similar liabilities

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

1) Its purchase price;

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

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

The cost of a right-of-use asset comprises:

1) The initial measurement of lease liabilities;

2) The initial estimate of the costs of dismantling and removing the right-of-use asset and restoring the site on which it is located.

b. Warranties

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

Revenue Recognition

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

a. Revenue from the sale of goods

Revenue from the sale of goods comes from sales of mobile telecommunication devices and accessories. Sales of mobile telecommunication devices and accessories are recognized as revenue when the goods are shipped or delivered to the customer because that is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has primary responsibility for sales to future customers, and bears the risks of obsolescence. Accounts receivable are recognized concurrently.

b. Revenue from the rendering of services

Revenue from the rendering of services comes from telecommunications services, value-added services and enterprise project services.

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

Other telecommunication revenue is recognized as follows: (a) monthly fees are recognized as income when services are rendered at the amount allocated from the transaction price of the related contracts on a relative stand-alone selling price basis, and (b) prepaid and recharge services are recognized as income based upon actual usage by customers.

As the Company provides telecommunication value-added services, the customer simultaneously receives and consumes the benefits provided by the Company's performance. Consequently, related revenue is recognized when services are rendered. The effort of technical personnel is required to perform enterprise project services, and therefore, the Company measures progress on the basis of costs incurred relative to the total expected costs. The Company recognizes revenue over time based on the progress of the project. Payments for enterprise project services are made at several time points specified in the service contract. A contract asset is recognized over the period in which the enterprise project services are performed and is reclassified to accounts receivable when each milestone payment is due.

A bundle sale contract consists of the rendering of air time services and the sale of goods. The rendering of services and the sale of goods are accounted for as distinct performance obligations. The Company allocates the transaction price to each performance obligation identified in a bundle sale contract on a relative stand-alone selling price basis and recognizes sales and service revenue in accordance with the aforesaid principles of revenue recognition.

Under the Company's Customer Loyalty Program, the Company offers award credits when customers purchase goods or services. The award credits provide a material right to customers. The transaction price allocated to the award credits is recognized as a contract liability when collected and will be recognized as revenue when the award credits are redeemed or have expired.

Leasing

2019

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

For a contract that contains a lease component and non-lease components, the Company allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

a. The Company as lessor

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

Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

b. The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for an estimate of costs needed to restore the underlying assets. Right-of-use assets are subsequently measured at cost less accumulated depreciation and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets and the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term resulting in a change in future lease payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

2018

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

a. The Company as lessor

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

b. The Company as lessee

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

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

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

Borrowing Costs

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

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

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

Government Grants

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

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

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

c. Termination benefits

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

Taxation

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

a. Current tax

Current taxes include tax payables and tax deduction receivables on taxable gains (losses), as well as tax adjustments of prior years' tax liabilities.

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

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused tax credits for other expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

c. Current and deferred taxes

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical Accounting Judgments

a. Lease terms - 2019

In determining a lease term, the Company considers all facts and circumstances that create an economic incentive to exercise or not to exercise an option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. Main factors considered include contractual terms and conditions for the optional periods, significant leasehold improvements undertaken over the contract term, the importance of the underlying asset to the lessee's operations, etc. The lease term is reassessed if a significant change in circumstances that are within control of the Company occurs.

Key Sources of Estimation Uncertainty

a. Estimated impairment of financial assets

The provision for impairment of accounts receivable is based on assumptions about the risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs for the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 8. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Impairment of property, plant and equipment, right-of-use assets, intangible assets (other than goodwill) and incremental costs of obtaining a contract

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

c. Impairment of goodwill

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

d. Income tax

As of December 31, 2019 and 2018, the realizability of the deferred tax assets (liabilities) mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets (liabilities) may arise, which would be recognized in profit or loss for the year in which such a reversal takes place.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	**2018**
Cash on hand	$ 8,825	$ 8,637
Checking and demand deposits	2,124,897	1,242,768
	$ 2,133,722	$ 1,251,405

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2019	**2018**
Noncurrent		
Investments in equity instruments at FVTOCI	$ 198,701	$ 191,245

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 Company's strategy of holding these investments for long-term purposes.

8. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	December 31	
	2019	2018
Notes receivable		
At amortized cost		
Gross carrying amount	$ 36,623	$ 21,848
Less: Allowance for impairment loss	-	-
	$ 36,623	$ 21,848
Notes receivable - operating	$ 36,623	$ 21,848
Accounts receivable (including related parties)		
At amortized cost		
Gross carrying amount	$ 6,889,037	$ 6,764,254
Less: Allowance for impairment loss	(633,993)	(598,792)
	$ 6,255,044	$ 6,165,462

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

In order to minimize credit risk, the management of the Company 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 Company 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 Company's credit risk was significantly reduced.

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

The Company recognizes an allowance for impairment loss of 100% when there is information indicating that a debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery of the receivable, e.g. when the debtor has been placed under liquidation or when the account receivable is over 120 days past due, whichever occurs earlier. For notes receivable and accounts receivable that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The Company's expected credit loss rate ranges of receivables which were not overdue and receivables which were overdue were 0.79%-7.00% and 9.71%-100%, respectively.

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

December 31, 2019

	Not Overdue	Overdue Less than 60 Days	Overdue 60 Days or More	Total
Gross carrying amount	$ 6,139,880	$ 555,131	$ 230,649	$ 6,925,660
Loss allowance (lifetime ECLs)	(334,812)	(90,623)	(208,558)	(633,993)
Amortized cost	$ 5,805,068	$ 464,508	$ 22,091	$ 6,291,667

December 31, 2018

	Not Overdue	Overdue Less than 60 Days	Overdue 60 Days or More	Total
Gross carrying amount	$ 6,346,234	$ 247,218	$ 192,650	$ 6,786,102
Loss allowance (lifetime ECLs)	(411,411)	(37,314)	(150,067)	(598,792)
Amortized cost	$ 5,934,823	$ 209,904	$ 42,583	$ 6,187,310

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

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 598,792	$ 916,616
Add: Acquisition through a merger	-	11
Add: Amounts recovered	156,997	247,842
Add: Net remeasurement of loss allowance	259,724	61,538
Less: Amounts written off	(381,520)	(627,215)
Balance at December 31	$ 633,993	$ 598,792

Sale of Overdue Accounts Receivable

In the years ended December 31, 2019 and 2018, the Company entered into agreements to sell their overdue accounts receivable which had been written off to an asset management company, and did not bear the risk of loss arising from uncollectible receivables.

Related information as of December 31, 2019 and 2018 was as follows:

Counterparty	Amount of Accounts Receivable Sold	Proceeds from the Sale of Accounts Receivable (Excluding Value-added Tax)
2019		
Good Management Consultant Co., Ltd.	$ 1,187,303	$ 85,301
2018		
Good Management Consultant Co., Ltd.	$ 1,523,228	$ 111,429

9. INVENTORIES

	December 31	
	2019	2018
Cellular phone equipment and accessories	$ 1,891,183	$ 2,554,959
Others	164,919	137,162
	$ 2,056,102	$ 2,692,121

Costs of inventories sold for the years ended December 31, 2019 and 2018 were $20,938,973 thousand and $18,883,133 thousand, respectively.

The reversal of write-down (write-down) of inventories amounting to $9,759 thousand and $(24,065) thousand were included in the cost of sales for the years ended December 31, 2019 and 2018, respectively.

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2019	2018
Investments in subsidiaries	$ 28,089,863	$ 28,979,505
Investments in associates	1,263,154	1,212,125
	$ 29,353,017	$ 30,191,630

a. Investments in subsidiaries

	December 31	
	2019	2018
Unlisted companies		
New Century InfoComm Tech Co., Ltd.	$ 26,385,159	$ 27,069,715
ARCOA Communication Co., Ltd.	731,924	995,299
KGEx.com Co., Ltd.	877,725	863,666
Yuan Cing Co., Ltd.	30,546	35,243
Omusic Co., Ltd.	-	10,559
Far Eastern Info Service (Holding) Ltd.	4,829	5,023
Yuanshi Digital Technology Co., Ltd.	(582,357)	(405,011)
Yuan Bao Fintech Co., Ltd.	59,680	-
	27,507,506	28,574,494
Credit balance on carrying amounts of investments accounted for using the equity method reclassified to other liabilities	582,357	405,011
	$ 28,089,863	$ 28,979,505

	Proportion of Ownership and Voting Rights	
	December 31	
	2019	2018
New Century InfoComm Tech Co., Ltd.	100.00%	100.00%
ARCOA Communication Co., Ltd.	61.63%	61.63%
KGEx.com Co., Ltd.	99.99%	99.99%
Yuan Cing Co., Ltd.	100.00%	100.00%
Omusic Co., Ltd.	-	50.00%
Far Eastern Info Service (Holding) Ltd.	100.00%	100.00%
Yuanshi Digital Technology Co., Ltd.	86.41%	86.41%
Yuan Bao Fintech Co., Ltd.	100.00%	-

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

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

b. Investments in associates

	December 31	
	2019	2018
Material associates		
Far Eastern Electronic Toll Collection Co., Ltd.	$ 1,051,441	$ 924,758
Associates that are not individually material	211,713	287,367
	$ 1,263,154	$ 1,212,125

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

1) Material associates

Name of Associate	Nature of Activities	Main Place of Business	Interests and Voting Rights December 31 2019	2018
Far Eastern Electronic Toll Collection Co., Ltd.	Electronic information services and electronic toll collection services	Taiwan	39.42%	39.42%

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

Far Eastern Electronic Toll Collection Co., Ltd.

	December 31 2019	2018
Current assets	$ 836,693	$ 431,720
Noncurrent assets	6,379,184	6,403,125
Current liabilities	(1,107,350)	(893,567)
Noncurrent liabilities	(3,441,046)	(3,595,189)
Equity	$ 2,667,481	$ 2,346,089
Proportion of the Company's ownership	39.42%	39.42%
Carrying amount	$ 1,051,441	$ 924,758

	For the Year Ended December 31 2019	2018
Operating revenue	$ 2,221,644	$ 2,096,764
Net profit for the year	$ 420,815	$ 239,893
Other comprehensive (loss) income	(90,443)	31,312
Total comprehensive income for the year	$ 330,372	$ 271,205

As of June 30, 2011, the usage rate of electronic toll collection (ETC) services had not reached the requirement as stated in the contract of the Electronic Toll Collection BOT Project (ETC Project). Thus, Far Eastern Electronic Toll Collection Co., Ltd. (FETC) filed a lawsuit against the Taiwan Area National Freeway Bureau (TANFB), and the Supreme Court remanded this case to the Taipei District Court Civil Division in September 2015. FETC had accrued the related penalties, and on October 19, 2018, the Taipei District Court pronounced the judgment in FETC's favor. The TANFB filed an appeal on November 9, 2018. 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.

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.

2) Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2019	2018
The Company's share of:		
Net loss for the year	$ (75,487)	$ (75,469)
Other comprehensive (loss) income	(130)	39
Total comprehensive loss for the year	$ (75,617)	$ (75,430)

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

On June 29, 2018, the stockholders of Alliance Digital Technology Co., Ltd. approved the liquidation of Alliance Digital Technology Co., Ltd. and the liquidation date was set as December 31, 2018. As of February 19, 2020, the liquidation procedures have not been completed.

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Operating Equipment	Computer Equipment	Other Equipment	Construction-in-progress	Total
Cost							
Balance at January 1, 2019	$ 1,150,522	$ 2,257,790	$ 56,257,585	$ 11,099,865	$ 4,100,303	$ 1,207,021	$ 76,073,086
Adjustments on initial application of IFRS 16	-	-	(281,281)	-	(234,227)	-	(515,508)
Balance at January 1, 2019 (restated)	1,150,522	2,257,790	55,976,304	11,099,865	3,866,076	1,207,021	75,557,578
Additions	-	-	-	-	-	3,548,690	3,548,690
Disposals	-	(17,984)	(2,226,014)	(825,037)	(327,396)	(22,327)	(3,418,758)
Reclassification	10,560	16,683	3,141,056	428,179	95,609	(3,692,087)	-
Balance at December 31, 2019	$ 1,161,082	$ 2,256,489	$ 56,891,346	$ 10,703,007	$ 3,634,289	$ 1,041,297	$ 75,687,510
Accumulated depreciation and impairment							
Balance at January 1, 2019	$ -	$ (1,151,687)	$ (36,439,729)	$ (10,016,949)	$ (3,483,790)	$ -	$ (51,092,155)
Adjustments on initial application of IFRS 16	-	-	188,608	-	136,087	-	324,695
Balance at January 1, 2019 (restated)	-	(1,151,687)	(36,251,121)	(10,016,949)	(3,347,703)	-	(50,767,460)
Depreciation expense	-	(66,210)	(6,775,623)	(628,912)	(231,972)	-	(7,702,717)
Disposals	-	10,618	1,516,468	824,887	301,602	-	2,653,575
Reclassification	-	(1,680)	1,680	-	-	-	-
Balance at December 31, 2019	$ -	$ (1,208,959)	$ (41,508,596)	$ (9,820,974)	$ (3,278,073)	$ -	$ (55,816,602)
Carrying amount at December 31, 2019	$ 1,161,082	$ 1,047,530	$ 15,382,750	$ 882,033	$ 356,216	$ 1,041,297	$ 19,870,908
Cost							
Balance at January 1, 2018	$ 1,170,687	$ 2,278,659	$ 59,406,340	$ 10,684,464	$ 4,424,182	$ 1,220,855	$ 79,185,187
Additions	-	-	51,226	-	161	4,489,359	4,540,746
Disposals	(20,165)	(30,999)	(7,146,668)	(107,307)	(552,572)	(23,458)	(7,881,169)
Acquisition through a merger	-	-	3,608	224,714	-	-	228,322
Reclassification	-	10,130	3,943,079	297,994	228,532	(4,479,735)	-
Balance at December 31, 2018	$ 1,150,522	$ 2,257,790	$ 56,257,585	$ 11,099,865	$ 4,100,303	$ 1,207,021	$ 76,073,086
Accumulated depreciation and impairment							
Balance at January 1, 2018	$ -	$ (1,104,277)	$ (36,382,703)	$ (9,093,051)	$ (3,677,196)	$ -	$ (50,257,227)
Depreciation expense	-	(71,234)	(6,848,305)	(852,294)	(330,037)	-	(8,101,870)
Disposals	-	23,824	6,793,080	107,188	523,443	-	7,447,535
Acquisition through a merger	-	-	(1,801)	(178,792)	-	-	(180,593)
Reclassification	-	-	-	-	-	-	-
Balance at December 31, 2018	$ -	$ (1,151,687)	$ (36,439,729)	$ (10,016,949)	$ (3,483,790)	$ -	$ (51,092,155)
Carrying amount at December 31, 2018	$ 1,150,522	$ 1,106,103	$ 19,817,856	$ 1,082,916	$ 616,513	$ 1,207,021	$ 24,980,931

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

Buildings	
Main buildings	41-55 years
Other building equipment	5-10 years
Operating equipment	2-15 years
Computer equipment	1-10 years
Other equipment	2-11 years

12. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	Buildings	Other Equipment	Total
Cost			
Balance at January 1, 2019	$ 15,912,996	$ 329,131	$ 16,242,127
Additions	3,373,592	83,596	3,457,188
Disposals	(3,539,173)	(112,264)	(3,651,437)
Balance at December 31, 2019	$ 15,747,415	$ 300,463	$ 16,047,878
Accumulated depreciation			
Balance at January 1, 2019	$ (7,887,020)	$ (183,721)	$ (8,070,741)
Depreciation expense	(3,337,935)	(94,810)	(3,432,745)
Disposals	3,253,179	108,093	3,361,272
Balance at December 31, 2019	$ (7,971,776)	$ (170,438)	$ (8,142,214)
Carrying amount at December 31, 2019	$ 7,775,639	$ 130,025	$ 7,905,664

b. Lease liabilities - 2019

Item	Lease Term	Discount Rate	December 31, 2019
Building	2000.10.01-2029.09.19	0.71%-1.44%	$ 7,388,065
Other Equipment	2017.01.03-2022.10.23	0.71%-0.89%	133,973
			$ 7,522,038

	December 31, 2019
Lease liabilities - current	$ 2,583,464
Lease liabilities - non-current	4,938,574
	$ 7,522,038

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

The Company entered into lease arrangements to lease other equipment including vehicles and computer equipment for operating uses with lease terms of 1 to 4 years. These arrangements do not contain renewal or purchase options.

The Company also leases some of the buildings for cell sites, data centers, offices and retail stores with lease terms of 1 to 20 years. The Company does not have bargain purchase options to acquire the buildings 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 13.

2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	$ 665,529
Total cash outflow for leases	$ (4,117,680)

The Company 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.

2018

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

	December 31, 2018
Not later than 1 year	$ 3,054,092
Later than 1 year and not later than 5 years	5,059,255
Later than 5 years	13,856
	$ 8,127,203

The lease payments recognized in profit or loss were as follows:

	For the Year Ended December 31, 2018
Minimum lease payments	$ 3,549,321

13. INVESTMENT PROPERTIES

	December 31	
	2019	2018
Investment properties	$ 734,944	$ 739,771

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

The lease terms of investment properties ranged 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 as of December 31, 2019 is as follows:

	December 31, 2019
Year 1	$ 13,029
Year 2	9,564
Year 3	7,135
Year 4	1,486
Year 5	-
Year 6 onwards	-
	$ 31,214

The future minimum lease payments of non-cancellable operating lease commitments as of December 31, 2018 were as follows:

	December 31, 2018
Not later than 1 year	$ 13,086
Later than 1 year and not later than 5 years	30,591
Later than 5 years	-
	$ 43,677

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

	December 31	
	2019	2018
Independent valuation	$ 734,944	$ 739,771

The fair values of the investment properties as of December 31, 2019 and 2018 were based on the valuations respectively carried out on January 13, 2020 by independent qualified professional valuators Mr. Lee, Ken-Yuan and Mr. Tsai, Chia-Ho, and on January 4, 2019 by independent qualified professional valuators Ms. Hu, Chun-Chun and Mr. Tsai, Chia-Ho. The aforementioned valuators are from DTZ Cushman & Wakefield, a member of certified ROC real estate appraisers.

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

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

	December 31	
	2019	**2018**
Expected future cash inflows	$ 1,284,045	$ 1,293,501
Expected future cash outflows	(32,200)	(32,235)
Expected future cash inflows, net	$ 1,251,845	$ 1,261,266
Discount rate	2.00%-2.29%	2.00%-2.25%

The market rentals in the area where the investment properties are located were between $1 thousand and $19 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 years ended December 31, 2019 and 2018 were $15,375 thousand and $16,352 thousand, respectively.

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

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

14. INTANGIBLE ASSETS

	Concessions	**Computer Software**	**Goodwill**	**Total**
Cost				
Balance at January 1, 2019	$ 57,129,000	$ 15,090,651	$ 10,283,031	$ 82,502,682
Additions	-	707,198	-	707,198
Disposals	(10,169,000)	(694,444)	-	(10,863,444)
Balance at December 31, 2019	$ 46,960,000	$ 15,103,405	$ 10,283,031	$ 72,346,436

(Continued)

	Concessions	Computer Software	Goodwill	Total
Accumulated amortization				
Balance at January 1, 2019	$ (18,440,747)	$ (12,090,540)	$ -	$ (30,531,287)
Amortization	(2,835,884)	(842,021)	-	(3,677,905)
Disposals	10,169,000	694,250	-	10,863,250
Balance at December 31, 2019	$ (11,107,631)	$ (12,238,311)	$ -	$ (23,345,942)
Carrying amount at December 31, 2019	$ 35,852,369	$ 2,865,094	$ 10,283,031	$ 49,000,494
Cost				
Balance at January 1, 2018	$ 57,129,000	$ 14,519,023	$ 10,283,031	$ 81,931,054
Additions	-	951,970	-	951,970
Disposals	-	(408,709)	-	(408,709)
Acquisition through a merger	-	28,367	-	28,367
Balance at December 31, 2018	$ 57,129,000	$ 15,090,651	$ 10,283,031	$ 82,502,682
Accumulated amortization				
Balance at January 1, 2018	$ (15,308,490)	$ (11,717,747)	$ -	$ (27,026,237)
Amortization	(3,132,257)	(759,851)	-	(3,892,108)
Disposals	-	408,104	-	408,104
Acquisition through a merger	-	(21,046)	-	(21,046)
Balance at December 31, 2018	$ (18,440,747)	$ (12,090,540)	$ -	$ (30,531,287)
Carrying amount at December 31, 2018	$ 38,688,253	$ 3,000,111	$ 10,283,031	$ 51,971,395

(Concluded)

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

Concessions	13.5 to 17.75 years
Computer software	3 to 7 years

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

As of December 31, 2019, the carrying amount of property, plant and equipment, right-of-use assets, intangible assets and the incremental costs of obtaining a contract used by the Company was $80,777,051 thousand; as of December 31, 2018, the carrying amount of the property, plant and equipment, intangible assets and the incremental costs of obtaining a contract used by the Company was $79,059,010 thousand. The Company's management estimated the recoverable amounts of core assets at their expected useful lives and thus based the cash flow forecast on the discount rates of 6.87% and 5.63% on December 31, 2019 and 2018, respectively. The operating revenue forecast was based on the expected future growth rate of the telecom industry along with the projected advancement of the Company's own business.

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

a. Expected future growth rate of the telecommunications industry

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

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

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

   Based on the key assumptions of each cash-generating unit, for the years ended December 31, 2019 and 2018, the Company's management believes that the carrying amounts of operating assets and goodwill did not exceed their recoverable amounts even if there were reasonable changes in the critical assumptions used to estimate the recoverable amounts.

15. BORROWINGS

a. Short-term borrowings

	December 31	
	2019	2018
Unsecured bank loans		
Credit loans	$ -	$ 1,500,000
Interest rate range	-	0.73%-0.88%

b. Short-term bills payable

	December 31	
	2019	2018
Commercial paper payable	$ -	$ 1,000,000
Less: Unamortized discount	-	280
	$ -	$ 999,720
Interest rate range	-	0.818%

c. Long-term borrowings

	December 31	
	2019	2018
Unsecured bank loans		
Credit loans	$ 4,400,000	$ 700,000
Interest rate range	0.75%-1.0456%	0.74%

The credit loans are payable in New Taiwan dollars. Repayment of principal will be made in full on maturity together with interest payment. Under some contracts, loans are treated as revolving credit facilities, and the maturity dates of the loans are based on terms as specified in the contracts. The loans are all repayable by May 2022.

16. BONDS PAYABLE

	December 31	
	2019	2018
4th unsecured domestic bonds	$ 2,499,356	$ 2,498,040
6th unsecured domestic bonds	-	3,199,112
2016 1st unsecured domestic bonds	5,196,626	5,194,949
2017 1st unsecured domestic bonds	4,496,618	4,495,159
2017 2nd unsecured domestic bonds	1,997,627	1,997,120
2017 3rd unsecured domestic bonds	2,996,623	2,995,805
2018 1st unsecured domestic bonds	4,995,136	4,994,077
2019 1st unsecured domestic bonds	4,994,066	-
2019 2nd unsecured domestic bonds	3,095,410	-
	30,271,462	25,374,262
Less: Current portion	2,499,356	3,199,112
	$ 27,772,106	$ 22,175,150

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

In 2018, the Company repaid $2,500,000 thousand of the 4th unsecured domestic bonds and $4,000,000 thousand of the 5th unsecured domestic bonds which were due in 2018.

On June 25, 2019, the Company issued the first unsecured domestic bonds of 2019, with an aggregate principal amount of $5,000,000 thousand and a par value of $10,000 thousand. The bonds included five-year bonds and seven-year bonds, with principal amounts of $3,200,000 thousand and $1,800,000 thousand and with coupon interest rates of 0.75% and 0.81%, respectively, with simple interest due annually. Repayment will be made in full at maturity.

On December 20, 2019, the Company issued the second unsecured domestic bonds of 2019, with an aggregate principal amount of $3,100,000 thousand and a par value of $10,000 thousand. The bonds included seven-year bonds and ten-year bonds, with principal amounts of $2,600,000 thousand and $500,000 thousand and with coupon interest rates of 0.80% and 0.85%, respectively, with simple interest due annually. For the seven-year bonds, half of the principal amount, which is equivalent to $1,300,000 thousand, is to be repaid on the sixth year and the other half is to be repaid on the seventh year after the issuance date. For the ten-year bonds, half of the principal amount, which is equivalent to $250,000 thousand, is to be repaid on the ninth year and the other half is to be repaid on the tenth year after the issuance date.

In December 2019, the Company repaid $3,200,000 thousand of the 6th unsecured domestic bonds which were due in 2019.

17. OTHER LIABILITIES

	December 31	
	2019	2018
Current		
Other payables		
Salaries and bonuses	$ 1,043,699	$ 1,395,953
Commission	1,013,162	1,068,296
Acquisition of properties	619,147	950,573
Maintenance fees	378,580	424,953
Employees' compensation and remuneration of directors	290,949	317,817
Compensated absences	264,511	274,380
Others	1,397,087	1,392,927
	$ 5,007,135	$ 5,824,899
Other current liabilities		
Provisions	$ 33,247	$ 34,643
Temporary receipts due to litigation	-	791,867
Lease payables	-	49,585
Others	744,742	648,245
	$ 777,989	$ 1,524,340

The Company received a security deposit of $791,867 thousand from Taiwan Mobile Co., Ltd., which was included in temporary receipts on December 31, 2018 since the court decision has not been declared. On May 29, 2019, the Supreme Court remanded this case to the High court and thereafter the security deposit was returned to Taiwan Mobile Co., Ltd.

	December 31	
	2019	2018
Noncurrent		
Credit balance on the carrying amount of investments accounted for using the equity method	$ 582,357	$ 405,011
Lease payables	-	47,260
	$ 582,357	$ 452,271

18. PROVISIONS

	December 31	
	2019	2018
Current		
Dismantling obligation	$ 14,827	$ 14,827
Product warranty	18,420	19,816
	$ 33,247	$ 34,643
Noncurrent		
Dismantling obligation	$ 386,912	$ 352,975

	Dismantling Obligation	Product Warranty
Balance at January 1, 2019	$ 367,802	$ 19,816
Additional provisions recognized	45,592	18,763
Reductions arising from payments	(11,655)	(20,159)
Balance at December 31, 2019	$ 401,739	$ 18,420
Balance at January 1, 2018	$ 360,454	$ 25,361
Acquisition through a merger	13,370	-
Additional provisions recognized	58,534	23,830
Reductions arising from payments	(64,556)	(29,375)
Balance at December 31, 2018	$ 367,802	$ 19,816

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

b. Defined benefit plan

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

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

	December 31	
	2019	2018
Present value of defined benefit obligation	$ 1,549,967	$ 1,656,501
Fair value of plan assets	(1,063,472)	(996,127)
Net defined benefit liabilities	$ 486,495	$ 660,374

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2019	$ 1,656,501	$ (996,127)	$ 660,374
Service cost			
Current service cost	9,802	-	9,802
Net interest expense (income)	18,681	(12,423)	6,258
(Gain) loss on settlement	(152,088)	7,615	(144,473)
Recognized in profit or loss	(123,605)	(4,808)	(128,413)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(34,114)	(34,114)
Actuarial loss - changes in financial assumptions	191	-	191
Actuarial loss - experience adjustments	20,086	-	20,086
Recognized in other comprehensive income	20,277	(34,114)	(13,837)
Contributions from the employer	-	(31,629)	(31,629)
Benefits paid	(3,206)	3,206	-
Balance at December 31, 2019	$ 1,549,967	$ (1,063,472)	$ 486,495
Balance at January 1, 2018	$ 1,691,073	$ (963,594)	$ 727,479
Service cost			
Current service cost	10,575	-	10,575
Net interest expense (income)	25,248	(14,605)	10,643
Recognized in profit or loss	35,823	(14,605)	21,218
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(24,309)	(24,309)
Actuarial loss - changes in demographic assumptions	14,293	-	14,293
Actuarial loss - changes in financial assumptions	45,763	-	45,763
Actuarial gain - experience adjustments	(89,286)	-	(89,286)
Recognized in other comprehensive income	(29,230)	(24,309)	(53,539)
Contributions from the employer	-	(34,784)	(34,784)
Benefits paid	(41,165)	41,165	-
Balance at December 31, 2018	$ 1,656,501	$ (996,127)	$ 660,374

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

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

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

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

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

	December 31	
	2019	**2018**
Discount rate	1.00%	1.25%
Expected rate of salary increase	1.50%	1.75%

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

	December 31	
	2019	**2018**
Discount rate(s)		
0.25% increase	$ (40,127)	$ (45,763)
0.25% decrease	$ 41,594	$ 47,502
Expected rate(s) of salary increase/decrease		
0.25% increase	$ 41,292	$ 47,160
0.25% decrease	$ (40,038)	$ (45,663)

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

	December 31	
	2019	**2018**
The expected contributions to the plan for the next year	$ 32,103	$ 35,392
The average duration of the defined benefit obligation	10.7 years	11.4 years

20. EQUITY

a. Capital stock

1) Common stock

	December 31	
	2019	**2018**
Stock authorized (in thousands)	4,200,000	4,200,000
Capital authorized	$ 42,000,000	$ 42,000,000
Issued and fully paid stock (in thousands)	3,258,501	3,258,501
Issued capital	$ 32,585,008	$ 32,585,008

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

2) Global depositary receipts (GDRs)

Since 2004, part of the Company's issued common stock have been trading on the Luxembourg Stock Exchange in the form of GDRs. One GDR unit represents 15 shares of the Company's common stock. As of December 31, 2019 and 2018, there were 194 thousand and 195 thousand units of GDRs outstanding, representing 2,917 thousand and 2,921 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 exercise of GDR holders' rights, which shall be handled in accordance with the terms of the Depositary Agreements and the relevant laws and regulations of the ROC. Such rights which shall be exercised through a depositary trust company include:

a) The exercise of voting rights;

b) Conversion of GDRs into common stock; and

c) The receipt of dividends and exercise of preemptive rights or other rights and interests.

b. Capital surplus

	December 31	
	2019	**2018**
May be used to offset a deficit, distributed as cash dividends or transferred to capital stock*		
From business combinations	$ 5,820,034	$ 5,820,034
May be used to offset a deficit only		
Share of changes in equities of associates	7	7
	$ 5,820,041	$ 5,820,041

* Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or may be transferred to capital stock once a year within a certain percentage of the Company's capital surplus.

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses in previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for the distribution of dividends and bonuses to stockholders. For the policies on the distribution of employees' compensation and remuneration of directors, refer to Note 22 f. 'Employees' compensation and remuneration of directors'.

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

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

Under Rule No. 1010012865 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse a special reserve.

The appropriations of earnings for 2018 and 2017, which had been approved in the stockholders' meetings on June 18, 2019 and June 14, 2018, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31	
	2018	**2017**
Legal reserve	$ 938,135	$ 1,082,290
Special reserve	(19,598)	(157,139)
Cash dividends	12,219,378	9,896,067
Cash dividends per share (NT$)	3.75	3.037

In addition to distributing cash dividends at NT$3.037 per share from the unappropriated earnings, the Company's stockholders also approved to distribute cash of $2,323,311 thousand from the above-mentioned additional paid-in capital from business combinations at NT$0.713 per share. Therefore, the Company's stockholders received NT$3.75 per share in 2018.

The appropriation of earnings for 2019, which had been proposed by the Company's board of directors on February 19, 2020, was as follows:

	For the Year Ended December 31, 2019
Legal reserve	$ 873,498
Special reserve	(7,742)
Cash dividends	10,456,529
Cash dividends per share (NT$)	3.209

In addition to distributing cash dividends at NT$3.209 per share from the unappropriated earnings, the Company's board of directors proposed the cash distribution of $133,599 thousand from the additional paid-in capital from business combinations at NT$0.041 per share. Therefore, the Company's stockholders will receive NT$3.25 per share in 2020.

The appropriation of earnings for 2019 is subject to the resolution of the stockholders in the stockholders' meeting which is to be held on June 19, 2020.

d. Special reserve

	For the Year Ended December 31	
	2019	2018
Beginning balance	$ 626,328	$ 783,467
Reversal in respect of		
Application of the fair value model for investment properties	(19,598)	(23,659)
Reversal of debit to other equity items	-	(133,480)
Ending balance	$ 606,730	$ 626,328

e. Other equity items

Adjustments to other equity items for the years ended December 31, 2019 and 2018 are summarized as follows:

	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gains and Losses on Financial Assets at Fair Value through Other Comprehensive Income	Unrealized Gains and Losses on Cash Flow Hedges	Gains and Losses on Hedging Instruments	Total
For the year ended December 31, 2019					
Beginning balance	$ 4,197	$ 808	$ -	$ 26,352	$ 31,357
Recorded as adjustments to stockholders' equity	-	7,456	-	-	7,456
Share of other comprehensive income of subsidiaries and associates	(13,914)	16,916	-	(38,606)	(35,604)
Ending balance	$ (9,717)	$ 25,180	$ -	$ (12,254)	$ 3,209
For the year ended December 31, 2018					
Beginning balance (IAS 39)	$ 4,122	$ -	$ 14,010	$ -	$ 18,132
Effects of retrospective application of IFRS 9	-	(11,733)	(14,010)	14,010	(11,733)
Beginning balance (IFRS 9)	4,122	(11,733)	-	14,010	6,399
Recorded as adjustments to stockholders' equity	-	12,745	-	-	12,745
Share of other comprehensive income of subsidiaries and associates	75	(204)	-	12,342	12,213
Ending balance	$ 4,197	$ 808	$ -	$ 26,352	$ 31,357

21. REVENUE

	For the Year Ended December 31	
	2019	2018
Contract revenue		
Sales of inventories	$ 20,430,378	$ 17,313,730
Telecommunications service revenue	40,852,861	43,778,006
	61,283,239	61,091,736
Other operating revenue	4,818,044	4,817,992
	$ 66,101,283	$ 65,909,728

a. Contract information

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

b. Contract balances

	December 31, 2019	December 31, 2018	January 1, 2018
Contract assets			
Bundle sale of goods	$ 6,651,298	$ 5,433,852	$ 6,004,544
Less: Allowance for impairment loss	(135,925)	(135,925)	-
	$ 6,515,373	$ 5,297,927	$ 6,004,544
Contract assets - current	$ 4,182,336	$ 3,762,170	$ 4,006,717
Contract assets - noncurrent	2,333,037	1,535,757	1,997,827
	$ 6,515,373	$ 5,297,927	$ 6,004,544
Contract liabilities			
Goods	$ 106,475	$ 303,951	$ 573,974
Services	1,568,224	1,772,033	1,890,531
	$ 1,674,699	$ 2,075,984	$ 2,464,505
Contract liabilities - current	$ 1,674,699	$ 2,075,984	$ 2,464,505

For details of notes receivable and accounts receivable, refer to Note 8.

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

	For the Year Ended December 31	
	2019	2018
Contract assets		
Transfers of beginning balance to accounts receivable	$ (4,075,086)	$ (4,244,776)

The Company measures the loss allowance for contract assets at an amount equal to lifetime ECLs. The contract assets will be transferred to accounts receivable when the corresponding invoice is billed to the client, and the contract assets have substantially the same risk characteristics as the accounts receivable for the same types of contracts. Therefore, the Company concluded that the expected loss rates for accounts receivable can be applied to the contract assets.

	December 31	
	2019	2018
Expected credit loss rate	0.1%-3.09%	0.79%-3%
Gross carrying amount	$ 6,651,298	$ 5,433,852
Allowance for impairment loss (Lifetime ECLs)	(135,925)	(135,925)
	$ 6,515,373	$ 5,297,927

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

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 135,925	$ -
Add: Net remeasurement of loss allowance	-	135,925
Balance at December 31	$ 135,925	$ 135,925

Revenue recognized in the current year that was included in the contract liability balance at the beginning of the year is as follows:

	For the Year Ended December 31	
	2019	2018
From contract liabilities at the start of the year		
Goods	$ 302,171	$ 559,969
Services	1,209,188	1,543,875
	$ 1,511,359	$ 2,103,844

c. Assets related to contract costs

	December 31	
	2019	2018
Non-current		
Incremental costs of obtaining a contract	$ 3,999,985	$ 2,106,684

The Company considered its past experience and believes the commission and subsidies paid for obtaining contracts are wholly recoverable. Total expenses recognized were $2,874,688 thousand and $2,212,939 thousand for the years ended December 31, 2019 and 2018, respectively.

d. Disaggregation of revenue

Refer to Statements of Major Accounting Items No. 8 for information about the disaggregation of revenue.

e. Partially completed contracts

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

	December 31	
	2019	2018
Telecommunication service contracts		
Fulfillment in 2019	$ -	$ 18,076,289
Fulfillment in 2020	15,875,588	8,073,934
Fulfillment in 2021 and beyond	10,956,575	1,244,679
	$ 26,832,163	$ 27,394,902

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

22. NET INCOME

The items included in net income are as follows:

a. Other income

	For the Year Ended December 31	
	2019	2018
Management service revenue	$ 49,207	$ 50,189
Interest income	34,524	33,131
Rental income	33,662	43,273
Government grants	32,098	354
Dividend income	5,400	-
	$ 154,891	$ 126,947

b. Other gains and losses

	For the Year Ended December 31	
	2019	2018
Gain from property insurance claims	$ 3,051	$ 72,853
Others	71,840	105,073
	$ 74,891	$ 177,926

c. Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
Property, plant and equipment	$ 7,702,717	$ 8,101,870
Right-of-use assets	3,432,745	-
Intangible assets	842,021	759,851
	$ 11,977,483	$ 8,861,721
Depreciation expense categorized by function		
Operating costs	$ 9,905,769	$ 7,288,674
Operating expenses	1,229,693	813,196
	$ 11,135,462	$ 8,101,870
Amortization expense categorized by function		
Operating costs	$ 176,960	$ 195,010
Marketing expenses	161,340	116,237
General and administrative expenses	503,721	448,604
	$ 842,021	$ 759,851

d. Financial costs

	For the Year Ended December 31	
	2019	2018
Interest on financial liabilities measured at amortized cost	$ 390,271	$ 438,347
Interest on lease liabilities	74,574	-
Interest on compensation arising from lawsuits	42,305	-
Other financial costs	17,890	7,648
	$ 525,040	$ 445,995

e. Employee benefits expense

	For the Year Ended December 31, 2019			
	Operating Costs	Operating Expenses	Costs or Expenses Deduction	Total
Retirement benefits				
Defined contribution plans	$ 30,105	$ 102,882	$ 35,928	$ 168,915
Defined benefit plans	3,636	(132,049)	-	(128,413)
Other employee benefits				
Salary	673,042	3,398,799	764,795	4,836,636
Insurance	53,860	312,760	61,890	428,510
Remuneration of directors	-	82,814	-	82,814
Others	17,742	222,911	21,956	262,609
	$ 778,385	$ 3,988,117	$ 884,569	$ 5,651,071

	For the Year Ended December 31, 2018			
	Operating Costs	Operating Expenses	Costs or Expenses Deduction	Total
Retirement benefits				
Defined contribution plans	$ 33,252	$ 119,817	$ 36,905	$ 189,974
Defined benefit plans	4,609	16,609	-	21,218
Other employee benefits				
Salary	723,863	3,970,941	770,987	5,465,791
Insurance	59,758	336,302	63,190	459,250
Remuneration of directors	-	92,447	-	92,447
Others	21,581	233,417	27,042	282,040
	$ 843,063	$ 4,769,533	$ 898,124	$ 6,510,720

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

The average number of employees of the Company were 5,852 and 6,386, both of which include 11 directors not serving concurrently as employees, for the years ended December 31, 2019 and 2018, respectively.

The average employee benefit expenses were $953 thousand and $1,007 thousand for the years ended December 31, 2019 and 2018, respectively. The average salary expenses were $828 thousand and $857 thousand for the years ended December 31, 2019 and 2018, respectively. The average salary expenses decreased by 3% in 2019 compared to the previous year.

f. Employees’ compensation and remuneration of directors

The Company distributes employees’ compensation and remuneration of directors at the rates of 1% to 2% and no higher than 1%, respectively, of net profit before income tax, employees’ compensation and remuneration of directors. For the years ended December 31, 2019 and 2018, the employees’ compensation and the remuneration of directors represented 2% and 0.72%, respectively, of net profit before income tax, employees’ compensation and remuneration of directors.

The accrued employees’ compensation and remuneration of directors for the years ended December 31, 2019 and 2018 were as follows:

	For the Year Ended December 31	
	2019	**2018**
Employees’ compensation	$ 213,933	$ 233,689
Remuneration of directors	$ 77,016	$ 84,128

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

There was no difference between the amounts of employees’ compensation and the remuneration of directors resolved by the board of directors and the respective amounts recognized in the financial statements for the years ended December 31, 2018 and 2017.

Information on employees’ compensation and the remuneration of directors resolved by the Company’s board of directors during 2020 and 2019 is available on the Market Observation Post System website of the Taiwan Stock Exchange.

23. INCOME TAX

a. Income tax recognized in profit or loss

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

	For the Year Ended December 31	
	2019	**2018**
Current tax	$ 1,628,425	$ 1,568,931
Deferred tax	42,310	416,336
Income tax expense recognized in profit or loss	$ 1,670,735	$ 1,985,267

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

	For the Year Ended December 31	
	2019	**2018**
Profit before tax	$ 10,405,719	$ 11,366,618
Income tax expense computed at the statutory tax rate	$ 2,081,144	$ 2,273,324
Add (deduct) tax effects of:		
Investments accounted for using the equity method	(256,917)	(499,003)
Effect of tax rate changes	-	411,068
Others	1,808	64,660
Prior year's adjustments	(155,300)	(264,782)
Income tax expense recognized in profit or loss	$ 1,670,735	$ 1,985,267

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

In July 2019, the President of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. The Company has already deducted the amount of capital expenditure from the unappropriated earnings in 2018 that was reinvested when calculating the tax on unappropriated earnings for the year ended December 2019.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2019	**2018**
Deferred tax		
Effect of change in tax rate - remeasurement of defined benefit plan	$ -	$ 10,790
In respect of the current year		
Remeasurement of defined benefit plan	(2,767)	(10,708)
Income tax recognized in other comprehensive income	$ (2,767)	$ 82

c. Deferred income tax assets and liabilities

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

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred income tax assets				
Allowance for impairment loss	$ 355,273	$ (99,715)	$ -	$ 255,558
Defined benefit obligation	130,501	(32,009)	(2,767)	95,725
Others	215,685	89,414	-	305,099
	$ 701,459	$ (42,310)	$ (2,767)	$ 656,382
Deferred income tax liabilities				
Amortization of goodwill	$ 2,056,606	$ -	$ -	$ 2,056,606
Investment property	15,659	-	-	15,659
	$ 2,072,265	$ -	$ -	$ 2,072,265

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred income tax assets				
Allowance for impairment loss	$ 333,490	$ 21,783	$ -	$ 355,273
Defined benefit obligation	122,334	8,085	82	130,501
Others	219,512	(3,827)	-	215,685
	$ 675,336	$ 26,041	$ 82	$ 701,459
Deferred income tax liabilities				
Amortization of goodwill	$ 1,613,645	$ 442,961	$ -	$ 2,056,606
Investment property	16,243	(584)	-	15,659
	$ 1,629,888	$ 442,377	$ -	$ 2,072,265

d. Income tax assessments

Income tax returns of the Company through 2017, except 2016, have been assessed by the tax authorities.

24. EARNINGS PER SHARE

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

Net Income

	For the Year Ended December 31	
	2019	**2018**
Net income	$ 8,734,984	$ 9,381,351
Effect of potentially dilutive common stock:		
Employees' compensation	-	-
Earnings used in the calculation of diluted earnings per share	$ 8,734,984	$ 9,381,351

Weighted Average Number of Common Stock Outstanding

(In Thousands of Shares)

	For the Year Ended December 31	
	2019	**2018**
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:		
Employees' compensation	3,424	3,587
Weighted average number of common stock used in the calculation of diluted earnings per share	3,261,925	3,262,088

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

25. DISPOSAL OF SUBSIDIARIES

On April 15, 2019, the Company entered into an agreement to dispose of Omusic Co., Ltd. (Omusic), which provides electronic information services. The disposal was completed on April 30, 2019, on which date control of Omusic passed to the acquirer. For details about the disposal of Omusic, refer to Note 29 of the consolidated financial statements of the Company as of and for the year ended December 31, 2019.

26. EQUITY TRANSACTIONS WITH NONCONTROLLING INTERESTS

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

The above transactions were accounted for as equity transactions since the Company did not lose control over the subsidiary. Refer to Note 30 of the consolidated financial statements of the Company as of and for the year ended December 31, 2019 for related information.

27. CAPITAL MANAGEMENT

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

28. FINANCIAL INSTRUMENTS

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

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

	December 31			
	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Refundable deposits	$ 739,399	$ 694,069	$ 543,268	$ 542,564
Financial liabilities				
Bonds payable	30,271,462	30,427,690	25,374,262	25,583,418

2) Fair value hierarchy

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets				
Refundable deposits	$ -	$ -	$ 694,069	$ 694,069
Financial liabilities				
Bonds payable	$ 30,427,690	$ -	$ -	$ 30,427,690

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Financial assets				
Refundable deposits	$ -	$ -	$ 542,564	$ 542,564
Financial liabilities				
Bonds payable	$ 25,583,418	$ -	$ -	$ 25,583,418

The fair values of the financial assets included in the Level 3 category above have been determined in accordance with the discounted cash flow approach based on the discount rate of corporate bonds at the end of the reporting period.

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

1) Fair value hierarchy

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income				
Domestic unlisted common stock	$ -	$ -	$ 198,701	$ 198,701

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income				
Domestic unlisted common stock	$ -	$ -	$ 191,245	$ 191,245

There were no transfers of financial assets and financial liabilities between Level 1 and Level 2 for the years ended December 31, 2019 and 2018.

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

	For the Year Ended December 31	
	2019	2018
	Financial Instruments at Fair Value Through Other Comprehensive Income	Financial Instruments at Fair Value Through Other Comprehensive Income
Beginning balance	$ 191,245	$ 195,000
Additions	-	45,000
Recognized in other comprehensive income	7,456	12,745
Remittance of cash due to capital reduction	-	(61,500)
Ending balance	$ 198,701	$ 191,245

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

Financial Instrument	Valuation Techniques and Inputs
Domestic unlisted common stock	a) Asset-based approach. Valuation based on the fair value of an investee, calculated through each investment of the investee using the income approach, market approach or a combination of the two approaches, while also taking the liquidity premium into consideration.
	b) Transaction method of market approach. The approach is 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.

c. Categories of financial instruments

	December 31	
	2019	2018
Financial assets		
Financial assets at amortized cost (Note 1)	$ 10,755,138	$ 9,494,860
Financial assets at fair value through other comprehensive income	198,701	191,245
Financial liabilities		
Financial liabilities at amortized cost (Note 2)	48,156,959	45,846,482

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), financial lease payables, bonds payable (including current portion), long-term borrowings (including current portion), and guarantee deposits received.

d. Financial risk management objectives and policies

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

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

1) Market risk

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

a) Foreign currency risk

The Company 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.

Foreign currency sensitivity analysis

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

The following table details the Company's sensitivity to a 5% increase and decrease in the New Taiwan dollar (NTD) against the U.S. dollar. 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 positive number shown in the currency impact table below indicates an increase 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, shown by the negative amount below, there was a decrease in pre-tax profit.

	USD Impact	
	For the Year Ended December 31	
	2019	**2018**
5% change in profit or loss		
USD	$ (37,994)	$ (24,601)

b) Interest rate risk

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

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

	December 31	
	2019	**2018**
Fair value interest rate risk		
Financial assets	$ 2,758,461	$ 1,558,122
Financial liabilities	42,548,192	28,541,332
Cash flow interest rate risk		
Financial assets	2,561,418	1,627,472
Financial liabilities	3,900,000	8,000,000

Sensitivity analysis

The sensitivity analysis described below was based on the Company's exposure to interest rates for financial assets and financial liabilities at the end of the reporting period. An increase or 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 financial assets and financial liabilities with fixed interest rates, their fair values will change as the market interest rates change. For financial assets and financial liabilities with floating interest rates, their effective interest rates will change as the market interest rates change.

Had interest rates been 25 basis points higher/lower and all other variables been held constant, the income before income tax for the years ended December 31, 2019 and 2018 would have decreased/increased by $3,346 thousand and $15,931 thousand, respectively, mainly affected by bank deposits and borrowings with floating interest rates.

c) Other price risk

The Company was exposed to equity price risk through its investments in domestic unlisted equity securities. The Company manages the risk by maintaining a portfolio of investments with different risk levels.

Sensitivity analysis

The sensitivity analysis below 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 other comprehensive income for the years ended December 31, 2019 and 2018 would have increased/decreased by $9,935 thousand and $9,562 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 Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to the failure of the counterparties to discharge their obligation and due to the financial guarantees provided by the Company arises from the carrying amounts of the respective recognized financial assets as stated in the balance sheets.

The Company has a policy of dealing only with creditworthy counterparties. The credit 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 Company transacts with a large number of unrelated customers and thus, credit risk is not highly concentrated.

3) Liquidity risk

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

The Company relies on bank borrowings as a significant source of liquidity. The Company's unutilized overdraft and bank loan facilities amounted to $33,545,951 thousand and $35,951,338 thousand as of December 31, 2019 and 2018, respectively.

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

	Carrying Amount	Contractual Cash Flows	Within 1 Year	1-5 Years	More than 5 Years
December 31, 2019					
Other payables - related parties	$ 3,900,000	$ 3,921,905	$ 3,921,905	$ -	$ -
Long-term borrowings	4,400,000	4,475,778	37,224	4,438,554	-
Bonds payable	30,271,462	31,583,080	2,812,470	20,255,775	8,514,835
Lease liabilities	7,522,038	7,644,294	2,643,387	4,973,507	27,400
	$ 46,093,500	$ 47,625,057	$ 9,414,986	$ 29,667,836	$ 8,542,235
December 31, 2018					
Short-term borrowings	$ 1,500,000	$ 1,500,898	$ 1,500,898	$ -	$ -
Short-term bills payable	999,720	1,000,000	1,000,000	-	-
Other payables - related parties	7,500,000	7,541,102	7,541,102	-	-
Long-term borrowings	700,000	710,360	5,180	705,180	-
Bonds payable	25,374,262	26,584,845	3,499,400	15,974,995	7,110,450
	$ 36,073,982	$ 37,337,205	$ 13,546,580	$ 16,680,175	$ 7,110,450

Additional information about the maturity analysis for lease liabilities:

	Within 1 Year	1-5 Years	5-10 Years
Lease liabilities	$ 2,643,387	$ 4,973,507	$ 27,400

29. TRANSACTIONS WITH RELATED PARTIES

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

a. The Company's related parties and their relationships

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

(Continued)

Related Party	Relationship with the Company
Qware Communications Co., Ltd. (Qware)	Subsidiary (dissolved after merging with the Company on June 30, 2018)
Far Eastern Info Service (Holding) Ltd. (FEIS)	Subsidiary
KGEx.com Co., Ltd.	Subsidiary
Yuan Cing Co., Ltd.	Subsidiary
Yuanshi Digital Technology Co., Ltd.	Subsidiary
Yuan Bao Fintech Co., Ltd.	Subsidiary
Far Eastern Tech-info Ltd. (Shanghai)	Subsidiary of FEIS
Omusic Co., Ltd.	Subsidiary (disposed of on April 30, 2019)
New Century InfoComm Tech Co., Ltd. (NCIC)	Subsidiary
Nextlink Technology Co., Ltd. (Nextlink)	Subsidiary of NCIC (from March 2019)
Microfusion Technology Co., Ltd.	Subsidiary of Nextlink
Nextlink (HK) Technology Co., Ltd. (Nextlink (HK))	Subsidiary of Nextlink
Nextlink (Shanghai) Technology Co., Ltd.	Subsidiary of Nextlink (HK)
Prime Ecopower Co., Ltd.	Subsidiary of NCIC
Information Security Service Digital United Inc.	Subsidiary of NCIC
New Diligent Co., Ltd. (New Diligent)	Subsidiary of NCIC
Sino Lead Enterprise Limited	Subsidiary of New Diligent
New Diligent Hong Kong Co., Ltd.	Subsidiary of New Diligent
Far Eastern New Diligent Company Ltd. (FEND)	Subsidiary of New Diligent
Far Eastern New Century Information Technology (Beijing) Limited	Subsidiary of FEND
Digital United (Cayman) Ltd. (DU Cayman)	Subsidiary of NCIC
Digital United Information Technologies (Shanghai) Co., Ltd.	Subsidiary of DU Cayman
Far Eastern Electronic Toll Collection Co., Ltd.	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 (the Company’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.	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)

(Continued)

Related Party	Relationship with the Company
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 the Company's)
Asia Cement Co., Ltd.	Other related party (same chairman as the Company's)
Oriental Union Chemical Corporation	Other related party (same chairman as the Company's)
Far Eastern Ai Mai Co., Ltd.	Other related party (same chairman as the Company's)
Far Eastern Hospital	Other related party (same chairman as the Company's)
Oriental Institute of Technology	Other related party (same chairman as the Company's)
Far Eastern Plaza Hotel	Subsidiary of FENC
Yuan-Ze University	Other related party (same chairman as the Company's)
U-Ming Marine Transport Corporation	Other related party (same chairman as the Company's)
Chiahui Power Corporation	Other related party (same chairman as the Company's)
Far Eastern Medical Foundation	Other related party (same chairman as the Company's)
Far Eastern International Bank (FEIB)	Other related party (the Company's chairman is FEIB's vice chairman)
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
Alliance Digital Technology Co., Ltd.	Associate (dissolved on December 31, 2018 and the liquidation procedures have not been completed)
Far Eastern Memorial Foundation	Other related party (same chairman as the Company's)
FETC International Co., Ltd.	Subsidiary of FENC
Far Eastern Investment (Holding) Ltd.	Subsidiary of FENC
Kaohsiung Rapid Transit Corporation	Other related party (substantive related party)
Everest Textile Co., Ltd.	Other related party (substantive related party)
Systex Corporation	Other related party (juristic-person director of associate)

(Continued)

Related Party	Relationship with the Company
HIM International Music Inc. (HIM)	Other related party (juristic-person supervisor of subsidiary)
Universal Music Taiwan Ltd.	Other related party (juristic-person director of subsidiary)
Forward Music Co., Ltd.	Other related party (juristic-person director of subsidiary)
Sony Music Entertainment Taiwan Ltd.	Other related party (juristic-person director of subsidiary)
Otiga Technologies Ltd. (Otiga)	Other related party (juristic-person supervisor of subsidiary)
Oriental Green Materials Limited	Subsidiary of FENC

(Concluded)

b. Operating revenue

	For the Year Ended December 31	
	2019	2018
FENC	$ 2,194	$ 2,507
Subsidiaries of FENC	34,754	81,482
Subsidiaries	816,897	1,230,663
Associates	-	10
Other related parties	43,191	31,906
	$ 897,036	$ 1,346,568

Operating revenue from related parties include revenue from the sale of inventories and telecommunications services, of which the terms and conditions conformed to normal business practices.

c. Operating costs and expenses

	For the Year Ended December 31	
	2019	2018
Operating costs		
FENC	$ 40	$ 1,439
Subsidiaries of FENC	14,837	12,642
Subsidiaries		
ARCOA	7,604,521	8,152,070
Others	2,421,382	3,000,383
	10,025,903	11,152,453
Other related parties	24,582	19,793
	$ 10,065,362	$ 11,186,327
Operating expenses		
FENC	$ 102,682	$ 123,349
Subsidiaries of FENC	178,826	198,933
Subsidiaries	753,493	777,361
Associates	-	1,047
Other related parties	26,586	53,166
	$ 1,061,587	$ 1,153,856

The above companies provide telecommunication services to the Company. The terms and conditions conformed to normal business practices.

d. Property transactions

	For the Year Ended December 31	
	2019	2018
Acquisition of investments accounted for using the equity method		
Subsidiaries		
Qware	$ -	$ 5,398
Acquisition of property, plant and equipment and intangible assets		
Subsidiaries of FENC	$ 3,658	$ 2,948
Subsidiaries	24,587	44,585
Other related parties	1,499	-
	$ 29,744	$ 47,533
Disposal of securities		
Other related parties		
Otiga	$ 3,255	$ -
HIM	2,205	-
Others	1,890	-
	$ 7,350	$ -

In April 2019, the Company disposed of Omusic Co., Ltd. The consideration received from related parties amounted to $7,350 thousand and the difference between the consideration and the book value was recognized as a disposal loss of $542 thousand.

e. Lease arrangements - the Company is lessee

	For the Year Ended December 31, 2019
Acquisition of right-of-use assets	
Other related parties	$ 14,550

	December 31, 2019
Lease liabilities - current	
FENC	$ 3,207
Subsidiaries of FENC	33,226
Other related parties	23,199
	$ 59,632

(Continued)

	December 31, 2019
Lease liabilities - noncurrent	
FENC	$ 4,494
Subsidiaries of FENC	45,356
Other related parties	25,753
	$ 75,603

(Concluded)

As of December 31, 2018, there was no outstanding balance in financial lease payables between the Company and its related parties.

	For the Year Ended December 31	
	2019	2018
Financial costs		
FENC	$ 92	$ -
Subsidiaries of FENC	980	-
Subsidiaries	31	-
Other related parties	504	-
	$ 1,607	$ -

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

	December 31	
	2019	2018
Other related parties		
FEIB	$ 1,864,477	$ 1,787,775

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

g. Receivables and payables - related parties

	December 31	
	2019	2018
Accounts receivable - related parties		
FENC	$ 9	$ 6
Subsidiaries of FENC	4,551	27,558
Subsidiaries	148,373	147,724
Associates	-	10
Other related parties	44,727	35,101
	$ 197,660	$ 210,399

(Continued)

	December 31	
	2019	2018
Other receivables - related parties (not including loans to related parties)		
Subsidiaries of FENC	$ 3,252	$ 3,832
Subsidiaries		
NCIC	17,468	11,413
ARCOA	26,695	1,602
Others	18,242	15,266
	62,405	28,281
Associates	-	6,149
Other related parties	5,877	3,991
	$ 71,534	$ 42,253
Accounts payable - related parties		
Subsidiaries of FENC	$ 703	$ 112
Subsidiaries		
ARCOA	929,440	591,465
Others	36,097	72,571
	965,537	664,036
Other related parties	1,275	1,179
	$ 967,515	$ 665,327
Other payables - related parties (not including loans from related parties)		
FENC	$ 22,436	$ 23,144
Subsidiaries of FENC	75,549	81,342
Subsidiaries		
NCIC	600,826	644,017
Others	154,496	156,435
	755,322	800,452
Other related parties	7,160	3,341
	$ 860,467	$ 908,279

(Concluded)

h. Refundable deposits

	December 31	
	2019	2018
Refundable deposits		
Subsidiaries of FENC	$ 20,449	$ 23,517
Subsidiaries	4,430	4,430
Other related parties	1,406	1,441
	$ 26,285	$ 29,388

i. Others

	For the Year Ended December 31	
	2019	2018
Management service revenue		
Subsidiaries	$ 49,207	$ 50,189
Interest income (not including interest revenue from loans to related parties)		
Subsidiaries of FENC	$ 22	$ 22
Other related parties		
FEIB	16,808	18,753
Others	3	11
	16,811	18,764
	$ 16,833	$ 18,786
Rental income		
Subsidiaries of FENC	$ 48	$ 40
Subsidiaries		
NCIC	10,901	22,933
Others	3,043	2,418
	13,944	25,351
	$ 13,992	$ 25,391

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

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

	For the Year Ended December 31	
	2019	2018
Interest income		
Subsidiaries	$ -	$ 602

The Company provided a subsidiary with short-term loans of rates comparable to the market rate of interest. The subsidiary repaid the loans on April 20, 2018.

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

	December 31	
	2019	2018
Subsidiaries	$ 3,900,000	$ 7,500,000

The Company obtained loans at rates comparable to market interest rates for the loans from NCIC. The interest expense was $45,984 thousand and $47,144 thousand for the years ended December 31, 2019 and 2018, respectively.

l. Compensation of key management personnel

	For the Year Ended December 31	
	2019	2018
Short-term benefits	$ 248,520	$ 293,004
Post-employment benefits	2,565	2,807
	$ 251,085	$ 295,811

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

30. ASSETS PLEDGED OR MORTGAGED

Assets pledged or mortgaged for litigation were as follows:

	December 31	
	2019	2018
Other financial assets - current	$ 344,000	$ 356,000

31. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments of the Company as of December 31, 2019 and 2018 were as follows:

a.

	December 31	
	2019	2018
Unpaid acquisition of property, plant and equipment and intangible assets under contracts	$ 2,405,444	$ 2,328,282
Unpaid acquisition of inventories under contracts	$ 2,756,052	$ 4,850,477

b. All lease commitments (the Company as a lessee) with lease terms commencing after the balance sheet dates are as follows:

	December 31, 2019
Lease commitments	$ 287,775

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company 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)

	December 31, 2019		
	Foreign Currency	**Exchange Rate**	**Carrying Amount**
Financial assets			
Monetary items			
USD	$ 31,106	29.98	$ 932,553
Nonmonetary items			
USD	161	29.98	4,829
Financial liabilities			
Monetary items			
USD	5,760	29.98	172,676

	December 31, 2018		
	Foreign Currency	**Exchange Rate**	**Carrying Amount**
Financial assets			
Monetary items			
USD	$ 20,127	30.715	$ 618,197
Nonmonetary items			
USD	164	30.715	5,023
Financial liabilities			
Monetary items			
USD	4,108	30.715	126,180

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

	For the Year Ended December 31			
	2019		2018	
Foreign Currency	**Exchange Rate**	**Net Foreign Exchange Gains (Losses)**	**Exchange Rate**	**Net Foreign Exchange Gains (Losses)**
USD	30.912 (USD:NTD)	$ (10,765)	30.149 (USD:NTD)	$ 9,480

33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and the Company’s investees:

1) Financing provided to others: (Schedule A)

2) Endorsements/guarantees provided: (None)

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

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

5) Acquisition of real estate at costs of at least NT$300 million or 20% of the paid-in capital: (None)

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

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

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

9) Trading in derivative transactions: (None)

10) Information on investees: (Schedule F)

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: (Schedule 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: (None)

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

c) The amount of property transactions and the amount of the resultant gains or losses.

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.

SCHEDULE A

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2019
(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 A)	Aggregate Financing Limits (Note A)
													Item	Value		
1	New Century InfoComm Tech Co., Ltd.	Yuanshi Digital Technology Co., Ltd.	Other receivables - related parties	Yes	$ 300,000	$ 300,000	$ 300,000	1.53%	Short-term financing	$ -	For business operations	$ -	-	$ -	$ 8,327,941	$ 11,897,058
		Far EasTone Telecommunications Co., Ltd.	Other receivables - related parties	Yes	7,500,000	7,500,000	3,500,000	0.83%	Short-term financing	-	For business operations	-	-	-	8,327,941	11,897,058
		Far EasTone Telecommunications Co., Ltd.	Other receivables - related parties	Yes	2,500,000	1,500,000	400,000	0.83%	Transaction	2,547,833	-	-	-	-	2,547,833	11,897,058

Note A: Where New Century InfoComrn 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 short-term financing needs, the individual loan amount should not exceed 35% of NCIC's net worth.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Far EasTone Telecommunications Co., Ltd.	Stock							
	App Works Fund II Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	8,850,000	$ 104,620	11.11	$ 104,620	B
	CDIB Capital Innovation Accelerator Limited	-	Financial assets at fair value through other comprehensive income - noncurrent	9,000,000	94,081	10.71	94,081	B
ARCOA Communication Co., Ltd.	Stock							
	THI consultants	-	Financial assets at fair value through other comprehensive income - noncurrent	1,213,594	12,190	18.32	12,190	B
	Web Point Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	160,627	1,618	0.63	1,618	B
New Century InfoComm Tech Co., Ltd.	Stock							
	Kaohsiung Rapid Transit Corporation	Other related party	Financial assets at fair value through other comprehensive income - noncurrent	8,858,191	50,846	3.18	50,846	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	B
	Stock certificate							
	Changing.ai Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	500,000	29,980	2.50	29,980	B
	Overseas funds							
	Opas Fund Segregated Portfolio Tranche A	Other related party	Financial asset at fair value through profit or loss - current	13,491.781	462,442	-	462,442	A
	Opas Fund Segregated Portfolio Tranche B	Other related party	Financial asset at fair value through profit or loss - current	5,000.000	166,896	-	166,896	A
Digital United (Cayman) Ltd.	Stock certificate							
	TBCASoft, Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	980,435	149,900	6.77	149,900	B

Note A: The market values of the overseas funds were calculated at their net asset values as of December 31, 2019.

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

SCHEDULE C

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition (Note B)		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
New Century InfoComm Tech Co., Ltd.	Stock Nextlink Technology Co., Ltd.	Investments accounted for using the equity method	Nextlink Inc.	Subsidiary	-	$ -	3,430,000	$ 420,000	-	$ -	$ -	$ -	3,430,000	$ 409,810 (Note A)

Note A: The amount is the balance of investments accounted for using the equity method.

Note B: The amount is the cost of acquisition.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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	Financial Statement Account and Ending Balance		% of Total
Far EasTone Telecommunications Co., Ltd.	ARCOA Communication Co., Ltd.	Subsidiary	Operating costs and marketing expenses	$ 8,074,786	16	Based on agreement	$ -	-	Accounts payable and other payables	$ (972,158)	(7)
			Operating revenue	(331,812)	(1)	Based on agreement	-	-	Accounts receivable	95,873	2
	New Century InfoComm Tech Co., Ltd.	Subsidiary	Operating revenue	(234,169)	-	Based on agreement	-	-	Accounts receivable	2,584	-
			Operating costs	2,313,664	5	Based on agreement	-	-	Accounts payable and other payables (Note A)	(549,143)	(4)
	Yuanshi Digital Technology Co., Ltd.	Subsidiary	Operating revenue	(192,138)	-	Based on agreement	-	-	Accounts receivable	41,081	1
	Far Cheng Human Resources Consultant Corp.	Same ultimate parent company	Service fee	128,293	1	Based on agreement	-	-	Other payables	(11,048)	-
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating revenue	(2,313,664)	(22)	Based on agreement	-	-	Accounts receivable (Note B)	549,143	37
			Operating costs	234,169	3	Based on agreement	-	-	Accounts payable	(2,584)	-
	KGEx. com. Co., Ltd.	Same parent company	Operating costs and rental	105,384	1	Based on agreement	-	-	Accounts payable and other payables	(19,595)	(1)
	Sino Lead Enterprise Limited	Subsidiary	Operating costs	112,647	2	Based on agreement	-	-	Accounts payable	(9,384)	(1)
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating revenue	(8,074,786)	(67)	Based on agreement	-	-	Accounts receivable	972,158	66
			Operating costs	331,812	3	Based on agreement	-	-	Accounts payable	(95,873)	(7)
	Home Master Technology Ltd.	Subsidiary of DataExpress Infotech Co., Ltd.	Operating revenue	(1,050,123)	(9)	Based on agreement	-	-	Accounts receivable	262,817	18
KGEx. com. Co., Ltd.	New Century InfoComm Tech Co., Ltd.	Same parent company	Operating revenue	(105,384)	(19)	Based on agreement	-	-	Accounts receivable	19,595	43
Sino Lead Enterprise Limited	New Century InfoComm Tech Co., Ltd.	Parent company	Operating revenue	(112,647)	(100)	Based on agreement	-	-	Accounts receivable	9,384	56
DataExpress Infotech Co., Ltd.	Linkwell Tech. Ltd.	Subsidiary	Operating costs	154,094	4	Based on agreement	-	-	Accounts payable	(2,133)	(1)
	Home Master Technology Ltd.	Subsidiary	Operating revenue	(198,153)	(5)	Based on agreement	-	-	Accounts receivable	542	-
Yuanshi Digital Technology Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating costs	192,138	12	Based on agreement	-	-	Accounts payable	(41,081)	(22)
							-	-			
Linkwell Tech. Ltd.	DataExpress Infotech Co., Ltd.	Parent company	Operating revenue	(154,094)	(27)	Based on agreement	-	-	Accounts receivable	2,133	24
Home Master Technology Ltd.	ARCOA Communication Co., Ltd.	Parent company	Operating costs	1,050,123	69	Based on agreement	-	-	Accounts payable	(262,817)	(97)
	DataExpress Infotech Co., Ltd.	Parent company	Operating costs	198,153	13	Based on agreement	-	-	Accounts payable	(542)	-

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

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

SCHEDULE E

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2019
(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.	ARCOA Communication Co., Ltd.	Subsidiary	$ 122,568	13.44	$ -	-	$ 69,413	$ -
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	4,514,694	(Note A)	-	-	269,714	-
	Yuanshi Digital Technology Co., Ltd.	Subsidiary of Far EasTone Telecommunications Co., Ltd.	303,176	(Note B)	-	-	800	
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	972,158	10.00	-	-	448,358	-
	Home Master Technology Ltd.	Subsidiary of DataExpress Infotech Co., Ltd.	263,033	3.78	-	-	97,711	-

Note A: All interconnection revenue, cost and collection of international direct dial revenue between the Company and NCIC were settled at net amounts and were 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 the Company for NCIC.

Note B: The turnover rate was unavailable as the receivables from related parties were mainly due to financing provided by NCIC to YSDT.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of December 31, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2019	December 31, 2018	Number of Shares	Percentage of Ownership (%)	Carrying Amount			
Far EasTone Telecommunication Co., Ltd.	New Century InfoComm Tech Co., Ltd.	Taiwan	Type I, II telecommunications services	$ 22,249,283	$ 22,249,283	2,100,000,000	100.00	$ 26,385,159	$ 1,432,896	$ 1,329,613	A
	ARCOA Communication Co., Ltd.	Taiwan	Sales of communications products and office equipment	1,305,802	1,305,802	82,762,221	61.63	731,924	178,773	(186,023)	A
	KGEx. com. Co., Ltd.	Taiwan	Type II telecommunications services	2,340,472	2,340,472	68,897,234	99.99	877,725	150,084	149,625	A
	Yuanshi Digital Technology Co., Ltd.	Taiwan	Electronic information services	886,169	886,169	90,014,424	86.41	(582,357)	(205,230)	(177,346)	A
	Yuan Cing Co., Ltd.	Taiwan	Call center services	-	-	2,000,000	100.00	30,546	6,843	6,843	A and E
	Far Eastern Info Service (Holding) Ltd.	Bermuda	Investment	92,616	92,616	1,200	100.00	4,829	(7)	(7)	A
	Omusic Co., Ltd.	Taiwan	Electronic information services	-	25,000	-	-	-	1,431	714	A
	Yuan Bao Fintech Co., Ltd.	Taiwan	Data processing services and electronic information services	60,000	-	6,000,000	100.00	59,680	(320)	(320)	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	1,051,441	420,815	164,534	B
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	139,500	139,500	5,446,644	15.00	47,200	(48,697)	(6,925)	B
	Yuan Hsin Digital Payment Co., Ltd.	Taiwan	Other financing and supporting services	600,000	600,000	23,302,111	30.00	164,513	(228,345)	(68,562)	B
ARCOA Communication Co., Ltd.	DataExpress Infotech Co., Ltd.	Taiwan	Sale of communications products	141,750	141,750	12,866,353	70.00	233,027	100,008	-	C
New Century InfoComm Tech Co., Ltd.	New Diligent Co., Ltd.	Taiwan	Investments	540,000	540,000	54,000,000	100.00	86,448	415	-	C
	Information Security Service Digital United Inc.	Taiwan	Security and monitoring service via internet	148,777	148,777	10,249,047	100.00	133,305	24,205	-	C
	Digital United (Cayman) Ltd.	Cayman Islands	Investments	317,446	317,446	10,320,000	100.00	191,698	(1,075)	-	C
	Yuanshi Digital Technology Co., Ltd.	Taiwan	Electronic information services	20,000	20,000	2,499,617	2.40	(16,171)	(205,230)	-	A
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	46,500	46,500	1,815,548	5.00	15,733	(48,697)	-	B
	Prime Ecopower Co., Ltd.	Taiwan	Energy technology services	160,000	160,000	16,000,000	100.00	140,448	(14,868)	-	C
	Drive Catalyst SPC-SP Tranche One	Cayman Islands	Investments	123,220	123,220	4,000	25.00	121,700	3,831	-	B
	Drive Catalyst SPC-SP Tranche Three	Cayman Islands	Investments	122,300	-	4,000	25.00	119,174	(3,076)	-	B
	Nextlink Technology Co., Ltd.	Taiwan	Electronic information services	420,000	-	3,430,000	70.00	409,810	2,999	-	C
New Diligent Co., Ltd.	Sino Lead Enterprise Limited	Hong Kong	Telecommunications services	125	125	30,000	100.00	295	53	-	C
	Far Eastern New Diligent Company Ltd.	British Virgin Islands	Investments	330,598	330,598	-	100.00	24,180	306	-	C
	New Diligent Hong Kong Co., Ltd.	Hong Kong	Investments	3,051	3,051	-	100.00	2,709	(226)	-	C
DataExpress Infotech Co., Ltd.	Linkwell Tech. Ltd.	Taiwan	Sale of communications products	10,000	10,000	-	100.00	65,428	15,471	-	C
	Home Master Technology Ltd.	Taiwan	Sale of communications products	10,000	10,000	-	100.00	45,477	29,152	-	C
Nextlink Technology Co., Ltd.	Microfusion Technology Co., Ltd.	Taiwan	Electronic information services	17,000	17,000	2,600,000	100.00	16,462	9,093	-	C
	Nextlink (HK) Technology Co., Ltd.	Hong Kong	Electronic information services	973	973	-	100.00	5,523	(2,646)	-	C
Microfusion Technology Co., Ltd.	Microfusion (HK) Technology Co., Ltd.	Hong Kong	Electronic information services	-	-	-	-	-	-	-	C and F

Note A: Subsidiary.

Note B: Investee of the Company or NCIC, 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., Nextlink Technology Co., Ltd. or Microfusion 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.

Note F: Microfusion (HK) Technology Co., Ltd. was dissolved on November 8, 2019 with the approval of the local government.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(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, 2019	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2019	Accumulated Repatriation of Investment Income as of December 31, 2019
					Outflow	Inflow						
Digital United Information Technologies (Shanghai) Ltd.	Design, research, installment and maintenance of computer software and systems	$ 92,938 (US$ 3,100,000)	2	$ 92,938 (US$ 3,100,000)	$ -	$ -	$ 92,938 (US$ 3,100,000)	$ (2,182)	100.00	$ (2,182)	$ (378) (RMB (88,000))	$ -
Far Eastern Tech-info Ltd. (Shanghai)	Computer software, data processing and network information services	179,880 (US$ 6,000,000)	2	197,546 (Note E)	-	-	197,546 (Note E)	(25)	100.00 (Note B)	(25) (Note B)	11,148 (RMB 2,589,000) (Note B)	-
Nextlink (Shanghai) Technologies Co., Ltd.	Electronic information services	2,159 (US$ 72,000)	2	2,159 (US$ 72,000)	-	-	2,159 (US$ 72,000)	(637)	70.00	(935)	1,426 (HK$ 372,000)	-

Company Name	Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by the Investment Commission, MOEA	Limit on Investments (Note C)
Far EasTone Telecommunications Co., Ltd.	$ 92,616	$ 92,616	$ 41,858,373
New Century InfoComm Tech Co., Ltd.	92,938 (US$ 3,100,000)	92,938 (US$ 3,100,000)	14,276,470
New Diligent Co., Ltd.	447,511 (US$ 14,927,000) (Notes D and E)	447,511 (US$ 14,927,000) (Notes D and E)	51,869
Nextlink Technology Co., Ltd.	2,159 (US$ 72,000)	2,159 (US$ 72,000)	39,636

Note A: Method of investment is as follows:

1. The Company made the investment directly.
2. The Company made the investment indirectly through a company registered in a third region. The companies registered in a third region are Far Eastern Info Service (Holding) Ltd., Digital United (Cayman) Ltd., Far Eastern New Diligent Company Ltd. and Nextlink (HK) Technology Co., Ltd.
3. Others.

Note B: Including Far Eastern New Diligent Company Ltd.'s 58.33% ownership and Far Eastern Info Service (Holding) Ltd.'s 41.67% ownership.

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

Note D: The amount includes US$11,427,000 from an investee company which was dissolved, but the registration of the investment amount had not been written off with the Investment Commission of the MOEA. 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.

Note E: The amount includes US$3,500,000.

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

STATEMENT 1

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Amount
Cash	
Petty cash	$ 8,825
Checking deposits	19,470
Demand deposits (Note)	2,105,427
	$ 2,133,722

Note: Including US$25,849 thousand @29.98, JPY182 thousand @0.276, HK$48 thousand @3.849 and EUR240 thousand @33.59.

STATEMENT 2

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENT OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Client Name	Amount
Others (Note)	$ 6,691,377
Less: Allowance for impairment loss	633,993
Accounts receivable, net	$ 6,057,384

Note: The amount of accounts receivable of individual clients included in “others” does not exceed 5% of the account balance.

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENT OF INVENTORIES
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Amount	
	Cost	Market Value
Cellular phone equipment	$ 1,670,884	$ 1,898,163
Cellular phone accessories	278,888	419,278
SIM cards and prepaid cards	27,854	27,412
Others	148,492	213,139
	2,126,118	$ 2,557,992
Less: Allowance for inventory write-downs	(70,016)	
Inventories, net	$ 2,056,102	

Note: The above inventories are not pledged as collateral.

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Par Value Per Share (In Dollars)	Balance at January 1, 2019		Increase in Investments		Decrease in Investments		Adjustments in Investments Accounted for Using the Equity Method (Note 1)	Balance at December 31, 2019			Market Value or Net Asset Value	Note
		Number of Shares (In Thousands)	Amount	Number of Shares (In Thousands)	Amount	Number of Shares (In Thousands)	Amount		Number of Shares (In Thousands)	(%)	Amount		
Investments accounted for using the equity method													
New Century InfoComm Tech Co., Ltd.	$10	2,100,000	$ 27,069,715	-	$ -	-	$ (2,016,000)	$ 1,331,444	2,100,000	100.00	$ 26,385,159	$ 23,794,116	Note 3
ARCOA Communication Co., Ltd.	10	82,762	995,299	-	-	-	(76,142)	(187,233)	82,762	61.63	731,924	1,825,240	Note 3
KGEx. com. Co., Ltd.	10	68,897	863,666	-	-	-	(136,004)	150,063	68,897	99.99	877,725	875,166	Note 3
Far Eastern Electronic Toll Collection Co., Ltd.	10	118,250	924,758	-	-	-	-	126,683	118,250	39.42	1,051,441	2,667,481	
Far Eastern Info Service (Holding) Ltd.	-	1	5,023	-	-	-	-	(194)	1	100.00	4,829	4,829	
Omusic Co., Ltd.	10	2,500	10,559	-	-	(2,500)	(11,273)	714	-	-	-	-	Note 3
Ding Ding Integrated Marketing Service Co., Ltd.	10	5,098	54,287	349	-	-	-	(7,087)	5,447	15.00	47,200	314,666	Note 4
Yuan Cing Co., Ltd.	10	2,000	35,243	-	-	-	(11,540)	6,843	2,000	100.00	30,546	30,546	Note 3
Yuanshi Digital Technology Co., Ltd.	10	90,014	(405,011)	-	-	-	-	(177,346)	90,014	86.41	(582,357)	(673,921)	
Yuan Hsin Digital Payment Co., Ltd.	10	30,626	233,080	-	-	(7,324)	-	(68,567)	23,302	30.00	164,513	548,376	Note 4
Yuan Bao Fintech Co., Ltd.	10	-	-	6,000	60,000	-	-	(320)	6,000	100.00	59,680	59,680	Note 2
			29,786,619		$ 60,000		$ (2,250,959)	$ 1,175,000			28,770,660	29,446,179	
Add: Credit balance on carrying amounts of investments accounted for using the equity method reclassified to other liabilities			405,011								582,357	-	
			$ 30,191,630								$ 29,353,017	$ 29,446,179	

Note 1: Mainly includes:

a. The Company’s share of profit or loss of investees.
b. The Company’s share of other comprehensive income of investees.
c. Changes in the Company’s share of equity of investees.
d. Effects of retrospective application of IFRS 16.

Note 2: Increase in investments include $60,000 thousand paid for the subscription of new common stock issued by an investee.

Note 3: Decrease in investments include $2,239,686 thousand of cash dividends received from investees and $11,273 thousand of carrying amounts written off due to the disposal of Omusic Co., Ltd.

Note 4: Ding Ding Integrated Marketing Service Co., Ltd. transferred its retained earnings to capital stock and distributed stock dividends, which increased the number of shares held by the Company by 349. Yuan Hsin Digital Payment Co., Ltd. reduced its capital to offset its accumulated deficit.

Note 5: The long-term investments in equity are not pledged as collateral.

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENT OF ACCOUNTS PAYABLE
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Vendor A	$ 605,199
Vendor B	305,576
Vendor C	240,290
Vendor D	151,935
Others (Note)	1,076,428
	$ 2,379,428

Note: The amount of accounts payable of individual vendor in "others" does not exceed 5% of the account balance.

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENT OF BONDS PAYABLE
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Bond Name	Trustee	Issuance Period	Repayment of the Principal and Interest	Coupon Rate (%)	Total Amount	Repayments Made	Unamortized Costs of Issuance	Balance at December 31, 2019 Due in One Year	Balance at December 31, 2019 Due after One Year	Balance at December 31, 2019 Total
4th unsecured domestic bonds	Trust Division of CTBC Bank Co., Ltd.	2013.06.27-2020.06.27	A bond with an aggregate principal amount of $5,000,000 thousand of which $2,500,000 thousand is due on the fifth year and on the seventh year after the issuance date, respectively. The simple interest of the outstanding balance is due annually.	1.33	$ 5,000,000	$ 2,500,000	$ 644	$ 2,499,356	$ -	$ 2,499,356
2016 1st unsecured domestic bonds	Trust Division of Mega International Commercial Bank Co., Ltd.	2017.01.05-2022.01.05	A five-year bond with an aggregate principal amount of $5,200,000 thousand, which will be repaid in full on maturity. The simple interest of the outstanding balance is due annually.	1.17	5,200,000	-	3,374	-	5,196,626	5,196,626
2017 1st unsecured domestic bonds	CTBC Bank Co., Ltd.	2017.04.26-2022.04.26	A five-year bond with an aggregate principal amount of $4,500,000 thousand, which will be repaid in full on maturity. The simple interest of the outstanding balance is due annually.	1.17	4,500,000	-	3,382	-	4,496,618	4,496,618
2017 2nd unsecured domestic bonds	Taishin International Bank Co., Ltd.	2017.09.04-2024.09.04	A seven-year bond with an aggregate principal amount of $2,000,000 thousand, which will be repaid in full on maturity. The simple interest of the outstanding balance is due annually.	1.17	2,000,000	-	2,373	-	1,997,627	1,997,627
2017 3rd unsecured domestic bonds - type A	CTBC Bank Co., Ltd.	2017.12.20-2023.06.20	A five-and-a-half-year bond with an aggregate principal amount of $1,500,000 thousand, which will be repaid in full on maturity. The simple interest of the outstanding balance is due annually.	0.95	1,500,000	-	1,589	-	1,498,411	1,498,411
2017 3rd unsecured domestic bonds - type B	CTBC Bank Co., Ltd.	2017.12.20-2024.12.20	A seven-year bond with an aggregate principal amount of $1,500,000 thousand, which will be repaid in full on maturity. The simple interest of the outstanding balance is due annually.	1.09	1,500,000	-	1,788	-	1,498,212	1,498,212
2018 1st unsecured domestic bonds - type A	CTBC Bank Co., Ltd.	2018.05.07-2023.05.07	A five-year bond with an aggregate principal amount of $1,500,000 thousand, which will be repaid in full on maturity. The simple interest of the outstanding balance is due annually.	0.85	1,500,000	-	1,328	-	1,498,672	1,498,672
2018 1st unsecured domestic bonds - type B	CTBC Bank Co., Ltd.	2018.05.07-2025.05.07	A seven-year bond with an aggregate principal amount of $3,500,000 thousand, which will be repaid in full on maturity. The simple interest of the outstanding balance is due annually.	1.01	3,500,000	-	3,536	-	3,496,464	3,496,464
2019 1st unsecured domestic bonds - type A	CTBC Bank Co., Ltd.	2019.06.25-2024.06.25	A five-year bond with an aggregate principal amount of $3,200,000 thousand, which will be repaid in full on maturity. The simple interest of the outstanding balance is due annually.	0.75	3,200,000	-	3,753	-	3,196,247	3,196,247
2019 1st unsecured domestic bonds - type B	CTBC Bank Co., Ltd.	2019.06.25-2026.06.25	A seven-year bond with an aggregate principal amount of $1,800,000 thousand, which will be repaid in full on maturity. The simple interest of the outstanding balance is due annually.	0.81	1,800,000	-	2,181	-	1,797,819	1,797,819

(Continued)

Bond Name	Trustee	Issuance Period	Repayment of the Principal and Interest	Coupon Rate (%)	Total Amount	Repayments Made	Unamortized Costs of Issuance	Balance at December 31, 2019		
								Due in One Year	Due after One Year	Total
2019 2nd unsecured domestic bonds - type A	CTBC Bank Co., Ltd.	2019.12.20-2026.12.20	A bond with an aggregate principal amount of $2,600,000 thousand of which $1,300,000 thousand is due on the sixth year and on the seventh year after the issuance date, respectively. The simple interest of the outstanding balance is due annually.	0.80	$ 2,600,000	$ -	$ 3,849	$ -	$ 2,596,151	$ 2,596,151
2019 2nd unsecured domestic bonds - type B	CTBC Bank Co., Ltd.	2019.12.20-2029.12.20	A bond with an aggregate principal amount of $500,000 thousand of which $250,000 thousand is due on the ninth year and on the tenth year after the issuance date, respectively. The simple interest of the outstanding balance is due annually.	0.85	500,000	-	741	-	499,259	499,259
					$ 32,800,000	$ 2,500,000	$ 28,538	$ 2,499,356	$ 27,772,106	$ 30,271,462

(Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENT OF LONG-TERM BORROWINGS
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Name	Repayment	Contract Period	Interest Rate (%)	Balance at December 31, 2019
Long-term borrowings				
China Construction Bank	Repayment will be made in full on maturity together with interest payment. (Note 1)	2019.12.23-2021.12.20	0.75-1.0456 (Note 2)	$3,100,000
Bank of Communications	Repayment will be made in full on maturity together with interest payment. (Note 1)	2019.12.26-2021.09.02		300,000
China Construction Bank	Repayment will be made in full on maturity together with interest payment. (Note 1)	2019.12.26-2021.12.20		400,000
KGI Bank	Repayment will be made in full on maturity together with interest payment. (Note 1)	2019.12.31-2022.05.08		600,000
				$4,400,000

Note 1: The loan is treated as a revolving credit facility. The maturity date is based on terms as specified in the contract.

Note 2: This interest rate range is applicable to all the long-term borrowings listed in the table above.

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Amount
Telecommunications and value-added services revenue	$ 39,001,541
Sales of inventories	20,430,378
Interconnection revenue (Note 1)	1,851,320
Other operating revenue (Note 2)	4,818,044
	$ 66,101,283

Note 1: The amount includes revenue from international interconnection services and other telecommunications service providers who use the Company's telecommunications network.

Note 2: The amount mainly comprised of revenue from penalties and micropayments.

STATEMENT 9

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Amount
Cost of sales	$ 20,938,973
Depreciation	9,905,769
Amortization of concessions	2,838,223
Interconnection costs (Note 1)	2,297,684
Other costs (Note 2)	7,437,011
	$ 43,417,660

Note 1: The amount includes rental of leased lines and connection fees paid to other telecommunications service providers.

Note 2: The amount of each item in "other costs" does not exceed 5% of the account balance.

STATEMENT 10

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Marketing Expense	General and Administrative Expense	Total
Commissions and subsidies	$ 3,662,719	$ 11,350	$ 3,674,069
Salaries	2,228,226	1,170,573	3,398,799
Depreciation	653,836	575,857	1,229,693
Advertising expenses	670,801	-	670,801
Amortization	161,340	503,721	665,061
Bill processing and handling fees	-	522,954	522,954
Maintenance fee	39,701	383,429	423,130
Others (Note)	814,951	787,045	1,601,996
	$ 8,231,574	$ 3,954,929	$ 12,186,503

Note: The amount of each item in “others” does not exceed 5% of the balance.