

**Far EastOne Telecommunications  
Co., Ltd.**

**Financial Statements for the  
Years Ended December 31, 2020 and 2019 and  
Independent Auditors' Report**

## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

We have audited the accompanying financial statements of Far EasTone Telecommunications Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2020 and 2019, 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 (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, 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, 2020. 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 matter of the financial statements for the year ended December 31, 2020 is described as follows:

#### **Recognition of Mobile Telecommunications Service Revenue**

Mobile telecommunications service revenue is the main source of the Company's revenue, and it accounts for 63% of the Company's total revenue for the year ended December 31, 2020. 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, 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.

#### **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, 2020 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 audits resulting in this independent auditors' report are An-Hwei Lin and Yung-Hsiang Chao.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 25, 2021

Notice to Readers

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

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

# FAR EASTONE TELECOMMUNICATIONS CO., LTD.

## BALANCE SHEETS DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 30)	\$ 2,611,028	2	\$ 2,133,722	2
Financial assets at amortized cost - current (Notes 4 and 30)	5,692	-	62,396	-
Contract assets - current (Notes 4 and 21)	4,778,317	3	4,182,336	3
Notes receivable, net (Notes 4 and 8)	-	-	36,623	-
Accounts receivable, net (Notes 4 and 8)	5,666,628	3	6,057,384	5
Accounts receivable - related parties (Notes 4, 8 and 30)	551,558	-	197,660	-
Other receivables - related parties (Note 30)	134,239	-	71,534	-
Inventories (Notes 4 and 9)	2,196,145	2	2,056,102	2
Prepaid expenses	567,564	-	546,090	-
Other financial assets - current (Notes 4, 30 and 31)	403,038	-	1,412,657	1
Other current assets (Notes 4 and 21)	<u>140,485</u>	<u>-</u>	<u>43,763</u>	<u>-</u>
Total current assets	<u>17,054,694</u>	<u>10</u>	<u>16,800,267</u>	<u>13</u>
NONCURRENT ASSETS				
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4, 7 and 29)	615,852	-	198,701	-
Investments accounted for using the equity method (Notes 4, 10 and 30)	30,151,615	17	29,353,017	22
Contract assets - noncurrent (Notes 4 and 21)	3,221,916	2	2,333,037	2
Property, plant and equipment, net (Notes 4, 11 and 30)	21,887,180	13	19,870,908	15
Right-of-use assets (Notes 4, 12 and 30)	8,221,872	5	7,905,664	6
Investment properties (Notes 4 and 13)	641,246	-	734,944	-
Concessions, net (Notes 1, 4 and 14)	75,032,771	43	35,852,369	27
Computer software, net (Notes 4 and 14)	2,610,222	2	2,865,094	2
Goodwill (Notes 4 and 14)	10,283,031	6	10,283,031	8
Deferred income tax assets (Notes 4 and 23)	732,516	-	656,382	-
Refundable deposits (Note 30)	709,645	-	739,399	1
Incremental costs of obtaining a contract - noncurrent (Notes 4 and 21)	4,151,595	2	3,999,985	3
Other noncurrent assets	<u>5,300</u>	<u>-</u>	<u>1,106,501</u>	<u>1</u>
Total noncurrent assets	<u>158,264,761</u>	<u>90</u>	<u>115,899,032</u>	<u>87</u>
TOTAL	<u>\$ 175,319,455</u>	<u>100</u>	<u>\$ 132,699,299</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4 and 15)	\$ 100,000	-	\$ -	-
Short-term bills payable (Notes 4 and 15)	99,986	-	-	-
Contract liabilities - current (Notes 4 and 21)	1,814,415	1	1,674,699	1
Notes payable	10,564	-	16,260	-
Accounts payable	3,807,435	2	2,379,428	3
Accounts payable - related parties (Note 30)	844,952	1	967,515	-
Other payables (Note 17)	5,058,878	3	5,007,135	4
Other payables - related parties (Note 30)	8,887,035	5	4,760,467	4
Current tax liabilities (Notes 4 and 23)	2,177,529	1	1,275,630	1
Lease liabilities - current (Notes 4, 12 and 30)	2,603,141	2	2,583,464	2
Current portion of long-term borrowings (Notes 4 and 16)	-	-	2,499,356	2
Guarantee deposits received - current	41,121	-	139,852	-
Other current liabilities (Notes 4 and 18)	<u>666,389</u>	<u>-</u>	<u>777,989</u>	<u>-</u>
Total current liabilities	<u>26,111,445</u>	<u>15</u>	<u>22,081,795</u>	<u>17</u>
NONCURRENT LIABILITIES				
Bonds payable (Notes 4 and 16)	33,771,854	20	27,772,106	21
Long-term borrowings (Notes 4 and 15)	39,645,928	23	4,400,000	3
Provisions - noncurrent (Notes 4 and 18)	469,390	-	386,912	-
Deferred income tax liabilities (Notes 4 and 23)	2,072,862	1	2,072,265	2
Lease liabilities - noncurrent (Notes 4, 12 and 30)	5,167,004	3	4,938,574	4
Net defined benefit liabilities - noncurrent (Notes 4 and 19)	509,089	-	486,495	-
Guarantee deposits received - noncurrent	191,646	-	214,840	-
Other noncurrent liabilities (Notes 4 and 10)	<u>66,543</u>	<u>-</u>	<u>582,357</u>	<u>-</u>
Total noncurrent liabilities	<u>81,894,316</u>	<u>47</u>	<u>40,853,549</u>	<u>30</u>
Total liabilities	<u>108,005,761</u>	<u>62</u>	<u>62,935,344</u>	<u>47</u>
EQUITY				
Capital stock				
Common stock	<u>32,585,008</u>	<u>18</u>	<u>32,585,008</u>	<u>25</u>
Capital surplus	<u>5,701,421</u>	<u>3</u>	<u>5,820,041</u>	<u>4</u>
Retained earnings				
Legal reserve	20,299,484	12	19,425,986	15
Special reserve	598,988	-	606,730	-
Unappropriated earnings	<u>8,228,676</u>	<u>5</u>	<u>11,322,981</u>	<u>9</u>
Total retained earnings	<u>29,127,148</u>	<u>17</u>	<u>31,355,697</u>	<u>24</u>
Other equity	<u>(99,883)</u>	<u>-</u>	<u>3,209</u>	<u>-</u>
Total equity	<u>67,313,694</u>	<u>38</u>	<u>69,763,955</u>	<u>53</u>
TOTAL	<u>\$ 175,319,455</u>	<u>100</u>	<u>\$ 132,699,299</u>	<u>100</u>

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, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 21 and 30)	\$ 61,423,568	100	\$ 66,101,283	100
OPERATING COSTS (Notes 4, 9, 22 and 30)	<u>39,628,929</u>	<u>64</u>	<u>43,417,660</u>	<u>66</u>
GROSS PROFIT	<u>21,794,639</u>	<u>36</u>	<u>22,683,623</u>	<u>34</u>
OPERATING EXPENSES (Notes 4, 21, 22 and 30)				
Marketing	8,650,790	14	8,231,574	12
General and administrative	3,806,196	6	3,954,929	6
Expected credit losses	<u>264,815</u>	<u>1</u>	<u>259,724</u>	<u>-</u>
Total operating expenses	<u>12,721,801</u>	<u>21</u>	<u>12,446,227</u>	<u>18</u>
OPERATING INCOME	<u>9,072,838</u>	<u>15</u>	<u>10,237,396</u>	<u>16</u>
NONOPERATING INCOME AND EXPENSES (Notes 4, 13, 22 and 30)				
Other income	210,752	-	154,891	-
Other gains and losses	146,812	-	74,891	-
Financial costs	(727,899)	(1)	(525,040)	(1)
Share of the gains of subsidiaries and associates	2,155,984	3	1,212,146	2
Losses on disposal of property, plant and equipment and intangible assets	<u>(724,768)</u>	<u>(1)</u>	<u>(748,565)</u>	<u>(1)</u>
Total nonoperating income and expenses	<u>1,060,881</u>	<u>1</u>	<u>168,323</u>	<u>-</u>
INCOME BEFORE INCOME TAX	10,133,719	16	10,405,719	16
INCOME TAX (Notes 4 and 23)	<u>1,779,591</u>	<u>3</u>	<u>1,670,735</u>	<u>3</u>
NET INCOME	<u>8,354,128</u>	<u>13</u>	<u>8,734,984</u>	<u>13</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 19, 20 and 29)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(32,453)	-	11,070	-
Unrealized (losses) gains on investments in equity instruments designated as at fair value through other comprehensive income	(69,349)	-	7,456	-
Share of the other comprehensive (loss) income of subsidiaries and associates	<u>(31,739)</u>	<u>-</u>	<u>19,599</u>	<u>-</u>
	<u>(133,541)</u>	<u>-</u>	<u>38,125</u>	<u>-</u>

(Continued)

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

## **STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<b>2020</b>		<b>2019</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	\$ 78	-	\$ (187)	-
Share of the other comprehensive loss of subsidiaries and associates	(2,059)	-	(52,333)	-
	(1,981)	-	(52,520)	-
Total other comprehensive loss, net of income tax	(135,522)	-	(14,395)	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>\$ 8,218,606</b>	<b>13</b>	<b>\$ 8,720,589</b>	<b>13</b>
<b>EARNINGS PER SHARE, IN NEW TAIWAN DOLLARS (Note 24)</b>				
Basic	\$ 2.56		\$ 2.68	
Diluted	\$ 2.56		\$ 2.68	

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, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Capital Stock		Capital Surplus (Notes 4 and 20)	Retained Earnings		Unappropriated Earnings (Notes 4 and 20)	Other Equity (Notes 4 and 20)			Total
	Number of Shares (In Thousands)	Amount		Legal Reserve (Notes 4 and 20)	Special Reserve (Notes 4 and 20)		Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	Gains (Losses) on Hedging Instruments	
BALANCE AT JANUARY 1, 2019	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
Appropriation of the 2019 earnings										
Legal reserve	-	-	-	873,498	-	(873,498)	-	-	-	-
Special reserve	-	-	-	-	(7,742)	7,742	-	-	-	-
Cash dividends - NT\$3.209 per share	-	-	-	-	-	(10,456,529)	-	-	-	(10,456,529)
Cash dividends from capital surplus - NT\$0.041 per share	-	-	(133,599)	-	-	-	-	-	-	(133,599)
Changes in equity from investments in associates accounted for using the equity method	-	-	14,979	-	-	(8,499)	-	-	-	6,480
Net income for the year ended December 31, 2020	-	-	-	-	-	8,354,128	-	-	-	8,354,128
Other comprehensive (loss) income for the year ended December 31, 2020	-	-	-	-	-	(32,430)	(10,881)	(101,111)	8,900	(135,522)
Changes in ownership interests of a subsidiary	-	-	-	-	-	(85,219)	-	-	-	(85,219)
BALANCE AT DECEMBER 31, 2020	<u>3,258,501</u>	<u>\$ 32,585,008</u>	<u>\$ 5,701,421</u>	<u>\$ 20,299,484</u>	<u>\$ 598,988</u>	<u>\$ 8,228,676</u>	<u>\$ (20,598)</u>	<u>\$ (75,931)</u>	<u>\$ (3,354)</u>	<u>\$ 67,313,694</u>

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, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 10,133,719	\$ 10,405,719
Adjustments for:		
Depreciation	9,519,215	11,135,462
Amortization	881,253	842,021
Amortization of concessions	3,861,598	2,835,884
Expected credit losses	264,815	259,724
Financial costs	727,899	525,040
Interest income	(37,670)	(34,524)
Dividend income	(55,618)	(5,400)
Share of the gains of subsidiaries and associates	(2,155,984)	(1,212,146)
Losses on disposal of property, plant and equipment and intangible assets	724,768	748,565
Losses on disposal of a subsidiary	-	773
Reversal of write-down of inventories	(48,399)	(9,759)
Losses on changes in fair value of investment properties	24,565	4,827
Gains on modifications of lease arrangements	(840)	(1,260)
Net changes in operating assets and liabilities		
Contract assets	(1,484,860)	(1,217,446)
Notes receivable	36,623	(14,775)
Accounts receivable	125,941	(362,045)
Accounts receivable - related parties	(353,898)	12,739
Other receivables - related parties	(66,107)	(26,479)
Inventories	(91,644)	645,778
Prepaid expenses	(21,474)	(87,135)
Other current assets	(95,984)	(29,217)
Incremental costs of obtaining a contract	(151,610)	(1,893,301)
Contract liabilities	139,716	(401,285)
Notes payable	(5,696)	4,730
Accounts payable	1,428,007	484,313
Accounts payable - related parties	(122,563)	302,188
Other payables	(469,359)	(495,465)
Other payables - related parties	15,343	(20,367)
Provisions	(1,589)	(13,051)
Other current liabilities	(115,949)	(695,370)
Net defined benefit liabilities	(17,972)	(160,042)
Cash generated from operations	22,586,246	21,528,696
Interest received	39,436	33,378
Dividends received	1,589,731	2,245,086
Interest paid	(700,293)	(481,543)
Income taxes paid	(945,116)	(3,344,987)
Net cash generated from operating activities	22,570,004	19,980,630
		(Continued)

# FAR EASTONE TELECOMMUNICATIONS CO., LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	\$ (400,000)	\$ -
Remittance of cash due to capital reduction of financial assets at fair value through other comprehensive income	13,500	-
Acquisition of financial assets at amortized cost	-	(16,397)
Proceeds from the disposal of financial assets at amortized cost	56,704	-
Acquisition of investments accounted for using the equity method	-	(60,000)
Increase in prepayments for an investment	-	(105,000)
Net cash inflow on disposal of a subsidiary	-	10,500
Acquisition of property, plant and equipment	(8,332,484)	(3,874,384)
Proceeds from the disposal of property, plant and equipment	27,808	15,291
Increase in refundable deposits	(196,154)	(458,670)
Decrease in refundable deposits	225,908	262,539
Acquisition of intangible assets	(42,668,385)	(707,198)
Decrease (increase) in other financial assets	1,009,619	(2,695)
Increase in other noncurrent assets	<u>(3,799)</u>	<u>(1,001,501)</u>
Net cash used in investing activities	<u>(50,267,283)</u>	<u>(5,937,515)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term borrowings	100,000	(1,500,000)
Increase (decrease) in short-term bills payable	99,986	(999,720)
Proceeds from the issuance of bonds payable	5,991,480	8,088,850
Repayment of bonds payable	(2,500,000)	(3,200,000)
Proceeds from long-term borrowings	53,043,222	4,400,000
Repayment of long-term borrowings	(17,797,294)	(700,000)
Increase in guarantee deposits received	34,349	38,150
Decrease in guarantee deposits received	(156,274)	(53,963)
Increase (decrease) in financing obtained from other payables - related parties	4,100,000	(3,600,000)
Repayment of the principal portion of lease liabilities	(3,350,756)	(3,414,737)
Cash dividends paid	(10,590,128)	(12,219,378)
Acquisition of partial interest of a subsidiary	<u>(800,000)</u>	<u>-</u>
Net cash generated from (used in) financing activities	<u>28,174,585</u>	<u>(13,160,798)</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	477,306	882,317
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR</b>	<u>2,133,722</u>	<u>1,251,405</u>
<b>CASH AND CASH EQUIVALENTS, END OF THE YEAR</b>	<u>\$ 2,611,028</u>	<u>\$ 2,133,722</u>

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, 2020 AND 2019**

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

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#### **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 (also 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, 2020 and 2019, 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 board of directors’ meeting of the Company, 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. In 1997, 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 was valid through December 31, 2018.

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

On October 14, 2020, the Company registered as a telecommunications enterprise with the approval of the NCC. The Company registered its business items in accordance with the Telecommunications Management Act.

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 25, 2021.

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

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

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

- b. The IFRSs endorsed by the FSC for application starting from 2021

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021

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

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

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

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

- Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.
- Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.
- Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.
- Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.
- Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

As of the date the 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 these 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 the gains or losses of subsidiaries and associates, share of the other comprehensive income of subsidiaries and associates and related equity items, as appropriate, in these 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 (i.e., 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 denominated in a foreign currency and measured at historical cost 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 gains or losses 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. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

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 that constitutes a business 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 of a subsidiary that constitutes a business 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 investee's financial statements 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 which 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 an 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 accounted for using the equity method. 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.

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. 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.

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

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

### **Goodwill**

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

Costs to fulfill a contract are the direct costs which are used to fulfill future performance obligations and are recognized as assets within the expected recoverable scope.

### **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 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.

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 delivered to the customer because that is the time when the customer obtains control of the goods and bears the risks of obsolescence. Accounts receivable are recognized concurrently.

Telecommunications service 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. Telecommunications 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 satisfaction of performance obligations. Consequently, related revenue is recognized when services are rendered.

For project business services, the Company identifies performance obligations in accordance with the commitments stated in the related service contract and recognizes revenue when performance obligations are satisfied. Payments for project business services are made at several time points specified in the service contract. The Company recognizes the difference between the revenue recognized and the collectible amounts from the customer as contract assets after the performance obligations have been satisfied, and the contract assets are reclassified to accounts receivable when the amounts become collectible.

A bundle sales 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 sales 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**

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. For a lease modification that is not accounted for as a separate lease, the Company accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the balance sheets.

The Company negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2021, that results in the revised consideration for the lease less than the consideration for the lease immediately preceding the change. There is no substantive change to other terms and conditions. The Company elects to apply the practical expedient to rent concessions and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Company recognizes the reduction in lease payment in profit or loss, in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

For other rent concessions in which practical expedient is not applied, the Company will assess whether to account for the rent concessions as lease modifications.

### **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 related to income 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 Act in the ROC, 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 utilize the benefits of the temporary differences and such temporary differences 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**

#### Lease terms

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 to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 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, 2020 and 2019, 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	
	2020	2019
Cash on hand	\$ 7,991	\$ 8,825
Checking and demand deposits	<u>2,603,037</u>	<u>2,124,897</u>
	<u>\$ 2,611,028</u>	<u>\$ 2,133,722</u>

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

	December 31	
	2020	2019
<u>Noncurrent</u>		
Investments in equity instruments at FVTOCI	\$ 615,852	\$ 198,701

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	
	2020	2019
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ -	\$ 36,623
Less: Allowance for impairment loss	-	-
	<u>\$ -</u>	<u>\$ 36,623</u>
Notes receivable - operating	<u>\$ -</u>	<u>\$ 36,623</u>
<u>Accounts receivable (including related parties)</u>		
At amortized cost		
Gross carrying amount	\$ 6,882,504	\$ 6,889,037
Less: Allowance for impairment loss	(664,318)	(633,993)
	<u>\$ 6,218,186</u>	<u>\$ 6,255,044</u>

The Company's credit period for the accounts receivable 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 when there is information indicating that a debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery of the receivable. For notes receivable and accounts receivable that have been written off, the 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 0.70%-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, 2020

	<b>Not Overdue</b>	<b>Overdue Up to 60 Days</b>	<b>Overdue 61 Days or More</b>	<b>Total</b>
Gross carrying amount	\$ 6,355,950	\$ 325,970	\$ 200,584	\$ 6,882,504
Loss allowance (lifetime ECLs)	<u>(444,023)</u>	<u>(59,370)</u>	<u>(160,925)</u>	<u>(664,318)</u>
Amortized cost	<u>\$ 5,911,927</u>	<u>\$ 266,600</u>	<u>\$ 39,659</u>	<u>\$ 6,218,186</u>

December 31, 2019

	<b>Not Overdue</b>	<b>Overdue Up to 60 Days</b>	<b>Overdue 61 Days or More</b>	<b>Total</b>
Gross carrying amount	\$ 6,139,880	\$ 555,131	\$ 230,649	\$ 6,925,660
Loss allowance (lifetime ECLs)	<u>(334,812)</u>	<u>(90,623)</u>	<u>(208,558)</u>	<u>(633,993)</u>
Amortized cost	<u>\$ 5,805,068</u>	<u>\$ 464,508</u>	<u>\$ 22,091</u>	<u>\$ 6,291,667</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 633,993	\$ 598,792
Add: Amounts recovered	195,577	156,997
Add: Net remeasurement of loss allowance	264,815	259,724
Less: Amounts written off	<u>(430,067)</u>	<u>(381,520)</u>
Balance at December 31	<u>\$ 664,318</u>	<u>\$ 633,993</u>

**Sale of Overdue Accounts Receivable**

In the years ended December 31, 2020 and 2019, the Company entered into agreements to sell its overdue accounts receivable which had been written off to asset management companies, and did not bear the risk of loss arising from uncollectible receivables.

Related information as of December 31, 2020 and 2019 was as follows:

<b>Counterparty</b>	<b>Amount of Accounts Receivable Sold</b>	<b>Proceeds from the Sale of Accounts Receivable (Excluding Value-added Tax)</b>
<u>2020</u>		
Chenxu Enterprise Management Consultants Co., Ltd.	<u>\$ 554,240</u>	<u>\$ 38,816</u>
<u>2019</u>		
Good Management Consultant Co., Ltd.	<u>\$ 1,187,303</u>	<u>\$ 85,301</u>

## 9. INVENTORIES

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Cellular phone equipment and accessories	\$ 2,064,415	\$ 1,891,183
Others	<u>131,730</u>	<u>164,919</u>
	<u>\$ 2,196,145</u>	<u>\$ 2,056,102</u>

Costs of inventories sold were \$17,329,247 thousand and \$20,058,966 thousand for the years ended December 31, 2020 and 2019, respectively.

The reversal of write-down of inventories amounting to \$48,399 thousand and \$9,759 thousand were included in the cost of sales for the years ended December 31, 2020 and 2019, respectively.

## 10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Investments in subsidiaries	\$ 28,720,021	\$ 28,089,863
Investments in associates	<u>1,431,594</u>	<u>1,263,154</u>
	<u>\$ 30,151,615</u>	<u>\$ 29,353,017</u>

a. Investments in subsidiaries

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Unlisted companies		
New Century InfoComm Tech Co., Ltd.	\$ 26,974,867	\$ 26,385,159
ARCOA Communication Co., Ltd.	679,411	731,924
KGEx.com Co., Ltd.	903,588	877,725
Yuan Cing Co., Ltd.	40,712	30,546
Far Eastern Info Service (Holding) Ltd.	4,811	4,829
Yuanshi Digital Technology Co., Ltd.	(66,543)	(582,357)
Yuan Bao Fintech Co., Ltd.	52,045	59,680
Far EasTone Property Insurance Agent Co., Ltd.	64,587	-
	<u>28,653,478</u>	<u>27,507,506</u>
Credit balance on carrying amounts of investments accounted for using the equity method reclassified to other liabilities	<u>66,543</u>	<u>582,357</u>
	<u>\$ 28,720,021</u>	<u>\$ 28,089,863</u>

	<b>Proportion of Ownership and Voting Rights</b>	
	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
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%
Far Eastern Info Service (Holding) Ltd.	100.00%	100.00%
Yuanshi Digital Technology Co., Ltd.	96.18%	86.41%
Yuan Bao Fintech Co., Ltd.	100.00%	100.00%
Far EasTone Property Insurance Agent Co., Ltd.	100.00%	-

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

Refer to Note 35 for the details of subsidiaries indirectly held by the Company.

b. Investments in associates

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Material associates		
Far Eastern Electronic Toll Collection Co., Ltd.	\$ 1,269,488	\$ 1,051,441
Associates that are not individually material	<u>162,106</u>	<u>211,713</u>
	<u>\$ 1,431,594</u>	<u>\$ 1,263,154</u>

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



The Company is the largest single stockholder of Far Eastern Electronic Toll Collection Co., Ltd. (FETC) with 39.42% of voting rights in 2020 and 2019, and was the largest single stockholder of Yuan Hsin Digital Payment Co., Ltd. (YHDP) with 30% of voting rights in 2019. The holdings of the other stockholders of FETC and YHDP are not widely dispersed. Despite having the largest holding, the Company cannot direct the relevant activities of FETC and YHDP and does not have control over FETC and YHDP. However, management of the Company considered the Company as exercising significant influence over FETC and YHDP and, therefore, classified FETC and YHDP as associates of the Company.

1) Material associates

Name of Associate	Nature of Activities	Main Place of Business	Interests and Voting Rights	
			December 31	
			2020	2019
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	
	2020	2019
Current assets	\$ 1,267,789	\$ 836,693
Noncurrent assets	6,323,536	6,379,184
Current liabilities	(1,421,256)	(1,107,350)
Noncurrent liabilities	<u>(2,949,408)</u>	<u>(3,441,046)</u>
Equity	<u>\$ 3,220,661</u>	<u>\$ 2,667,481</u>
Proportion of the Company's ownership	39.42%	39.42%
Carrying amount	<u>\$ 1,269,488</u>	<u>\$ 1,051,441</u>
	For the Year Ended December 31	
	2020	2019
Operating revenue	<u>\$ 2,359,425</u>	<u>\$ 2,221,644</u>
Net profit for the year	\$ 541,492	\$ 420,815
Other comprehensive income (loss)	<u>31,307</u>	<u>(90,443)</u>
Total comprehensive income for the year	<u>\$ 572,799</u>	<u>\$ 330,372</u>

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

2019, and on July 8, 2019, the TANFB filed another appeal to the Supreme Court. On January 21, 2021, the Supreme Court reversed the original judgment made by the High Court on June 11, 2019 and remanded the case to the High Court; the case is currently under trial in the High Court.

FETC failed to complete the taximeter system infrastructure within the 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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
The Company's share of:		
Net loss for the year	\$ (58,064)	\$ (75,487)
Other comprehensive loss	<u>(149)</u>	<u>(130)</u>
Total comprehensive loss for the year	<u>\$ (58,213)</u>	<u>\$ (75,617)</u>

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.

## 11. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Operating Equipment	Computer Equipment	Other Equipment	Construction-in-progress	Total
<b>Cost</b>							
Balance at January 1, 2020	\$ 1,161,082	\$ 2,256,489	\$ 56,891,346	\$ 10,703,007	\$ 3,634,289	\$ 1,041,297	\$ 75,687,510
Additions	-	-	-	-	-	8,891,749	8,891,749
Disposals	-	(71,749)	(3,250,461)	(449,335)	(187,475)	(14,222)	(3,973,242)
Reclassification	<u>57,212</u>	<u>139,144</u>	<u>7,134,688</u>	<u>262,613</u>	<u>165,075</u>	<u>(7,689,599)</u>	<u>69,133</u>
Balance at December 31, 2020	<u>\$ 1,218,294</u>	<u>\$ 2,323,884</u>	<u>\$ 60,775,573</u>	<u>\$ 10,516,285</u>	<u>\$ 3,611,889</u>	<u>\$ 2,229,225</u>	<u>\$ 80,675,150</u>
<b>Accumulated depreciation</b>							
Balance at January 1, 2020	\$ -	\$ (1,208,959)	\$ (41,508,596)	\$ (9,820,974)	\$ (3,278,073)	\$ -	\$ (55,816,602)
Depreciation expense	-	(65,612)	(5,415,749)	(500,320)	(168,469)	-	(6,150,150)
Disposals	-	<u>30,021</u>	<u>2,518,619</u>	<u>448,588</u>	<u>181,554</u>	-	<u>3,178,782</u>
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ (1,244,550)</u>	<u>\$ (44,405,726)</u>	<u>\$ (9,872,706)</u>	<u>\$ (3,264,988)</u>	<u>\$ -</u>	<u>\$ (58,787,970)</u>
Carrying amount at December 31, 2020	<u>\$ 1,218,294</u>	<u>\$ 1,079,334</u>	<u>\$ 16,369,847</u>	<u>\$ 643,579</u>	<u>\$ 346,901</u>	<u>\$ 2,229,225</u>	<u>\$ 21,887,180</u>
<b>Cost</b>							
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	<u>10,560</u>	<u>16,683</u>	<u>3,141,056</u>	<u>428,179</u>	<u>95,609</u>	<u>(3,692,087)</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ 1,161,082</u>	<u>\$ 2,256,489</u>	<u>\$ 56,891,346</u>	<u>\$ 10,703,007</u>	<u>\$ 3,634,289</u>	<u>\$ 1,041,297</u>	<u>\$ 75,687,510</u>
<b>Accumulated depreciation and impairment</b>							
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	<u>\$ -</u>	<u>\$ (1,208,959)</u>	<u>\$ (41,508,596)</u>	<u>\$ (9,820,974)</u>	<u>\$ (3,278,073)</u>	<u>\$ -</u>	<u>\$ (55,816,602)</u>
Carrying amount at December 31, 2019	<u>\$ 1,161,082</u>	<u>\$ 1,047,530</u>	<u>\$ 15,382,750</u>	<u>\$ 882,033</u>	<u>\$ 356,216</u>	<u>\$ 1,041,297</u>	<u>\$ 19,870,908</u>

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

Buildings	
Main buildings	33-55 years
Other building equipment	6-10 years
Operating equipment	3-9 years
Computer equipment	1-7 years
Other equipment	2-11 years

## 12. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<b>Buildings</b>	<b>Other Equipment</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1, 2020	\$ 15,747,415	\$ 300,463	\$ 16,047,878
Additions	3,831,198	110,552	3,941,750
Disposals	<u>(4,053,083)</u>	<u>(101,956)</u>	<u>(4,155,039)</u>
Balance at December 31, 2020	<u>\$ 15,525,530</u>	<u>\$ 309,059</u>	<u>\$ 15,834,589</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2020	\$ (7,971,776)	\$ (170,438)	\$ (8,142,214)
Depreciation expense	(3,279,667)	(89,398)	(3,369,065)
Disposals	<u>3,797,645</u>	<u>100,917</u>	<u>3,898,562</u>
Balance at December 31, 2020	<u>\$ (7,453,798)</u>	<u>\$ (158,919)</u>	<u>\$ (7,612,717)</u>
Carrying amount at December 31, 2020	<u>\$ 8,071,732</u>	<u>\$ 150,140</u>	<u>\$ 8,221,872</u>
<u>Cost</u>			
Balance at January 1, 2019	\$ 15,912,996	\$ 329,131	\$ 16,242,127
Additions	3,373,592	83,596	3,457,188
Disposals	<u>(3,539,173)</u>	<u>(112,264)</u>	<u>(3,651,437)</u>
Balance at December 31, 2019	<u>\$ 15,747,415</u>	<u>\$ 300,463</u>	<u>\$ 16,047,878</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2019	\$ (7,887,020)	\$ (183,721)	\$ (8,070,741)
Depreciation expense	(3,337,935)	(94,810)	(3,432,745)
Disposals	<u>3,253,179</u>	<u>108,093</u>	<u>3,361,272</u>
Balance at December 31, 2019	<u>\$ (7,971,776)</u>	<u>\$ (170,438)</u>	<u>\$ (8,142,214)</u>
Carrying amount at December 31, 2019	<u>\$ 7,775,639</u>	<u>\$ 130,025</u>	<u>\$ 7,905,664</u>

b. Lease liabilities

Item	Lease Term	Discount Rate	December 31, 2020
Buildings	2007.07.15-2040.09.30	0.53%-1.44%	\$ 7,619,107
Other Equipment	2018.01.18-2023.09.02	0.53%-0.89%	<u>151,038</u>
			<u>\$ 7,770,145</u>
			<b>December 31, 2020</b>
Lease liabilities - current			\$ 2,603,141
Lease liabilities - noncurrent			<u>5,167,004</u>
			<u>\$ 7,770,145</u>
			<b>December 31, 2019</b>
Item	Lease Term	Discount Rate	
Buildings	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%	<u>133,973</u>
			<u>\$ 7,522,038</u>
			<b>December 31, 2019</b>
Lease liabilities - current			\$ 2,583,464
Lease liabilities - noncurrent			<u>4,938,574</u>
			<u>\$ 7,522,038</u>

c. Material lease activities and terms

The Company leased some of the buildings for cell sites, data centers, offices and retail stores and leased other equipment for operating uses with lease terms of 2 to 20 years. The Company does not have bargain purchase options to acquire the buildings and equipment at the end of the lease terms.

d. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties are set out in Note 13.

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Expenses relating to short-term leases	<u>\$ 104,943</u>	<u>\$ 60,368</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 611,116</u>	<u>\$ 605,161</u>
Total cash outflow for leases	<u>\$ (4,126,540)</u>	<u>\$ (4,117,680)</u>

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.

### 13. INVESTMENT PROPERTIES

	<b>Investment Properties</b>
Balance at January 1, 2020	\$ 734,944
Reclassified to property, plant and equipment	(69,133)
Losses on changes in fair value of investment properties	<u>(24,565)</u>
Balance at December 31, 2020	<u>\$ 641,246</u>
Balance at January 1, 2019	\$ 739,771
Losses on changes in fair value of investment properties	<u>(4,827)</u>
Balance at December 31, 2019	<u>\$ 734,944</u>

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

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Year 1	\$ 9,566	\$ 13,029
Year 2	7,160	9,564
Year 3	1,486	7,135
Year 4	-	1,486
Year 5	-	-
Year 6 onwards	<u>-</u>	<u>-</u>
	<u>\$ 18,212</u>	<u>\$ 31,214</u>

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Independent valuation	<u>\$ 641,246</u>	<u>\$ 734,944</u>

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

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Expected future cash inflows	\$ 800,262	\$ 945,347
Expected future cash outflows	<u>(19,632)</u>	<u>(19,622)</u>
Expected future cash inflows, net	<u>\$ 780,630</u>	<u>\$ 925,725</u>
Discount rate	2.01%-2.20%	2.00%-2.29%

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

All of the investment properties have been leased out under operating leases. The rental incomes generated for the years ended December 31, 2020 and 2019 were \$13,033 thousand and \$15,375 thousand, respectively.

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

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

#### 14. INTANGIBLE ASSETS

	<b>Concessions</b>	<b>Computer Software</b>	<b>Goodwill</b>	<b>Total</b>
<u>Cost</u>				
Balance at January 1, 2020	\$ 46,960,000	\$ 15,103,405	\$ 10,283,031	\$ 72,346,436
Additions	43,042,000	626,385	-	43,668,385
Disposals	<u>-</u>	<u>(12,374)</u>	<u>-</u>	<u>(12,374)</u>
Balance at December 31, 2020	<u>\$ 90,002,000</u>	<u>\$ 15,717,416</u>	<u>\$ 10,283,031</u>	<u>\$ 116,002,447</u>

(Continued)

	<b>Concessions</b>	<b>Computer Software</b>	<b>Goodwill</b>	<b>Total</b>
<u>Accumulated amortization</u>				
Balance at January 1, 2020	\$ (11,107,631)	\$ (12,238,311)	\$ -	\$ (23,345,942)
Amortization	(3,861,598)	(881,253)	-	(4,742,851)
Disposals	<u>-</u>	<u>12,370</u>	<u>-</u>	<u>12,370</u>
Balance at December 31, 2020	<u>\$ (14,969,229)</u>	<u>\$ (13,107,194)</u>	<u>\$ -</u>	<u>\$ (28,076,423)</u>
Carrying amount at December 31, 2020	<u>\$ 75,032,771</u>	<u>\$ 2,610,222</u>	<u>\$ 10,283,031</u>	<u>\$ 87,926,024</u>
<u>Cost</u>				
Balance at January 1, 2019	\$ 57,129,000	\$ 15,090,651	\$ 10,283,031	\$ 82,502,682
Additions	-	707,198	-	707,198
Disposals	<u>(10,169,000)</u>	<u>(694,444)</u>	<u>-</u>	<u>(10,863,444)</u>
Balance at December 31, 2019	<u>\$ 46,960,000</u>	<u>\$ 15,103,405</u>	<u>\$ 10,283,031</u>	<u>\$ 72,346,436</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2019	\$ (18,440,747)	\$ (12,090,540)	\$ -	\$ (30,531,287)
Amortization	(2,835,884)	(842,021)	-	(3,677,905)
Disposals	<u>10,169,000</u>	<u>694,250</u>	<u>-</u>	<u>10,863,250</u>
Balance at December 31, 2019	<u>\$ (11,107,631)</u>	<u>\$ (12,238,311)</u>	<u>\$ -</u>	<u>\$ (23,345,942)</u>
Carrying amount at December 31, 2019	<u>\$ 35,852,369</u>	<u>\$ 2,865,094</u>	<u>\$ 10,283,031</u>	<u>\$ 49,000,494</u> (Concluded)

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

Concessions	14 to 21 years
Computer software	3 to 7 years

The Company has identified the smallest group of cash-generating units on a reasonable and consistent basis of allocation. The Company has identified only one cash-generating unit, the mobile telecommunications service business.

As of December 31, 2020 and 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 \$122,186,671 thousand and \$80,777,051 thousand, respectively. The Company's management estimated the recoverable amounts of core assets based on their value in use and considered the expected useful lives and thus based the cash flow forecast on the discount rates of 6.72% and 6.87% on December 31, 2020 and 2019, respectively. The operating revenue forecast was based on the expected effective customer base, expected sales and the Company's operating strategies and goals, taking into account the expected future growth rate of the telecom industry along with the projected advancement of the Company's own business. The Company's management believes that any reasonable change in the principal assumptions used in the calculation of the recoverable amounts would not result in the carrying amounts exceeding the recoverable amounts. 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 impacts of revenue, cost and expense are taken into account individually.

The Company's management believes that any reasonable change in the principal assumptions used in the calculation of the recoverable amounts would not result in the carrying amounts exceeding the recoverable amounts. For the years ended December 31, 2020 and 2019, there was no indication of impairment loss after comparing the recoverable amounts with the carrying amounts of the Company's operating assets and goodwill in accordance with the principal assumptions.

## 15. BORROWINGS

- a. Short-term borrowings

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Unsecured borrowings</u>		
Credit loans	\$ <u>100,000</u>	\$ <u>-</u>
Interest rate range	0.66%	-



b. Short-term bills payable

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Commercial papers payable	\$ 100,000	\$ -
Less: Unamortized discount	<u>(14)</u>	<u>-</u>
	<u>\$ 99,986</u>	<u>\$ -</u>
Interest rate range	0.38%	-

c. Long-term borrowings

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Unsecured borrowings</u>		
Credit loans	\$ 27,650,000	\$ 4,400,000
Long-term commercial papers payable	12,000,000	-
Less: Unamortized discount on commercial papers payable	<u>(4,072)</u>	<u>-</u>
Long-term borrowings	<u>\$ 39,645,928</u>	<u>\$ 4,400,000</u>
Interest rate range of credit loans	0.68%-0.99%	0.75%-1.05%
Interest rate range of commercial papers payable	0.85%-0.91%	-

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

## 16. BONDS PAYABLE

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
4th unsecured domestic bonds	\$ -	\$ 2,499,356
2016 1st unsecured domestic bonds	5,198,304	5,196,626
2017 1st unsecured domestic bonds	4,498,076	4,496,618
2017 2nd unsecured domestic bonds	1,998,135	1,997,627
2017 3rd unsecured domestic bonds	2,997,441	2,996,623
2018 1st unsecured domestic bonds	4,996,193	4,995,136
2019 1st unsecured domestic bonds	4,995,240	4,994,066
2019 2nd unsecured domestic bonds	3,096,037	3,095,410
2020 1st unsecured domestic bonds	4,994,267	-
2020 2nd unsecured domestic bonds	<u>998,161</u>	<u>-</u>
	33,771,854	30,271,462
Less: Current portion	<u>-</u>	<u>2,499,356</u>
	<u>\$ 33,771,854</u>	<u>\$ 27,772,106</u>

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. Interest is paid annually starting from the date of issuance and the principal will be repaid in full on the maturity date.

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, the amount due for the 6th unsecured domestic bonds.

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

On June 2, 2020, the Company issued the second seven-year unsecured domestic bonds of 2020, with an aggregate principal amount of \$1,000,000 thousand, a par value of \$10,000 thousand and a coupon interest rate of 0.73%. Interest is paid annually starting from the date of issuance and the principal will be repaid in full on the maturity date.

In June 2020, the Company repaid \$2,500,000 thousand, the amount due for the 4th unsecured domestic bonds.

## 17. OTHER LIABILITIES

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Current</u>		
Other payables		
Salaries and bonuses	\$ 1,374,716	\$ 1,308,210
Acquisition of properties	1,126,637	619,147
Commission	846,435	1,013,162
Maintenance fees	348,054	378,580
Compensation of employees and remuneration of directors	279,836	290,949
Others	<u>1,083,200</u>	<u>1,397,087</u>
	<u>\$ 5,058,878</u>	<u>\$ 5,007,135</u>

## 18. PROVISIONS

	December 31	
	2020	2019
<u>Current</u>		
Dismantling obligation	\$ 14,827	\$ 14,827
Product warranty	<u>22,769</u>	<u>18,420</u>
	<u>\$ 37,596</u>	<u>\$ 33,247</u>
<u>Noncurrent</u>		
Dismantling obligation	<u>\$ 469,390</u>	<u>\$ 386,912</u>
	<b>Dismantling Obligation</b>	<b>Product Warranty</b>
Balance at January 1, 2020	\$ 401,739	\$ 18,420
Additional provisions recognized	88,416	17,355
Reductions arising from payments	<u>(5,938)</u>	<u>(13,006)</u>
Balance at December 31, 2020	<u>\$ 484,217</u>	<u>\$ 22,769</u>
Balance at January 1, 2019	\$ 367,802	\$ 19,816
Additional provisions recognized	45,592	18,763
Reductions arising from payments	<u>(11,655)</u>	<u>(20,159)</u>
Balance at December 31, 2019	<u>\$ 401,739</u>	<u>\$ 18,420</u>

## 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, the Company 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 Act is operated by the government of the ROC. 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:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Present value of defined benefit obligation	\$ 1,632,994	\$ 1,549,967
Fair value of plan assets	<u>(1,123,905)</u>	<u>(1,063,472)</u>
Net defined benefit liabilities	<u>\$ 509,089</u>	<u>\$ 486,495</u>

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

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Balance at January 1, 2020	<u>\$ 1,549,967</u>	<u>\$ (1,063,472)</u>	<u>\$ 486,495</u>
Service cost			
Current service cost	9,084	-	9,084
Net interest expense (income)	<u>15,377</u>	<u>(10,673)</u>	<u>4,704</u>
Recognized in profit or loss	<u>24,461</u>	<u>(10,673)</u>	<u>13,788</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)		(31,826)	(31,826)
Actuarial loss - changes in financial assumptions	39,231	-	39,231
Actuarial loss - experience adjustments	<u>33,161</u>	<u>-</u>	<u>33,161</u>
Recognized in other comprehensive income	<u>72,392</u>	<u>(31,826)</u>	<u>40,566</u>
Contributions from the employer	-	(31,350)	(31,350)
Benefits paid	<u>(13,826)</u>	<u>13,416</u>	<u>(410)</u>
Balance at December 31, 2020	<u>\$ 1,632,994</u>	<u>\$ (1,123,905)</u>	<u>\$ 509,089</u>
Balance at January 1, 2019	<u>\$ 1,656,501</u>	<u>\$ (996,127)</u>	<u>\$ 660,374</u>
Service cost			
Current service cost	9,802	-	9,802
Net interest expense (income)	18,681	(12,423)	6,258
(Gain) loss on settlement	<u>(152,088)</u>	<u>7,615</u>	<u>(144,473)</u>
Recognized in profit or loss	<u>(123,605)</u>	<u>(4,808)</u>	<u>(128,413)</u>
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	<u>20,086</u>	<u>-</u>	<u>20,086</u>
Recognized in other comprehensive income	<u>20,277</u>	<u>(34,114)</u>	<u>(13,837)</u>
Contributions from the employer	-	(31,629)	(31,629)
Benefits paid	<u>(3,206)</u>	<u>3,206</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ 1,549,967</u>	<u>\$ (1,063,472)</u>	<u>\$ 486,495</u>

Through the defined benefit plans under the Labor Standards Act, 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 using the future salaries of plan participants. As such, an increase in the salaries 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:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rate	0.75%	1.00%
Expected rate of salary increase	1.50%	1.50%

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:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rates		
0.25% increase	<u>\$ (39,230)</u>	<u>\$ (40,127)</u>
0.25% decrease	<u>\$ 40,605</u>	<u>\$ 41,594</u>
Expected rates of salary increase/decrease		
0.25% increase	<u>\$ 40,210</u>	<u>\$ 41,292</u>
0.25% decrease	<u>\$ (39,048)</u>	<u>\$ (40,038)</u>

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
The expected contributions to the plan for the next year	<u>\$ 31,820</u>	<u>\$ 32,103</u>
The average duration of the defined benefit obligation	9.8 years	10.7 years

## 20. EQUITY

### a. Capital stock

#### 1) Common stock

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Stock authorized (in thousands)	<u>4,200,000</u>	<u>4,200,000</u>
Capital authorized	<u>\$ 42,000,000</u>	<u>\$ 42,000,000</u>
Issued and fully paid stock (in thousands)	<u>3,258,501</u>	<u>3,258,501</u>
Issued capital	<u>\$ 32,585,008</u>	<u>\$ 32,585,008</u>

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

#### 2) Global depositary receipts (GDRs)

Since 2004, part of 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, 2020 and 2019, there were 198 thousand and 194 thousand units of GDRs outstanding, representing 2,967 thousand and 2,917 thousand common stock, respectively.

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

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

### b. Capital surplus

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
From business combinations	\$ 5,686,435	\$ 5,820,034
Share of changes in equities of associates	<u>14,986</u>	<u>7</u>
	<u>\$ 5,701,421</u>	<u>\$ 5,820,041</u>

Capital surplus from business combinations may be used to offset a deficit. 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 paid-in capital. Capital surplus from share of changes in equities of associates may be used to offset a deficit only.

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the Articles, where 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 10% of the net profit after tax plus the items other than the net profit after tax which is included in the current year's retained earnings as legal reserve, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by 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 compensation of employees and remuneration of directors, refer to Note 22 f. compensation of employees and remuneration of directors.

At least 50% of the balance of net income less accumulated deficit, legal reserve and special reserve should be appropriated as dividends. The cash dividends should be at least 50% of total dividends declared. The adjustment of this percentage may be approved by the stockholders depending on the cash 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 2019 and 2018, which had been approved in the stockholders' meetings on June 19, 2020 and June 18, 2019, respectively, were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Legal reserve	\$ 873,498	\$ 938,135
Special reserve	(7,742)	(19,598)
Cash dividends	10,456,529	12,219,378
Cash dividends per share (NT\$)	3.209	3.75

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

The appropriation of earnings for 2020, which had been proposed by the Company's board of directors on February 25, 2021, was as follows:

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

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

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

d. Special reserve

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Beginning balance	\$ 606,730	\$ 626,328
Reversal in respect of		
Application of the fair value model for investment properties	<u>(7,742)</u>	<u>(19,598)</u>
Ending balance	<u>\$ 598,988</u>	<u>\$ 606,730</u>

e. Other equity items

Adjustments to other equity items for the years ended December 31, 2020 and 2019 are summarized as follows:

	<b>Exchange Differences on Translating the Financial Statements of Foreign Operations</b>	<b>Unrealized Gains and Losses on Financial Assets at Fair Value through Other Comprehen- sive Income</b>	<b>Gains and Losses on Hedging Instruments</b>	<b>Total</b>
<u>For the year ended December 31, 2020</u>				
Beginning balance	\$ (9,717)	\$ 25,180	\$ (12,254)	\$ 3,209
Recorded as adjustments to stockholders' equity	-	(69,349)	-	(69,349)
Share of the other comprehensive income of subsidiaries and associates	<u>(10,881)</u>	<u>(31,762)</u>	<u>8,900</u>	<u>(33,743)</u>
Ending balance	<u>\$ (20,598)</u>	<u>\$ (75,931)</u>	<u>\$ (3,354)</u>	<u>\$ (99,883)</u>
<u>For the year ended December 31, 2019</u>				
Beginning balance	\$ 4,197	\$ 808	\$ 26,352	\$ 31,357
Recorded as adjustments to stockholders' equity	-	7,456	-	7,456
Share of the other comprehensive income of subsidiaries and associates	<u>(13,914)</u>	<u>16,916</u>	<u>(38,606)</u>	<u>(35,604)</u>
Ending balance	<u>\$ (9,717)</u>	<u>\$ 25,180</u>	<u>\$ (12,254)</u>	<u>\$ 3,209</u>



## 21. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Contract revenue		
Sales of inventories	\$ 16,911,336	\$ 19,466,438
Telecommunications service revenue	38,865,154	40,852,861
Other revenue	<u>4,082,328</u>	<u>4,285,667</u>
	59,858,818	64,604,966
Other operating revenue	<u>1,564,750</u>	<u>1,496,317</u>
	<u>\$ 61,423,568</u>	<u>\$ 66,101,283</u>

### a. Contract information

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

### b. Contract balances

	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>January 1, 2019</b>
Contract assets			
Bundle sale of goods	\$ 7,274,473	\$ 6,651,298	\$ 5,433,852
Others	861,685	-	-
Less: Allowance for impairment loss	<u>(135,925)</u>	<u>(135,925)</u>	<u>(135,925)</u>
	<u>\$ 8,000,233</u>	<u>\$ 6,515,373</u>	<u>\$ 5,297,927</u>
Contract assets - current	\$ 4,778,317	\$ 4,182,336	\$ 3,762,170
Contract assets - noncurrent	<u>3,221,916</u>	<u>2,333,037</u>	<u>1,535,757</u>
	<u>\$ 8,000,233</u>	<u>\$ 6,515,373</u>	<u>\$ 5,297,927</u>
Contract liabilities			
Goods	\$ 161,462	\$ 106,475	\$ 303,951
Services	<u>1,652,953</u>	<u>1,568,224</u>	<u>1,772,033</u>
	<u>\$ 1,814,415</u>	<u>\$ 1,674,699</u>	<u>\$ 2,075,984</u>
Contract liabilities - current	<u>\$ 1,814,415</u>	<u>\$ 1,674,699</u>	<u>\$ 2,075,984</u>

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

The changes in the balances 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:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Contract assets		
Transfers of beginning balance to accounts receivable	<u>\$ (4,126,544)</u>	<u>\$ (4,075,086)</u>

The Company measures the loss allowance for contract assets at an amount equal to lifetime ECLs. The expected credit losses on contract assets 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, the unemployment rate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date.

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Expected credit loss rate	0.06%-9.41%	0.08%-8.97%
Gross carrying amount	\$ 8,136,158	\$ 6,651,298
Allowance for impairment loss (Lifetime ECLs)	<u>(135,925)</u>	<u>(135,925)</u>
	<u>\$ 8,000,233</u>	<u>\$ 6,515,373</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 135,925	\$ 135,925
Add: Net remeasurement of loss allowance	<u>-</u>	<u>-</u>
Balance at December 31	<u>\$ 135,925</u>	<u>\$ 135,925</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
From contract liabilities at the start of the year		
Goods	\$ 105,370	\$ 302,171
Services	<u>937,264</u>	<u>1,209,188</u>
	<u>\$ 1,042,634</u>	<u>\$ 1,511,359</u>

c. Assets related to contract costs

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Current		
Costs to fulfill a contract (included in other current assets)	<u>\$ 10,554</u>	<u>\$ -</u>
Noncurrent		
Incremental costs of obtaining a contract	<u>\$ 4,151,595</u>	<u>\$ 3,999,985</u>

1) Costs to fulfill a contract

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

2) Incremental costs of obtaining a contract

The Company considered its past experience and believes the commission and subsidies paid for obtaining contracts are wholly recoverable. Total expenses recognized were \$3,496,743 thousand and \$2,874,688 thousand for the years ended December 31, 2020 and 2019, respectively.

d. Disaggregation of revenue

Refer to Statements of Major Accounting Items Statement 10 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:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Telecommunications service contracts		
Fulfillment in 2020	\$ -	\$ 15,875,588
Fulfillment in 2021	15,878,531	8,770,795
Fulfillment in 2022 and beyond	<u>11,042,895</u>	<u>2,185,780</u>
	<u>\$ 26,921,426</u>	<u>\$ 26,832,163</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Dividend income	\$ 55,618	\$ 5,400
Management service revenue	48,163	49,207
Rental income	39,670	33,662
Interest income	37,670	34,524
Government grants	<u>29,631</u>	<u>32,098</u>
	<u>\$ 210,752</u>	<u>\$ 154,891</u>

b. Other gains and losses

**For the Year Ended December 31**  
**2020                      2019**

Communication records and others	\$ 146,812	\$ 74,891
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c. Depreciation and amortization

**For the Year Ended December 31**  
**2020                      2019**

Property, plant and equipment	\$ 6,150,150	\$ 7,702,717
Right-of-use assets	3,369,065	3,432,745
Intangible assets	<u>881,253</u>	<u>842,021</u>
	<u>\$ 10,400,468</u>	<u>\$ 11,977,483</u>

Depreciation expense categorized by function		
Operating costs	\$ 8,494,808	\$ 9,905,769
Operating expenses	<u>1,024,407</u>	<u>1,229,693</u>
	<u>\$ 9,519,215</u>	<u>\$ 11,135,462</u>

Amortization expense categorized by function		
Operating costs	\$ 149,913	\$ 176,960
Marketing expenses	211,603	161,340
General and administrative expenses	<u>519,737</u>	<u>503,721</u>
	<u>\$ 881,253</u>	<u>\$ 842,021</u>

d. Financial costs

**For the Year Ended December 31**  
**2020                      2019**

Interest on financial liabilities measured at amortized cost	\$ 655,078	\$ 390,271
Interest on lease liabilities	70,780	74,574
Interest on compensation arising from lawsuits	-	42,305
Other financial costs	<u>2,041</u>	<u>17,890</u>
	<u>\$ 727,899</u>	<u>\$ 525,040</u>

e. Employee benefits expense

<b>For the Year Ended December 31, 2020</b>				
	<b>Operating Costs</b>	<b>Operating Expenses</b>	<b>Costs or Expenses Deduction</b>	<b>Total</b>
Retirement benefits				
Defined contribution plans	\$ 29,825	\$ 58,580	\$ 33,997	\$ 122,402
Defined benefit plans	4,652	9,136	-	13,788
Other employee benefits				
Salary	559,694	3,472,753	1,139,350	5,171,797
Insurance	50,126	325,554	75,892	451,572
Remuneration of directors	-	78,995	-	78,995
Others	<u>14,470</u>	<u>210,858</u>	<u>31,586</u>	<u>256,914</u>
	<u>\$ 658,767</u>	<u>\$ 4,155,876</u>	<u>\$ 1,280,825</u>	<u>\$ 6,095,468</u>
<b>For the Year Ended December 31, 2019</b>				
	<b>Operating Costs</b>	<b>Operating Expenses</b>	<b>Costs or Expenses Deduction</b>	<b>Total</b>
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	1,029,954	5,101,795
Insurance	53,860	312,760	73,355	439,975
Remuneration of directors	-	82,814	-	82,814
Others	<u>17,742</u>	<u>222,911</u>	<u>28,785</u>	<u>269,438</u>
	<u>\$ 778,385</u>	<u>\$ 3,988,117</u>	<u>\$ 1,168,022</u>	<u>\$ 5,934,524</u>

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 5,780 and 5,852, both of which include 11 directors not serving concurrently as employees, for the years ended December 31, 2020 and 2019, respectively.

The average employee benefit expenses were \$1,043 thousand and \$1,002 thousand for the years ended December 31, 2020 and 2019, respectively. The average salary expenses were \$896 thousand and \$873 thousand for the years ended December 31, 2020 and 2019, respectively. The average salary expenses increased by 2.6% in 2020 compared to the previous year.

The remuneration of directors and management personnel are evaluated and reviewed by the remuneration committee periodically. For compensation of employees, the Company conducts salary surveys annually and reviews employees' salary levels regularly to offer its employees competitive compensation.

f. Compensation of employees and remuneration of directors

The Company distributes compensation of employees and remuneration of directors at the rates of 1% to 2% and no higher than 1%, respectively, of net profit before income tax, compensation of employees and remuneration of directors. For the years ended December 31, 2020 and 2019, the compensation of employees and the remuneration of directors represented 2% and 0.72%, respectively, of net profit before income tax, compensation of employees and remuneration of directors.

The accrued compensation of employees and remuneration of directors for the years ended December 31, 2020 and 2019 were as follows:

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

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

There was no difference between the amounts of compensation of employees 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, 2019 and 2018.

Information on compensation of employees and remuneration of directors resolved by the Company's board of directors is available at 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 were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Current tax	\$ 1,847,015	\$ 1,628,425
Deferred tax	<u>(67,424)</u>	<u>42,310</u>
Income tax expense recognized in profit or loss	<u>\$ 1,779,591</u>	<u>\$ 1,670,735</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Income before tax	\$ 10,133,719	\$ 10,405,719
Income tax expense computed at the statutory tax rate	\$ 2,026,744	\$ 2,081,144
Add (deduct) tax effects of:		
Investments accounted for using the equity method	(431,197)	(256,917)
Others	(255)	1,808
Prior year's adjustments	184,299	(155,300)
Income tax expense recognized in profit or loss	\$ 1,779,591	\$ 1,670,735

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. When calculating the tax on unappropriated earnings, the Company only deducts the amount of the unappropriated earnings that has been reinvested in capital expenditure.

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement of defined benefit plan	\$ 8,113	\$ (2,767)

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, 2020

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
<u>Deferred income tax assets</u>				
Allowance for impairment loss	\$ 255,558	\$ 28,812	\$ -	\$ 284,370
Defined benefit obligation	95,725	(3,594)	8,113	100,244
Others	305,099	42,803	-	347,902
	<u>\$ 656,382</u>	<u>\$ 68,021</u>	<u>\$ 8,113</u>	<u>\$ 732,516</u>

(Continued)

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
<u>Deferred income tax liabilities</u>				
Amortization of goodwill	\$ 2,056,606	\$ -	\$ -	\$ 2,056,606
Investment properties	<u>15,659</u>	<u>597</u>	<u>-</u>	<u>16,256</u>
	<u>\$ 2,072,265</u>	<u>\$ 597</u>	<u>\$ -</u>	<u>\$ 2,072,862</u> (Concluded)

For the year ended December 31, 2019

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

d. Income tax assessments

Income tax returns of the Company through 2018 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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Net income	\$ 8,354,128	\$ 8,734,984
Effect of potentially dilutive common stock:		
Compensation of employees	<u>          -</u>	<u>          -</u>
Earnings used in the calculation of diluted earnings per share	<u>\$ 8,354,128</u>	<u>\$ 8,734,984</u>

### Weighted Average Number of Common Stock Outstanding

(In Thousands of Shares)

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Weighted average number of common stock used in the calculation of basic earnings per share	3,258,501	3,258,501
Effect of potentially dilutive common stock:		
Compensation of employees	<u>    3,790</u>	<u>    3,424</u>
Weighted average number of common stock used in the calculation of diluted earnings per share	<u>3,262,291</u>	<u>3,261,925</u>

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 common stock outstanding used in the calculation of diluted earnings per share, if the effect was dilutive. Such dilutive effect of the potential stock was included in the calculation of diluted earnings per share until the number of stock to be distributed to employees is resolved in the following year.

## 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, the date the control of Omusic was 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, 2020.

## 26. ACQUISITION OR DISPOSAL OF SUBSIDIARIES - WITHOUT LOSS OF CONTROL

In May 2020, the Company subscribed for new common stock of Yuanshi Digital Technology Co., Ltd. (YSDT) at a percentage different from its existing ownership percentage, increasing its total direct and indirect continuing interest from 88.81% to 96.85%.

The above transaction was accounted for as an equity transaction 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, 2020 for related information.

## 27. CASH FLOW INFORMATION

### a. Changes in liabilities arising from financing activities (including noncash transactions)

For the years ended December 31, 2020 and 2019, changes in liabilities arising from financing activities, including noncash transactions, were as follows:

For the year ended December 31, 2020

	Balance on January 1, 2020	Cash Flows from Financing Activities	Changes in Noncash Transactions		Cash Flows from Operating Activities - Interest Paid	Balance on December 31, 2020
			New Leases	Others		
Lease liabilities (including the current and noncurrent portion)	<u>\$ 7,522,038</u>	<u>\$ (3,350,756)</u>	<u>\$ 3,856,180</u>	<u>\$ (186,537)</u>	<u>\$ (70,780)</u>	<u>\$ 7,770,145</u>

For the year ended December 31, 2019

	Balance on January 1, 2019	Cash Flows from Financing Activities	Changes in Noncash Transactions		Cash Flows from Operating Activities - Interest Paid	Balance on December 31, 2019
			New Leases	Others		
Lease liabilities (including the current and noncurrent portion)	<u>\$ 7,809,243</u>	<u>\$ (3,414,737)</u>	<u>\$ 3,418,957</u>	<u>\$ (216,851)</u>	<u>\$ (74,574)</u>	<u>\$ 7,522,038</u>

## 28. 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.

## 29. FINANCIAL INSTRUMENTS

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

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

	December 31			
	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial liabilities</u>				
Bonds payable	\$ 33,771,854	\$ 33,972,196	\$ 30,271,462	\$ 30,427,690

2) Fair value hierarchy

<b>December 31, 2020</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial liabilities</u>				
Bonds payable	<u>\$ 33,972,196</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,972,196</u>
<b>December 31, 2019</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial liabilities</u>				
Bonds payable	<u>\$ 30,427,690</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,427,690</u>

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

<b>December 31, 2020</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at fair value through other comprehensive income</u>				
Domestic unlisted common stock	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 615,852</u>	<u>\$ 615,852</u>
<b>December 31, 2019</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at fair value through other comprehensive income</u>				
Domestic unlisted common stock	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 198,701</u>	<u>\$ 198,701</u>

There were no transfers of financial assets between the fair value measurements of Level 1 and Level 2 for the years ended December 31, 2020 and 2019.

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
	<b>Financial Instruments at Fair Value Through Other Comprehensive Income</b>	<b>Financial Instruments at Fair Value Through Other Comprehensive Income</b>
Beginning balance	\$ 198,701	\$ 191,245
Additions	500,000	-
Recognized in other comprehensive income	(69,349)	7,456
Remittance of cash due to capital reduction	<u>(13,500)</u>	<u>-</u>
Ending balance	<u>\$ 615,852</u>	<u>\$ 198,701</u>

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

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

c. Categories of financial instruments

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Financial assets</u>		
Financial assets at amortized cost (Note 1)	\$ 10,153,844	\$ 10,755,138
Financial assets at fair value through other comprehensive income	615,852	198,701
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	92,459,399	48,156,959

Note 1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, debt investments, notes receivable, accounts receivable (including related parties), other receivables (including related parties), refundable deposits and other financial assets.

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

d. Financial risk management objectives and policies

The 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 Note (a) below) and interest rates (see Note (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.

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, there would be an equal and opposite impact on pre-tax profit, and the balances below would be negative.

	<b>USD Impact</b>	
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
5% change in profit or loss		
USD	<u>\$ (30,084)</u>	<u>\$ (37,994)</u>

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Fair value interest rate risk		
Financial assets	\$ 999,037	\$ 2,758,461
Financial liabilities	79,620,680	42,548,192
Cash flow interest rate risk		
Financial assets	2,696,985	2,561,418
Financial liabilities	10,000,000	3,900,000

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, 2020 and 2019 would have decreased/increased by \$18,258 thousand and \$3,346 thousand, respectively, which were mainly affected by bank deposits and borrowings with floating interest rates.

c) Other price risk

The Company was exposed to equity price risks through its investments in domestic unlisted common stock. The Company manages the risk by holding 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, 2020 and 2019 would have increased/decreased by \$30,793 thousand and \$9,935 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 \$34,225,535 thousand and \$33,545,951 thousand as of December 31, 2020 and 2019, 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:

	<b>Carrying Amount</b>	<b>Contractual Cash Flows</b>	<b>Within 1 Year</b>	<b>1-5 Years</b>	<b>More than 5 Years</b>
<u>December 31, 2020</u>					
Short-term borrowings	\$ 100,000	\$ 100,056	\$ 100,056	\$ -	\$ -
Short-term bills payable	99,986	100,000	100,000	-	-
Other payables - related parties	8,000,000	8,034,092	8,034,092	-	-
Long-term borrowings	39,645,928	40,045,954	252,800	39,793,154	-
Bonds payable	33,771,854	35,071,460	321,770	26,521,735	8,227,955
Lease liabilities	<u>7,770,145</u>	<u>7,876,948</u>	<u>2,656,397</u>	<u>5,171,757</u>	<u>48,794</u>
	<u>\$ 89,387,913</u>	<u>\$ 91,228,510</u>	<u>\$ 11,465,115</u>	<u>\$ 71,486,646</u>	<u>\$ 8,276,749</u>
<u>December 31, 2019</u>					
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	<u>7,522,038</u>	<u>7,644,294</u>	<u>2,643,387</u>	<u>4,973,507</u>	<u>27,400</u>
	<u>\$ 46,093,500</u>	<u>\$ 47,625,057</u>	<u>\$ 9,414,986</u>	<u>\$ 29,667,836</u>	<u>\$ 8,542,235</u>

Additional information about the maturity analysis for lease liabilities:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>
<u>December 31, 2020</u>					
Lease liabilities	<u>\$ 2,656,397</u>	<u>\$ 5,171,757</u>	<u>\$ 45,239</u>	<u>\$ 1,829</u>	<u>\$ 1,726</u>
<u>December 31, 2019</u>					
Lease liabilities	<u>\$ 2,643,387</u>	<u>\$ 4,973,507</u>	<u>\$ 27,400</u>	<u>\$ -</u>	<u>\$ -</u>

### 30. 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

<b>Related Party</b>	<b>Relationship with the Company</b>
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 (Dissolved on April 1, 2020 due to the merger with DataExpress)
Home Master Technology Ltd.	Subsidiary of DataExpress
Far Eastern Info Service (Holding) Ltd. (FEIS)	Subsidiary
KGEx.com Co., Ltd.	Subsidiary
Yuan Cing Co., Ltd. (Yuan Cing)	Subsidiary
Yuanshi Digital Technology Co., Ltd. (YSDT)	Subsidiary
Far EasTone Property Insurance Agent Co., Ltd	Subsidiary
Yuan Bao Fintech Co., Ltd.	Subsidiary
Far Eastern Tech-info Ltd. (Shanghai)	Subsidiary of FEIS (Dissolved in 2020 with the approval of the local government)
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
Microfusion (HK) Technology Co., Ltd.	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.	Subsidiary of New Diligent
Digital United (Cayman) Ltd. (DU Cayman)	Subsidiary of NCIC
Digital United Information Technologies (Shanghai) Co., Ltd.	Subsidiary of DU Cayman

(Continued)



<b>Related Party</b>	<b>Relationship with the Company</b>
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)
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)

(Continued)

<b>Related Party</b>	<b>Relationship with the Company</b>
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
Far Eastern Memorial Foundation	Other related party (substantive related party)
Far Eastern Polyclinic of Far Eastern Medical Foundation	Other related party (same chairman as the Company's)
FETC International Co., 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 (substantive related party)
Oriental Green Materials Limited	Subsidiary of FENC
HIM International Music Inc. (HIM)	Other related party (juristic-person supervisor of subsidiary, but no longer a related party since April 30, 2019)
Universal Music Taiwan Ltd.	Other related party (juristic-person director of subsidiary, but no longer a related party since April 30, 2019)
Forward Music Co., Ltd.	Other related party (juristic-person director of subsidiary, but no longer a related party since April 30, 2019)
Sony Music Entertainment Taiwan Ltd.	Other related party (juristic-person director of subsidiary, but no longer a related party since April 30, 2019)
Otiga Technologies Ltd. (Otiga)	Other related party (juristic-person supervisor of subsidiary, but no longer a related party since April 30, 2019)

(Concluded)

b. Operating revenue

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
FENC	\$ 1,850	\$ 2,194
Subsidiaries of FENC	27,748	34,754
Subsidiaries	1,821,340	816,897
Other related parties	<u>43,082</u>	<u>43,191</u>
	<u>\$ 1,894,020</u>	<u>\$ 897,036</u>

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

c. Operating costs and expenses

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Operating costs		
FENC	\$ 277	\$ 40
Subsidiaries of FENC	17,044	14,837
Subsidiaries		
ARCOA	6,040,011	7,604,521
Others	<u>2,145,336</u>	<u>2,421,382</u>
	<u>8,185,347</u>	<u>10,025,903</u>
Other related parties	<u>35,960</u>	<u>24,582</u>
	<u>\$ 8,238,628</u>	<u>\$ 10,065,362</u>
Operating expenses		
FENC	\$ 109,924	\$ 102,682
Subsidiaries of FENC	117,307	178,826
Subsidiaries	936,320	753,493
Other related parties	<u>110,561</u>	<u>26,586</u>
	<u>\$ 1,274,112</u>	<u>\$ 1,061,587</u>

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

d. Property transactions

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Acquisition of investments accounted for using the equity method		
Subsidiaries		
YSDT	\$ 800,000	\$ -
Acquisition of property, plant and equipment and intangible assets		
Subsidiaries of FENC	\$ 6,996	\$ 3,658
Subsidiaries	17,694	24,587
Other related parties	846	1,499
	<u>\$ 25,536</u>	<u>\$ 29,744</u>
Disposal of securities		
Other related parties		
Otiga	\$ -	\$ 3,255
HIM	-	2,205
Others	-	1,890
	<u>\$ -</u>	<u>\$ 7,350</u>

In April 2019, the Company disposed of Omusic Co., Ltd. (the Company's subsidiary). 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 loss on disposal of \$542 thousand.

e. Lease arrangements - the Company is lessee

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Acquisition of right-of-use assets		
Other related parties	\$ 32,045	\$ 14,550
	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Lease liabilities - current		
FENC	\$ 2,939	\$ 3,207
Subsidiaries of FENC	30,361	33,226
Other related parties	17,638	23,199
	<u>\$ 50,938</u>	<u>\$ 59,632</u>
Lease liabilities - noncurrent		
FENC	\$ 1,128	\$ 4,494
Subsidiaries of FENC	13,749	45,356
Other related parties	14,677	25,753
	<u>\$ 29,554</u>	<u>\$ 75,603</u>

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Financial costs		
FENC	\$ 49	\$ 92
Subsidiaries of FENC	606	980
Subsidiaries	-	31
Other related parties	<u>289</u>	<u>504</u>
	<u>\$ 944</u>	<u>\$ 1,607</u>

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

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Other related parties		
FEIB	<u>\$ 1,859,429</u>	<u>\$ 1,864,477</u>

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

- g. Receivables and payables - related parties

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Accounts receivable - related parties		
FENC	\$ 9	\$ 9
Subsidiaries of FENC	2,158	4,551
Subsidiaries	540,274	148,373
Other related parties	<u>9,117</u>	<u>44,727</u>
	<u>\$ 551,558</u>	<u>\$ 197,660</u>
Other receivables - related parties		
Subsidiaries of FENC	\$ 3,537	\$ 3,252
Subsidiaries		
NCIC	90,885	17,468
ARCOA	1,942	26,695
Others	<u>34,484</u>	<u>18,242</u>
	<u>127,311</u>	<u>62,405</u>
Other related parties	<u>3,391</u>	<u>5,877</u>
	<u>\$ 134,239</u>	<u>\$ 71,534</u>

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Accounts payable - related parties		
Subsidiaries of FENC	\$ -	\$ 703
Subsidiaries		
ARCOA	818,720	929,440
Others	<u>26,232</u>	<u>36,097</u>
	<u>844,952</u>	<u>965,537</u>
Other related parties	<u>-</u>	<u>1,275</u>
	<u>\$ 844,952</u>	<u>\$ 967,515</u>
Other payables - related parties (not including loans from related parties)		
FENC	\$ 23,153	\$ 22,436
Subsidiaries of FENC	73,831	75,549
Subsidiaries		
NCIC	578,280	600,826
Others	<u>203,198</u>	<u>154,496</u>
	<u>781,478</u>	<u>755,322</u>
Other related parties	<u>8,573</u>	<u>7,160</u>
	<u>\$ 887,035</u>	<u>\$ 860,467</u>

h. Refundable deposits

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Refundable deposits		
Subsidiaries of FENC	\$ 20,534	\$ 20,449
Subsidiaries	4,430	4,430
Other related parties	<u>2,170</u>	<u>1,406</u>
	<u>\$ 27,134</u>	<u>\$ 26,285</u>

i. Others

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Management service revenue		
Subsidiaries	<u>\$ 48,163</u>	<u>\$ 49,207</u>
Interest income		
Subsidiaries of FENC	\$ 22	\$ 22
Other related parties		
FEIB	10,904	16,808
Others	<u>4,164</u>	<u>3</u>
	<u>15,068</u>	<u>16,811</u>
	<u>\$ 15,090</u>	<u>\$ 16,833</u>

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Rental income		
Subsidiaries of FENC	\$ 48	\$ 48
Subsidiaries		
NCIC	9,694	10,901
Yuan Cing	8,067	1,754
Others	<u>3,205</u>	<u>1,289</u>
	<u>20,966</u>	<u>13,944</u>
	<u>\$ 21,014</u>	<u>\$ 13,992</u>
Other gains		
Other related parties		
Yuan-Ze University	<u>\$ 80,000</u>	<u>\$ -</u>

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

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Subsidiaries	<u>\$ 8,000,000</u>	<u>\$ 3,900,000</u>

The Company obtained loans at rates comparable to market interest rates for the loans from NCIC. The interest expense was \$50,405 thousand and \$45,984 thousand for the years ended December 31, 2020 and 2019, respectively.

- k. Remuneration of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Short-term benefits	\$ 242,119	\$ 248,520
Post-employment benefits	<u>2,412</u>	<u>2,565</u>
	<u>\$ 244,531</u>	<u>\$ 251,085</u>

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

### 31. ASSETS PLEDGED OR MORTGAGED

Assets pledged or mortgaged, i.e., used as collateral for litigation, were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Other financial assets - current	<u>\$ 87,000</u>	<u>\$ 344,000</u>

### 32. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

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

a. Significant commitments

	December 31	
	2020	2019
Unpaid acquisition of property, plant and equipment and intangible assets under contracts	<u>\$ 7,480,029</u>	<u>\$ 2,405,444</u>
Unpaid acquisition of inventories under contracts	<u>\$ 2,531,588</u>	<u>\$ 2,756,052</u>

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

	December 31	
	2020	2019
Lease commitments	<u>\$ 465,504</u>	<u>\$ 287,775</u>

c. On September 4, 2020, the board of directors of the Company resolved to enter into a business cooperation agreement with Asia-Pacific Telecom Co., Ltd. (APTC). Once approval from the competent authority is obtained, the Company will cooperate with APTC on frequency and network matters whereby the Company shares its 3.5GHz spectrum used for providing 5G services with APTC in exchange for the sharing of two-ninths of 3.5G spectrum's related capitalized costs and expenses by APTC. As of February 25, 2021, the Company is still waiting for the approval from the competent authority regarding the aforementioned business cooperation.

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

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



### 33. OTHER ITEMS

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

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

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

(In Thousands, Except Exchange Rate)

December 31, 2020			
	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 26,090	28.48	\$ 743,038
Nonmonetary items			
USD	169	28.48	4,811
<u>Financial liabilities</u>			
Monetary items			
USD	4,963	28.48	141,354
December 31, 2019			
	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 31,106	29.98	\$ 932,553
Nonmonetary items			
USD	161	29.98	4,829
<u>Financial liabilities</u>			
Monetary items			
USD	5,760	29.98	172,676

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

For the Year Ended December 31				
2020			2019	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	29.549 (USD:NTD)	\$ <u>2,802</u>	30.912 (USD:NTD)	\$ <u>(10,765)</u>

### 35. SEPARATELY DISCLOSED ITEMS

#### a. Information about significant transactions

- 1) Financing provided to others: Schedule A
- 2) Endorsements/guarantees provided: None
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures): Schedule B
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Schedule C
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Schedule 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 instruments: None

#### b. Information on investees: Schedule F

#### c. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Schedule G
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: 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.
- d. Information on major stockholders: List all stockholders with ownership of 5% or greater showing the name of the stockholder, the number of shares owned, and percentage of ownership of each stockholder: Schedule H

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEEES

FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Year	Ending Balance	Actual Amount Borrowed	Interest Rate	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note)	Aggregate Financing Limits (Note)
													Item	Value		
1	New Century InfoComm Tech Co., Ltd.	Yuanshi Digital Technology Co., Ltd.	Other receivables - related parties	Yes	\$ 300,000	\$ -	\$ -	1.28%-1.53%	Short-term financing	\$ -	For business operations	\$ -	-	\$ -	\$ 9,794,950	\$ 12,243,687
		Far EasTone Telecommunications Co., Ltd.	Other receivables - related parties	Yes	1,500,000	1,500,000	1,500,000	0.58%-0.83%	Business transaction	2,294,182	-	-	-	-	2,294,182	12,243,687
		Far EasTone Telecommunications Co., Ltd.	Other receivables - related parties	Yes	9,500,000	8,500,000	6,500,000	0.58%-0.83%	Short-term financing	-	For business operations	-	-	-	9,794,950	12,243,687

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

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

**MARKETABLE SECURITIES HELD**

**DECEMBER 31, 2020**

**(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, 2020				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Far EasTone Telecommunications Co., Ltd.	<u>Stock</u> App Works Fund II Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	7,500,000	\$ 68,251	11.11	\$ 68,251	B
	CDIB Capital Innovation Accelerator Limited	-	Financial assets at fair value through other comprehensive income - noncurrent	9,000,000	91,491	10.71	91,491	B
	LINE Bank Taiwan Limited	-	Financial assets at fair value through other comprehensive income - noncurrent	50,000,000	456,110	5.00	456,110	B
ARCOA Communication Co., Ltd.	<u>Stock</u> THI consultants	-	Financial assets at fair value through other comprehensive income - noncurrent	1,213,594	12,190	18.32	12,190	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.	<u>Stock</u> Kaohsiung Rapid Transit Corporation	Other related party	Financial assets at fair value through other comprehensive income - noncurrent	8,858,191	49,872	3.18	49,872	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
	<u>Stock certificate</u> Changing.ai Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	500,000	8,299	2.50	8,299	B
	<u>Overseas funds</u> Opas Fund Segregated Portfolio Tranche A	Other related party	Financial asset at fair value through profit or loss - current	13,491,781	498,042	-	498,042	A
	Opas Fund Segregated Portfolio Tranche B	Other related party	Financial asset at fair value through profit or loss - current	5,000,000	192,597	-	192,597	A
Digital United (Cayman) Ltd.	<u>Stock certificate</u> TBCASoft, Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	980,435	117,229	6.77	117,229	B

Note A: The market values of the overseas funds were calculated at their net asset values as of December 31, 2020.

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEEES

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, 2020  
(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 A)		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
Far EasTone Telecommunications Co., Ltd.	Stock LINE Bank Taiwan Limited	Financial assets at fair value through other comprehensive income - noncurrent	LINE Bank Taiwan Limited	-	-	\$ 100,000 (Note A)	50,000,000	\$ 400,000	-	\$ -	\$ -	\$ -	50,000,000	\$ 456,110 (Note B)
	YuanShi Digital Technology Co., Ltd.	Investments accounted for using the equity method	YuanShi Digital Technology Co., Ltd.	Subsidiary	90,014,424	(582,357) (Note C)	80,000,000	800,000	-	-	-	-	107,004,329 (Note D)	(66,543) (Note C)

Note A: The amount is the cost of acquisition.

Note B: The amount is the fair value as of December 31, 2020.

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

Note D: A total of 63,010,095 shares were deducted from the ending balance of the number of shares held, which were eliminated due to Yuanshi Digital Technology Co., Ltd.’s capital reduction to offset its accumulated deficit.

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

**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, 2020  
(In Thousands of New Taiwan Dollars)**

Purchaser (Seller) of Goods	Related Party	Relationship	Transaction Details				Abnormal Transaction		Accounts/Other Receivables (Payables)	
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total
Far EasTone Telecommunications Co., Ltd.	ARCOA Communication Co., Ltd.	Subsidiary	Operating costs and marketing expenses	\$ 6,506,929	13	Based on agreement	-	-	Accounts payable and other payables	\$ (874,204) (5)
	New Century InfoComm Tech Co., Ltd.	Subsidiary	Operating revenue	(1,133,697)	(2)	Based on agreement	-	-	Accounts receivable	408,678 7
			Operating revenue	(176,957)	-	Based on agreement	-	-	Accounts receivable	1,320 -
			Operating costs	2,117,225	5	Based on agreement	-	-	Accounts payable and other payables (Note A)	(522,915) (3)
	DataExpress Infotech Co., Ltd.	Subsidiary of ARCOA Communication Co., Ltd.	Operating costs and marketing expenses	122,754	-	Based on agreement	-	-	Accounts payable and other payables	(66,155) -
	Yuanshi Digital Technology Co., Ltd.	Subsidiary	Operating revenue	(149,779)	-	Based on agreement	-	-	Accounts receivable	26,541 -
	Far EasTone Property Insurance Agent Co., Ltd.	Subsidiary	Operating revenue	(282,045)	-	Based on agreement	-	-	Accounts receivable	95,990 2
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating revenue	(2,117,225)	(21)	Based on agreement	-	-	Accounts receivable (Note B)	522,915 33
	KGEx.com Co., Ltd.	Same parent company	Operating costs	176,957	3	Based on agreement	-	-	Accounts payable	(1,320) -
			Operating costs and rental expenses	140,701	2	Based on agreement	-	-	Accounts payable and other payables	(30,336) (2)
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating revenue	(6,506,929)	(64)	Based on agreement	-	-	Accounts receivable	874,204 56
	Home Master Technology Ltd.	Subsidiary of DataExpress Infotech Co., Ltd.	Operating costs	1,133,697	12	Based on agreement	-	-	Accounts payable	(408,678) (31)
			Operating revenue	(923,095)	(9)	Based on agreement	-	-	Accounts receivable	330,027 21
KGEx.com Co., Ltd.	New Century InfoComm Tech Co., Ltd.	Same parent company	Operating revenue	(140,701)	(25)	Based on agreement	-	-	Accounts receivable	30,336 52
DataExpress Infotech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating revenue	(122,754)	(3)	Based on agreement	-	-	Accounts receivable	66,155 13
Yuanshi Digital Technology Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating costs	149,779	7	Based on agreement	-	-	Accounts payable	(26,541) (10)
Home Master Technology Ltd.	ARCOA Communication Co., Ltd.	Parent company	Operating costs	923,095	66	Based on agreement	-	-	Accounts payable	(330,027) (97)
Far EasTone Property Insurance Agent Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating costs	282,045	90	Based on agreement	-	-	Accounts payable	(95,990) (97)
Microfusion Technology	Nextlink (HK) Technology	Same parent company	Operating revenue	(143,525)	(23)	Based on agreement	-	-	Accounts receivable	44,558 29
Nextlink (HK) Technology	Microfusion Technology	Same parent company	Operating costs	143,525	15	Based on agreement	-	-	Accounts payable	(44,558) (19)

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

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

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

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 2020  
(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	\$ 410,620	8.78	\$ -	-	\$ 410,620	\$ -
	Far EasTone Property Insurance Agent Co., Ltd.	Subsidiary	102,682	5.49	-	-	34,294	-
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	8,584,937	(Note)	-	-	211,710	-
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	874,204	7.05	-	-	421,719	-
		Subsidiary of Far EasTone Telecommunications Co., Ltd.	110,406	9.81	-	-	110,395	-
	Home Master Technology Ltd.	Subsidiary of DataExpress Infotech Co., Ltd.	330,303	3.11	-	-	97,755	-

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



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

**INFORMATION ON INVESTEEES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2020	December 31, 2019	Number of Shares	Percentage of Ownership (%)	Carrying Amount			
Far EasTone Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd.	Taiwan	Telecommunications services	\$ 22,249,283	\$ 22,249,283	2,100,000,000	100.00	\$ 26,974,867	\$ 2,016,549	\$ 1,912,998	A
	ARCOA Communication Co., Ltd.	Taiwan	Sales of communications products and office equipment	1,305,802	1,305,802	82,762,221	61.63	679,411	168,637	46,948	A
	KGEx.com Co., Ltd.	Taiwan	Telecommunications services	2,340,472	2,340,472	68,897,234	99.99	903,588	160,925	160,901	A
	Yuanshi Digital Technology Co., Ltd.	Taiwan	Electronic information services	1,686,169	886,169	107,004,329	96.18	(66,543)	(195,262)	(180,688)	A
	Yuan Cing Co., Ltd.	Taiwan	Call center services	-	-	2,000,000	100.00	40,712	16,326	16,326	A and E
	Far Eastern Info Service (Holding) Ltd.	Bermuda	Investments	92,616	92,616	1,200	100.00	4,811	(96)	(96)	A
	Yuan Bao Fintech Co., Ltd.	Taiwan	Data processing services and electronic information services	60,000	60,000	6,000,000	100.00	52,045	(7,635)	(7,635)	A
	Far EasTone Property Insurance Agent Co., Ltd.	Taiwan	Property insurance agent	5,000	-	500,000	100.00	64,587	59,587	59,587	A
	Far Eastern Electronic Toll Collection Co., Ltd.	Taiwan	Electronic information services and electronic toll collection services	2,542,396	2,542,396	118,250,967	39.42	1,269,488	541,492	205,707	B
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	139,500	139,500	5,446,644	15.00	38,681	(15,685)	(1,990)	B
ARCOA Communication Co., Ltd.	Yuan Hsin Digital Payment Co., Ltd.	Taiwan	Other financing and supporting services	600,000	600,000	16,451,538	21.98	123,425	(186,923)	(56,074)	B
	DataExpress Infotech Co., Ltd.	Taiwan	Sale of communications products	141,750	141,750	13,895,664	70.00	246,341	95,205	-	C
New Century InfoComm Tech Co., Ltd.	New Diligent Co., Ltd.	Taiwan	Investments	540,000	540,000	54,000,000	100.00	82,075	(4,630)	-	C
	Information Security Service Digital United Inc.	Taiwan	Security and monitoring services via internet	148,777	148,777	10,249,047	100.00	129,170	17,482	-	C
	Digital United (Cayman) Ltd.	Cayman Islands	Investments	317,446	317,446	10,320,000	100.00	163,344	3,691	-	C
	Yuanshi Digital Technology Co., Ltd.	Taiwan	Electronic information services	20,000	20,000	749,885	0.67	(466)	(195,262)	-	A
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	46,500	46,500	1,815,548	5.00	12,894	(15,685)	-	B
	Prime Ecopower Co., Ltd.	Taiwan	Energy technology services	160,000	160,000	16,000,000	100.00	127,430	(13,018)	-	C
	Drive Catalyst SPC-SP Tranche One	Cayman Islands	Investments	123,220	123,220	4,000	25.00	108,173	(27,519)	-	B
	Drive Catalyst SPC-SP Tranche Three	Cayman Islands	Investments	122,300	122,300	4,000	25.00	128,857	(5,572)	-	B
	Nextlink Technology Co., Ltd.	Taiwan	Electronic information services	420,000	420,000	3,430,000	70.00	428,018	43,098	-	C
New Diligent Co., Ltd.	Sino Lead Enterprise Limited	Hong Kong	Telecommunications services	125	125	30,000	100.00	290	(4)	-	C
	Far Eastern New Diligent Company Ltd.	British Virgin Islands	Investments	330,598	330,598	-	100.00	20,068	(4,369)	-	C
	New Diligent Hong Kong Co., Ltd.	Hong Kong	Investments	3,051	3,051	-	100.00	2,291	(418)	-	C
DataExpress Infotech Co., Ltd.	Linkwell Tech. Ltd.	Taiwan	Sale of communications products	-	10,000	-	-	-	1,443	-	C and F
	Home Master Technology Ltd.	Taiwan	Sale of communications products	10,000	10,000	-	100.00	47,290	28,050	-	C
Nextlink Technology Co., Ltd.	Microfusion Technology Co., Ltd.	Taiwan	Electronic information services	17,000	17,000	2,600,000	100.00	30,209	13,747	-	C
	Nextlink (HK) Technology Co., Ltd.	Hong Kong	Electronic information services	973	973	-	100.00	8,463	3,331	-	C
	Microfusion (HK) Technology Co., Ltd.	Hong Kong	Electronic information services	1,494	-	-	100.00	1,109	(341)	-	C

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. or Nextlink Technology Co., Ltd.

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

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

Note F:     DataExpress Infotech Co., Ltd. merged with Linkwell Tech. Ltd. on April 1, 2020. DataExpress Infotech Co., Ltd. was the surviving company and Linkwell Tech. Ltd. was the dissolved company.

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

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(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, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020
					Outward	Inward						
Digital United Information Technologies (Shanghai) Ltd.	Design, research, installment and maintenance of computer software and systems	\$ 88,288 (US\$ 3,100,000)	2	\$ 88,288 (US\$ 3,100,000)	\$ -	\$ -	\$ 88,288 (US\$ 3,100,000)	\$ 6,398	100.00	\$ 6,398	\$ 5,987 (RMB 1,368,000)	\$ -
Far Eastern Tech-info Ltd. (Shanghai)	Computer software, data processing and network information services	170,880 (US\$ 6,000,000)	2	192,296 (Note D)	-	-	192,296 (Note D)	(201)	-	(201)	- (Note E)	-
Nextlink (Shanghai) Technologies Co., Ltd.	Electronic information services	2,051 (US\$ 72,000)	2	2,051 (US\$ 72,000)	-	-	2,051 (US\$ 72,000)	(218)	70.00	(218)	1,207 (HK\$ 333,000)	-

Company Name	Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by the Investment Commission, MOEA	Limit on Investments (Note B)
Far EasTone Telecommunications Co., Ltd.	\$ 92,616 (Note C)	\$ 92,616 (Note C)	\$ 40,388,216
New Century InfoComm Tech Co., Ltd.	88,288 (US\$ 3,100,000)	88,288 (US\$ 3,100,000)	14,692,425
New Diligent Co., Ltd.	425,121 (US\$14,927,000) (Note C)	425,121 (US\$14,927,000) (Note C)	49,245
Nextlink Technology Co., Ltd.	2,051 (US\$ 72,000)	2,051 (US\$ 72,000)	65,250

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

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

Note E: The investee was dissolved in 2020 with the approval of the local government.

**FAR EASTONE TELECOMMUNICATIONS CO., LTD.****INFORMATION ON MAJOR STOCKHOLDERS****DECEMBER 31, 2020**

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Name of Major Stockholder	Shareholding	
	Number of Shares	Percentage of Ownership (%)
Yuan Ding Investment Co., Ltd.	1,066,657,614	32.73
Shin Kong Life Insurance Co., Ltd.	285,465,000	8.76
Cathay Life Insurance Co., Ltd.	218,778,230	6.71

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

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

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**STATEMENT 1****FAR EASTONE TELECOMMUNICATIONS CO., LTD.****STATEMENT OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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<b>Item</b>	<b>Amount</b>
Cash	
Petty cash	\$ 7,991
Checking deposits	25,390
Demand deposits (Note)	<u>2,577,647</u>
	<u>\$ 2,611,028</u>

Note: Including US\$21,769 thousand @28.48, JPY379 thousand @0.276, HK\$21 thousand @3.673 and EUR49 thousand @35.02.

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

**STATEMENT OF ACCOUNTS RECEIVABLE**

**DECEMBER 31, 2020**

**(In Thousands of New Taiwan Dollars)**

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<b>Client Name</b>	<b>Amount</b>
Others (Note)	\$ 6,330,946
Less: Allowance for impairment loss	<u>664,318</u>
Accounts receivable, net	<u>\$ 5,666,628</u>

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

**FAR EASTONE TELECOMMUNICATIONS CO., LTD.****STATEMENT OF INVENTORIES****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>	
	<b>Cost</b>	<b>Market Value</b>
Cellular phone equipment	\$ 1,829,241	\$ 2,007,028
Cellular phone accessories	250,517	314,093
SIM cards and prepaid cards	27,974	27,484
Others	<u>110,030</u>	<u>129,468</u>
	2,217,762	<u>\$ 2,478,073</u>
Less: Allowance for inventory write-downs	<u>(21,617)</u>	
Inventories, net	<u>\$ 2,196,145</u>	

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, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Par Value Per Share (In Dollars)	Balance at January 1, 2020		Increase in Investments		Decrease in Investments		Adjustments in Investments Accounted for Using the Equity Method (Note 1)	Balance at December 31, 2020			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)	Percentage of Ownership (%)	Amount		
Investments accounted for using the equity method													
New Century InfoComm Tech Co., Ltd.	\$10	2,100,000	\$ 26,385,159	-	\$ -	-	\$ (1,293,600)	\$ 1,883,308	2,100,000	100.00	\$ 26,974,867	\$ 24,487,375	Note 3
ARCOA Communication Co., Ltd.	10	82,762	731,924	-	-	-	(99,315)	46,802	82,762	61.63	679,411	1,832,503	Note 3
KGEx.com Co., Ltd.	10	68,897	877,725	-	-	-	(135,038)	160,901	68,897	99.99	903,588	901,032	Note 3
Far Eastern Electronic Toll Collection Co., Ltd.	10	118,250	1,051,441	-	-	-	-	218,047	118,250	39.42	1,269,488	3,220,661	
Far Eastern Info Service (Holding) Ltd.	-	1	4,829	-	-	-	-	(18)	1	100.00	4,811	4,811	
Ding Ding Integrated Marketing Service Co., Ltd.	10	5,447	47,200	-	-	-	-	(8,519)	5,447	15.00	38,681	257,873	
Yuan Cing Co., Ltd.	10	2,000	30,546	-	-	-	(6,160)	16,326	2,000	100.00	40,712	40,712	Note 3
Yuanshi Digital Technology Co., Ltd.	10	90,014	(582,357)	80,000	800,000	(63,010)	-	(284,186)	107,004	96.18	(66,543)	(69,184)	Notes 2 and 4
Yuan Hsin Digital Payment Co., Ltd.	10	23,302	164,513	-	-	(6,850)	-	(41,088)	16,452	21.98	123,425	561,462	Note 4
Yuan Bao Fintech Co., Ltd.	10	6,000	59,680	-	-	-	-	(7,635)	6,000	100.00	52,045	52,045	
Far EasTone Property Insurance Agent Co., Ltd.	10	-	-	500	5,000	-	-	59,587	500	100.00	64,587	64,587	Note 2
			28,770,660		<u>\$ 805,000</u>		<u>\$ (1,534,113)</u>	<u>\$ 2,043,525</u>			30,085,072	<u>\$ 31,353,877</u>	
Add: Credit balance on carrying amounts of investments accounted for using the equity method reclassified to other liabilities			582,357								66,543		
			<u>\$ 29,353,017</u>								<u>\$ 30,151,615</u>		

Note 1: Mainly includes:

- a. The Company’s share of the gains or losses of investees.
- b. The Company’s share of the other comprehensive income of investees.
- c. Changes in the Company’s share of equity of investees.

Note 2: Increase in investments includes \$805,000 thousand paid for the subscription of new common stock issued by investees.

Note 3: Decrease in investments includes \$1,534,113 thousand of cash dividends received from investees.

Note 4: Yuanshi Digital Technology Co., Ltd. and Yuan Hsin Digital Payment Co., Ltd. reduced their capital to offset their accumulated deficit.

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



**FAR EASTONE TELECOMMUNICATIONS CO., LTD.****STATEMENT OF SHORT-TERM BORROWINGS****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

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<b>Type</b>	<b>Balance at December 31, 2020</b>	<b>Contract Period</b>	<b>Range of Interest Rate</b>	<b>Loan Commitments</b>	<b>Collateral</b>
Unsecured bank loans	<u>\$ 100,000</u>	2020.12.25- 2021.01.25	0.66%	<u>\$ 2,300,000</u>	Nil

**FAR EASTONE TELECOMMUNICATIONS CO., LTD.****STATEMENT OF SHORT-TERM BILLS PAYABLE****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**


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<b>Item</b>	<b>Guarantor or Accepting Institution</b>	<b>Contract Period</b>	<b>Range of Interest Rate</b>	<b>Amount Issued</b>	<b>Unamortized Discount</b>	<b>Carrying Amount</b>
Commercial paper	Mega Bills Finance Co., Ltd.	2020.12.25- 2021.01.25	0.38%	<u>\$ 100,000</u>	<u>\$ (14)</u>	<u>\$ 99,986</u>

**FAR EASTONE TELECOMMUNICATIONS CO., LTD.****STATEMENT OF ACCOUNTS PAYABLE****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

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<b>Vendor Name</b>	<b>Amount</b>
Vendor A	\$ 2,060,924
Vendor B	334,364
Vendor C	153,521
Vendor D	140,032
Others (Note)	<u>1,118,594</u>
	<u>\$ 3,807,435</u>

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, 2020  
(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, 2020		
								Due in One Year	Due after One Year	Total
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	\$ -	\$ 1,696	\$ -	\$ 5,198,304	\$ 5,198,304
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	-	1,924	-	4,498,076	4,498,076
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	-	1,865	-	1,998,135	1,998,135
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	-	1,131	-	1,498,869	1,498,869
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	-	1,428	-	1,498,572	1,498,572
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	-	932	-	1,499,068	1,499,068
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	-	2,875	-	3,497,125	3,497,125
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	-	2,916	-	3,197,084	3,197,084
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	-	1,844	-	1,798,156	1,798,156

(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, 2020		
								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	\$ -	\$ 3,296	\$ -	\$ 2,596,704	\$ 2,596,704
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	-	667	-	499,333	499,333
2020 1st unsecured domestic bonds - type A	CTBC Bank Co., Ltd.	2020.03.16-2025.03.16	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.	0.67	1,500,000	-	1,645	-	1,498,355	1,498,355
2020 1st unsecured domestic bonds - type B	CTBC Bank Co., Ltd.	2020.03.16-2027.03.16	A seven-year bond with an aggregate principal amount of \$2,500,000 thousand, which will be repaid in full on maturity. The simple interest of the outstanding balance is due annually.	0.70	2,500,000	-	2,888	-	2,497,112	2,497,112
2020 1st unsecured domestic bonds - type C	CTBC Bank Co., Ltd.	2020.03.16-2030.03.16	A ten-year bond with an aggregate principal amount of \$1,000,000 thousand, which will be repaid in full on maturity. The simple interest of the outstanding balance is due annually.	0.77	1,000,000	-	1,200	-	998,800	998,800
2020 2nd unsecured domestic bonds	CTBC Bank Co., Ltd.	2020.06.02-2027.06.02	A seven-year bond with an aggregate principal amount of \$1,000,000 thousand, which will be repaid in full on maturity. The simple interest of the outstanding balance is due annually.	0.73	1,000,000	-	1,839	-	998,161	998,161
					<u>\$ 33,800,000</u>	<u>\$ -</u>	<u>\$ 28,146</u>	<u>\$ -</u>	<u>\$ 33,771,854</u>	<u>\$ 33,771,854</u>

(Concluded)

## FAR EASTONE TELECOMMUNICATIONS CO., LTD.

## STATEMENT OF LONG-TERM BORROWINGS

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Name	Repayment	Contract Period	Interest Rate (%)	Balance at December 31, 2020
Long-term borrowings				
Sumitomo Mitsui Banking Corporation	Repayment will be made in full on maturity together with interest payment. (Note 1)	2020.09.25-2022.03.02	Note 2	\$ 1,000,000
Sumitomo Mitsui Banking Corporation	Repayment will be made in full on maturity together with interest payment. (Note 1)	2020.10.23-2022.03.02	Note 2	1,600,000
Land Bank of Taiwan	Repayment will be made in full on maturity together with interest payment. (Note 1)	2020.10.26-2022.04.06	Note 2	800,000
Land Bank of Taiwan	Repayment will be made in full on maturity together with interest payment. (Note 1)	2020.12.02-2022.04.06	Note 2	700,000
United Overseas Bank	Repayment will be made in full on maturity together with interest payment. (Note 1)	2020.12.25-2022.12.10	Note 2	1,600,000
Bank of China	Repayment will be made in full on maturity together with interest payment. (Note 1)	2020.10.16-2023.06.18	Note 2	700,000
Bank of China	Repayment will be made in full on maturity together with interest payment. (Note 1)	2020.12.10-2023.06.18	Note 2	800,000
Bank of China	Repayment will be made in full on maturity together with interest payment. (Note 1)	2020.12.10-2022.04.15	Note 2	2,950,000
Bank of Taiwan	Repayment will be made in full on maturity together with interest payment. (Note 1)	2020.11.25-2023.06.15	Note 2	2,000,000

(Continued)

<b>Name</b>	<b>Repayment</b>	<b>Contract Period</b>	<b>Interest Rate (%)</b>	<b>Balance at December 31, 2020</b>
E.Sun Commercial Bank, Ltd.	Repayment will be made in full on maturity together with interest payment. (Note 1)	2020.12.21-2022.05.28	Note 2	\$ 1,500,000
Bank of Communications	Repayment will be made in full on maturity together with interest payment. (Note 1)	2020.11.25-2022.10.26	Note 2	3,000,000
EnTie Commercial Bank	Repayment will be made in full on maturity together with interest payment. (Note 1)	2020.11.10-2023.06.15	Note 2	1,000,000
China Construction Bank	Repayment will be made in full on maturity together with interest payment. (Note 1)	2020.10.12-2022.01.15	Note 2	2,900,000
China Construction Bank	Repayment will be made in full on maturity together with interest payment. (Note 1)	2020.12.16-2022.01.15	Note 2	1,100,000
DBS Bank Ltd.	Repayment will be made in full on maturity together with interest payment. (Note 1)	2020.09.25-2022.12.02	Note 2	500,000
DBS Bank Ltd.	Repayment will be made in full on maturity together with interest payment. (Note 1)	2020.10.23-2022.12.02	Note 2	1,500,000
DBS Bank Ltd.	Repayment will be made in full on maturity together with interest payment. (Note 1)	2020.12.10-2022.12.02	Note 2	1,000,000
KGI Bank	Repayment will be made in full on maturity together with interest payment. (Note 1)	2020.12.10-2022.09.03	Note 2	1,000,000
Mizuho Corporate Bank Ltd.	Repayment will be made in full on maturity together with interest payment. (Note 1)	2020.10.16-2022.02.05	Note 2	1,000,000
Mizuho Corporate Bank Ltd.	Repayment will be made in full on maturity together with interest payment. (Note 1)	2020.11.10-2022.02.05	Note 2	1,000,000

(Continued)

Name	Repayment	Contract Period	Interest Rate (%)	Balance at December 31, 2020
Long-term commercial papers payable				
Ta Ching Bills Finance Corporation	Repayment will be made in full on maturity together with interest payment. (Note 1)	2020.12.25-2023.06.16	Note 2	\$ 1,499,510
China Bills Finance Corporation	Repayment will be made in full on maturity together with interest payment. (Note 1)	2020.12.25-2023.02.25	Note 2	1,999,309
Taishin International Bank	Repayment will be made in full on maturity together with interest payment. (Note 1)	2020.12.25-2023.06.16	Note 2	1,999,348
Taiwan Finance Corporation	Repayment will be made in full on maturity together with interest payment. (Note 1)	2020.12.25-2023.06.16	Note 2	499,825
Mega Bills Finance Co., Ltd.	Repayment will be made in full on maturity together with interest payment. (Note 1)	2020.12.25-2023.06.16	Note 2	2,998,952
International Bills Finance Corporation	Repayment will be made in full on maturity together with interest payment. (Note 1)	2020.12.25-2023.06.18	Note 2	1,499,475
Grand Bills Finance Corporation	Repayment will be made in full on maturity together with interest payment. (Note 1)	2020.12.25-2023.06.16	Note 2	1,499,509
				<hr/>
				<u>\$ 39,645,928</u>

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: The interest rate range of the long-term borrowings is 0.68%-0.99%, and the interest rate range of the long-term commercial papers payable is 0.85%-0.91%.

(Concluded)



**FAR EASTONE TELECOMMUNICATIONS CO., LTD.****STATEMENT OF OPERATING REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Telecommunications and value-added services revenue	\$ 37,667,624
Sales of inventories	16,911,336
Interconnection revenue (Note 1)	1,197,530
Other operating revenue (Note 2)	<u>5,647,078</u>
	<u>\$ 61,423,568</u>

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 of each item in "other operating revenue" does not exceed 5% of the account balance.

**FAR EASTONE TELECOMMUNICATIONS CO., LTD.****STATEMENT OF OPERATING COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Cost of sales	\$ 17,329,247
Depreciation	8,494,808
Amortization of concessions	3,864,944
Interconnection costs (Note 1)	2,162,012
Other costs (Note 2)	<u>7,777,918</u>
	<u>\$ 39,628,929</u>

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.

**FAR EASTONE TELECOMMUNICATIONS CO., LTD.****STATEMENT OF OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Marketing Expense</b>	<b>General and Administrative Expense</b>	<b>Total</b>
Commissions and subsidies	\$ 4,151,613	\$ 15,440	\$ 4,167,053
Salaries	2,299,458	1,173,295	3,472,753
Depreciation	581,699	442,708	1,024,407
Advertising expenses	516,452	-	516,452
Amortization	211,603	519,737	731,340
Others (Note)	<u>889,965</u>	<u>1,655,016</u>	<u>2,544,981</u>
	<u>\$ 8,650,790</u>	<u>\$ 3,806,196</u>	<u>\$ 12,456,986</u>

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