

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

**Consolidated Financial Statements for the
Six Months Ended June 30, 2021 and 2020 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Far EasTone Telecommunications Co., Ltd. ("Far EasTone") and its subsidiaries (collectively, the "Group") as of June 30, 2021 and 2020, the related consolidated statements of comprehensive income for the three months ended June 30, 2021 and 2020 and for the six months ended June 30, 2021 and 2020, the related consolidated statements of changes in equity and cash flows for the six months ended June 30, 2021 and 2020, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2021 and 2020, its consolidated financial performance for the three months ended June 30, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the six months ended June 30, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

July 30, 2021

Notice to Readers

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

| ASSETS | June 30, 2021 (Reviewed) | | December 31, 2020 (Audited) | | June 30, 2020 (Reviewed) | |
|---|-----------------------------|------------|--------------------------------|------------|-----------------------------|------------|
| | Amount | % | Amount | % | Amount | % |
| CURRENT ASSETS | | | | | | |
| Cash and cash equivalents (Notes 6 and 32) | \$ 8,461,805 | 5 | \$ 5,713,875 | 3 | \$ 15,046,225 | 8 |
| Financial assets at fair value through profit or loss - current (Note 31) | 704,539 | - | 690,639 | - | 621,771 | - |
| Financial assets at amortized cost - current (Notes 8 and 32) | 796,123 | 1 | 856,480 | 1 | 496,814 | - |
| Contract assets - current (Note 25) | 4,842,190 | 3 | 4,840,684 | 3 | 4,774,787 | 3 |
| Notes receivable, net (Note 9) | 9,676 | - | 20,446 | - | 53,576 | - |
| Accounts receivable, net (Note 9) | 8,014,341 | 5 | 7,752,189 | 5 | 7,365,505 | 4 |
| Accounts receivable - related parties (Notes 9 and 32) | 158,319 | - | 329,612 | - | 173,365 | - |
| Inventories (Note 10) | 1,819,584 | 1 | 3,116,812 | 2 | 1,587,723 | 1 |
| Prepaid expenses | 750,496 | - | 823,266 | - | 900,594 | 1 |
| Noncurrent assets held for sale, net (Notes 4 and 11) | 1,857,022 | 1 | - | - | - | - |
| Other financial assets - current (Notes 32 and 33) | 723,526 | - | 760,953 | - | 1,134,653 | 1 |
| Other current assets (Notes 25 and 32) | <u>254,514</u> | <u>-</u> | <u>247,501</u> | <u>-</u> | <u>275,535</u> | <u>-</u> |
| Total current assets | <u>28,392,135</u> | <u>16</u> | <u>25,152,457</u> | <u>14</u> | <u>32,430,548</u> | <u>18</u> |
| NONCURRENT ASSETS | | | | | | |
| Financial assets at fair value through other comprehensive income - noncurrent (Notes 7 and 31) | 846,867 | 1 | 809,560 | - | 871,111 | - |
| Investments accounted for using the equity method (Note 13) | 1,970,441 | 1 | 1,681,518 | 1 | 1,573,686 | 1 |
| Contract assets - noncurrent (Note 25) | 3,267,114 | 2 | 3,221,916 | 2 | 2,950,401 | 2 |
| Property, plant and equipment, net (Notes 14, 32 and 33) | 39,013,355 | 22 | 38,205,535 | 22 | 34,655,961 | 19 |
| Right-of-use assets (Notes 15 and 32) | 8,505,336 | 5 | 8,633,704 | 5 | 8,307,733 | 5 |
| Investment properties (Note 16) | 641,246 | - | 838,564 | 1 | 983,635 | 1 |
| Concessions, net (Notes 1 and 17) | 72,489,481 | 41 | 75,032,771 | 43 | 77,398,570 | 43 |
| Goodwill (Note 17) | 11,176,831 | 6 | 11,176,831 | 6 | 11,176,831 | 6 |
| Other intangible assets (Note 17) | 2,920,725 | 2 | 3,180,169 | 2 | 3,269,416 | 2 |
| Deferred income tax assets (Note 4) | 830,351 | 1 | 835,461 | 1 | 756,485 | - |
| Incremental costs of obtaining a contract - noncurrent (Note 25) | 3,632,344 | 2 | 3,490,644 | 2 | 3,355,876 | 2 |
| Other noncurrent assets (Notes 4, 9, 18, 32 and 33) | <u>1,149,521</u> | <u>1</u> | <u>1,170,190</u> | <u>1</u> | <u>1,248,608</u> | <u>1</u> |
| Total noncurrent assets | <u>146,443,612</u> | <u>84</u> | <u>148,276,863</u> | <u>86</u> | <u>146,548,313</u> | <u>82</u> |
| TOTAL | <u>\$ 174,835,747</u> | <u>100</u> | <u>\$ 173,429,320</u> | <u>100</u> | <u>\$ 178,978,861</u> | <u>100</u> |
| LIABILITIES AND EQUITY | | | | | | |
| CURRENT LIABILITIES | | | | | | |
| Short-term borrowings (Note 19) | \$ 350,000 | - | \$ 377,764 | - | \$ 568,770 | - |
| Short-term bills payable (Note 19) | 332,192 | - | 389,715 | - | 404,702 | - |
| Contract liabilities - current (Note 25) | 2,648,655 | 2 | 2,190,246 | 1 | 1,974,754 | 1 |
| Notes payable | 7,212 | - | 12,561 | - | 15,488 | - |
| Accounts payable (Note 32) | 6,036,263 | 3 | 6,366,459 | 4 | 5,556,259 | 3 |
| Other payables (Note 21) | 17,723,790 | 10 | 6,136,912 | 4 | 16,561,991 | 9 |
| Current tax liabilities (Note 4) | 1,521,178 | 1 | 2,630,252 | 1 | 1,871,687 | 1 |
| Provisions - current (Note 22) | 188,153 | - | 184,512 | - | 180,348 | - |
| Lease liabilities - current (Notes 15 and 32) | 2,984,403 | 2 | 2,758,815 | 2 | 2,908,101 | 2 |
| Current portion of long-term borrowings (Notes 19 and 20) | 9,707,680 | 6 | - | - | - | - |
| Other current liabilities (Note 32) | <u>1,294,774</u> | <u>1</u> | <u>1,032,311</u> | <u>1</u> | <u>1,229,764</u> | <u>1</u> |
| Total current liabilities | <u>42,794,300</u> | <u>25</u> | <u>22,079,547</u> | <u>13</u> | <u>31,271,864</u> | <u>17</u> |
| NONCURRENT LIABILITIES | | | | | | |
| Contract liabilities - noncurrent (Note 25) | 200,663 | - | 189,322 | - | 199,510 | - |
| Bonds payable (Note 20) | 25,275,714 | 14 | 33,771,854 | 20 | 33,767,558 | 19 |
| Long-term borrowings (Note 19) | 35,816,910 | 21 | 39,734,159 | 23 | 40,345,830 | 23 |
| Provisions - noncurrent (Note 22) | 1,114,794 | 1 | 1,049,170 | 1 | 988,881 | 1 |
| Deferred income tax liabilities (Note 4) | 2,177,310 | 1 | 2,173,850 | 1 | 2,173,417 | 1 |
| Lease liabilities - noncurrent (Notes 15 and 32) | 5,218,461 | 3 | 5,397,645 | 3 | 5,170,630 | 3 |
| Net defined benefit liabilities - noncurrent (Note 4) | 498,981 | - | 509,089 | - | 477,344 | - |
| Guarantee deposits received - noncurrent | 257,422 | - | 269,462 | - | 271,927 | - |
| Other noncurrent liabilities | <u>5</u> | <u>-</u> | <u>8,013</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total noncurrent liabilities | <u>70,560,260</u> | <u>40</u> | <u>83,102,564</u> | <u>48</u> | <u>83,395,097</u> | <u>47</u> |
| Total liabilities | <u>113,354,560</u> | <u>65</u> | <u>105,182,111</u> | <u>61</u> | <u>114,666,961</u> | <u>64</u> |
| EQUITY ATTRIBUTABLE TO OWNERS OF FAR EASTONE | | | | | | |
| Capital stock | | | | | | |
| Common stock | <u>32,585,008</u> | <u>19</u> | <u>32,585,008</u> | <u>19</u> | <u>32,585,008</u> | <u>18</u> |
| Capital surplus | <u>2,390,814</u> | <u>1</u> | <u>5,701,421</u> | <u>3</u> | <u>5,686,442</u> | <u>3</u> |
| Retained earnings | | | | | | |
| Legal reserve | 21,122,282 | 12 | 20,299,484 | 11 | 20,299,484 | 12 |
| Special reserve | 723,516 | - | 598,988 | - | 598,988 | - |
| Unappropriated earnings | <u>3,785,954</u> | <u>2</u> | <u>8,228,676</u> | <u>5</u> | <u>4,326,470</u> | <u>2</u> |
| Total retained earnings | <u>25,631,752</u> | <u>14</u> | <u>29,127,148</u> | <u>16</u> | <u>25,224,942</u> | <u>14</u> |
| Other equity | <u>(104,305)</u> | <u>-</u> | <u>(99,883)</u> | <u>-</u> | <u>(58,026)</u> | <u>-</u> |
| Total equity attributable to owners of Far EasTone | 60,503,269 | 34 | 67,313,694 | 38 | 63,438,366 | 35 |
| NONCONTROLLING INTERESTS | <u>977,918</u> | <u>1</u> | <u>933,515</u> | <u>1</u> | <u>873,534</u> | <u>1</u> |
| Total equity | <u>61,481,187</u> | <u>35</u> | <u>68,247,209</u> | <u>39</u> | <u>64,311,900</u> | <u>36</u> |
| TOTAL | <u>\$ 174,835,747</u> | <u>100</u> | <u>\$ 173,429,320</u> | <u>100</u> | <u>\$ 178,978,861</u> | <u>100</u> |

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

| | For the Three Months Ended June 30 | | | | For the Six Months Ended June 30 | | | |
|---|------------------------------------|------------|-------------------|------------|----------------------------------|------------|-------------------|------------|
| | 2021 | | 2020 | | 2021 | | 2020 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| OPERATING REVENUE (Notes 25 and 32) | \$ 19,497,981 | 100 | \$ 18,674,739 | 100 | \$ 40,333,756 | 100 | \$ 38,063,579 | 100 |
| OPERATING COSTS (Notes 10, 26 and 32) | <u>13,260,078</u> | <u>68</u> | <u>12,078,850</u> | <u>65</u> | <u>27,921,855</u> | <u>69</u> | <u>24,758,170</u> | <u>65</u> |
| GROSS PROFIT | <u>6,237,903</u> | <u>32</u> | <u>6,595,889</u> | <u>35</u> | <u>12,411,901</u> | <u>31</u> | <u>13,305,409</u> | <u>35</u> |
| OPERATING EXPENSES (Notes 26 and 32) | | | | | | | | |
| Marketing | 2,480,776 | 13 | 2,405,708 | 13 | 5,011,212 | 13 | 4,893,854 | 13 |
| General and administrative | 1,113,011 | 6 | 1,151,659 | 6 | 2,301,382 | 6 | 2,336,815 | 6 |
| Expected credit losses | <u>73,079</u> | <u>-</u> | <u>68,951</u> | <u>-</u> | <u>142,384</u> | <u>-</u> | <u>137,527</u> | <u>-</u> |
| Total operating expenses | <u>3,666,866</u> | <u>19</u> | <u>3,626,318</u> | <u>19</u> | <u>7,454,978</u> | <u>19</u> | <u>7,368,196</u> | <u>19</u> |
| OPERATING INCOME | <u>2,571,037</u> | <u>13</u> | <u>2,969,571</u> | <u>16</u> | <u>4,956,923</u> | <u>12</u> | <u>5,937,213</u> | <u>16</u> |
| NONOPERATING INCOME AND EXPENSES (Notes 26 and 32) | | | | | | | | |
| Other income | 38,137 | - | 92,070 | - | 61,404 | - | 130,071 | - |
| Other gains and losses | 23,522 | - | 90,408 | - | 26,665 | - | 54,328 | - |
| Financial costs | (173,406) | (1) | (184,033) | - | (350,958) | (1) | (336,499) | - |
| Share of the gains of associates | 7,019 | - | 35,376 | - | 51,068 | - | 52,860 | - |
| Losses on disposal of property, plant and equipment and intangible assets | <u>(68,382)</u> | <u>-</u> | <u>(218,081)</u> | <u>(1)</u> | <u>(130,462)</u> | <u>-</u> | <u>(354,868)</u> | <u>(1)</u> |
| Total nonoperating income and expenses | <u>(173,110)</u> | <u>(1)</u> | <u>(184,260)</u> | <u>(1)</u> | <u>(342,283)</u> | <u>(1)</u> | <u>(454,108)</u> | <u>(1)</u> |
| INCOME BEFORE INCOME TAX | 2,397,927 | 12 | 2,785,311 | 15 | 4,614,640 | 11 | 5,483,105 | 15 |
| INCOME TAX (Notes 4 and 27) | <u>408,453</u> | <u>2</u> | <u>529,209</u> | <u>3</u> | <u>786,069</u> | <u>2</u> | <u>1,041,790</u> | <u>3</u> |
| NET INCOME | <u>1,989,474</u> | <u>10</u> | <u>2,256,102</u> | <u>12</u> | <u>3,828,571</u> | <u>9</u> | <u>4,441,315</u> | <u>12</u> |
| OTHER COMPREHENSIVE INCOME (LOSS) (Note 24) | | | | | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | | | | | |
| Unrealized gains (losses) on investments in equity instruments designated as at fair value through other comprehensive income | 965 | - | (48,529) | - | 4,666 | - | (56,338) | - |
| Share of the other comprehensive income (loss) of associates accounted for using the equity method | <u>545</u> | <u>-</u> | <u>(1,096)</u> | <u>-</u> | <u>578</u> | <u>-</u> | <u>(590)</u> | <u>-</u> |
| | <u>1,510</u> | <u>-</u> | <u>(49,625)</u> | <u>-</u> | <u>5,244</u> | <u>-</u> | <u>(56,928)</u> | <u>-</u> |

(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

| | For the Three Months Ended June 30 | | | | For the Six Months Ended June 30 | | | |
|---|------------------------------------|-----------|---------------------|-----------|----------------------------------|----------|---------------------|-----------|
| | 2021 | | 2020 | | 2021 | | 2020 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| Items that may be reclassified subsequently to profit or loss: | | | | | | | | |
| Exchange differences on translating the financial statements of foreign operations | \$ (12,778) | - | \$ (8,243) | - | \$ (12,891) | - | \$ (9,622) | - |
| Share of the other comprehensive income of associates accounted for using the equity method | <u>1,350</u> | <u>-</u> | <u>6,237</u> | <u>-</u> | <u>3,173</u> | <u>-</u> | <u>5,292</u> | <u>-</u> |
| | <u>(11,428)</u> | <u>-</u> | <u>(2,006)</u> | <u>-</u> | <u>(9,718)</u> | <u>-</u> | <u>(4,330)</u> | <u>-</u> |
| Total other comprehensive loss, net of income tax | <u>(9,918)</u> | <u>-</u> | <u>(51,631)</u> | <u>-</u> | <u>(4,474)</u> | <u>-</u> | <u>(61,258)</u> | <u>-</u> |
| TOTAL COMPREHENSIVE INCOME | <u>\$ 1,979,556</u> | <u>10</u> | <u>\$ 2,204,471</u> | <u>12</u> | <u>\$ 3,824,097</u> | <u>9</u> | <u>\$ 4,380,057</u> | <u>12</u> |
| NET INCOME | | | | | | | | |
| ATTRIBUTABLE TO: | | | | | | | | |
| Owners of Far EasTone | \$ 1,972,607 | 10 | \$ 2,238,797 | 12 | \$ 3,784,095 | 9 | \$ 4,410,993 | 12 |
| Noncontrolling interests | <u>16,867</u> | <u>-</u> | <u>17,305</u> | <u>-</u> | <u>44,476</u> | <u>-</u> | <u>30,322</u> | <u>-</u> |
| | <u>\$ 1,989,474</u> | <u>10</u> | <u>\$ 2,256,102</u> | <u>12</u> | <u>\$ 3,828,571</u> | <u>9</u> | <u>\$ 4,441,315</u> | <u>12</u> |
| COMPREHENSIVE INCOME | | | | | | | | |
| ATTRIBUTABLE TO: | | | | | | | | |
| Owners of Far EasTone | \$ 1,962,793 | 10 | \$ 2,187,222 | 12 | \$ 3,779,673 | 9 | \$ 4,349,758 | 12 |
| Noncontrolling interests | <u>16,763</u> | <u>-</u> | <u>17,249</u> | <u>-</u> | <u>44,424</u> | <u>-</u> | <u>30,299</u> | <u>-</u> |
| | <u>\$ 1,979,556</u> | <u>10</u> | <u>\$ 2,204,471</u> | <u>12</u> | <u>\$ 3,824,097</u> | <u>9</u> | <u>\$ 4,380,057</u> | <u>12</u> |
| EARNINGS PER SHARE, IN NEW TAIWAN DOLLARS (Note 28) | | | | | | | | |
| Basic | <u>\$ 0.61</u> | | <u>\$ 0.69</u> | | <u>\$ 1.16</u> | | <u>\$ 1.35</u> | |
| Diluted | <u>\$ 0.61</u> | | <u>\$ 0.69</u> | | <u>\$ 1.16</u> | | <u>\$ 1.35</u> | |

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

(Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

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

| | Equity Attributable to Owners of Far EasTone | | | | | | | | | | |
|---|--|---------------------------|---|-------------------|---------------------|--|--|---------------------------------------|----------------------|--|----------------------|
| | | | | | | Other Equity (Note 24) | | | | | |
| | | | | | | Exchange Differences on Translating the Financial Statements of Foreign Operations | Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income | (Losses) Gains on Hedging Instruments | Total | Noncontrolling Interests (Notes 24 and 29) | Total Equity |
| | Capital Stock (Note 24) | Capital Surplus (Note 24) | Retained Earnings | | | | | | | | |
| | Legal Reserve (Note 24) | Special Reserve (Note 24) | Unappropriated Earnings (Notes 24 and 29) | | | | | | | | |
| BALANCE AT JANUARY 1, 2020 | \$ 32,585,008 | \$ 5,820,041 | \$ 19,425,986 | \$ 606,730 | \$ 11,322,981 | \$ (9,717) | \$ 25,180 | \$ (12,254) | \$ 69,763,955 | \$ 842,465 | \$ 70,606,420 |
| 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) | - | (10,456,529) |
| Cash dividends from capital surplus - NT\$0.041 per share | - | (133,599) | - | - | - | - | - | - | (133,599) | - | (133,599) |
| Net income for the six months ended June 30, 2020 | - | - | - | - | 4,410,993 | - | - | - | 4,410,993 | 30,322 | 4,441,315 |
| Other comprehensive (loss) income for the six months ended June 30, 2020, net of income tax | - | - | - | - | - | (9,799) | (56,928) | 5,492 | (61,235) | (23) | (61,258) |
| Change in ownership interest of a subsidiary | - | - | - | - | (85,219) | - | - | - | (85,219) | 85,219 | - |
| Cash dividends distributed by subsidiaries | - | - | - | - | - | - | - | - | - | (84,449) | (84,449) |
| BALANCE AT JUNE 30, 2020 | <u>\$ 32,585,008</u> | <u>\$ 5,686,442</u> | <u>\$ 20,299,484</u> | <u>\$ 598,988</u> | <u>\$ 4,326,470</u> | <u>\$ (19,516)</u> | <u>\$ (31,748)</u> | <u>\$ (6,762)</u> | <u>\$ 63,438,366</u> | <u>\$ 873,534</u> | <u>\$ 64,311,900</u> |
| BALANCE AT JANUARY 1, 2021 | \$ 32,585,008 | \$ 5,701,421 | \$ 20,299,484 | \$ 598,988 | \$ 8,228,676 | \$ (20,598) | \$ (75,931) | \$ (3,354) | \$ 67,313,694 | \$ 933,515 | \$ 68,247,209 |
| Appropriation of the 2020 earnings | | | | | | | | | | | |
| Legal reserve | - | - | 822,798 | - | (822,798) | - | - | - | - | - | - |
| Special reserve | - | - | - | 124,528 | (124,528) | - | - | - | - | - | - |
| Cash dividends - NT\$2.234 per share | - | - | - | - | (7,279,491) | - | - | - | (7,279,491) | - | (7,279,491) |
| Changes in equity from investments in associates accounted for using the equity method | - | 30 | - | - | - | - | - | - | 30 | - | 30 |
| Cash dividends from capital surplus - NT\$1.016 per share | - | (3,310,637) | - | - | - | - | - | - | (3,310,637) | - | (3,310,637) |
| Net income for the six months ended June 30, 2021 | - | - | - | - | 3,784,095 | - | - | - | 3,784,095 | 44,476 | 3,828,571 |
| Other comprehensive (loss) income for the six months ended June 30, 2021, net of income tax | - | - | - | - | - | (12,954) | 5,244 | 3,288 | (4,422) | (52) | (4,474) |
| Cash dividends distributed by subsidiaries | - | - | - | - | - | - | - | - | - | (21) | (21) |
| BALANCE AT JUNE 30, 2021 | <u>\$ 32,585,008</u> | <u>\$ 2,390,814</u> | <u>\$ 21,122,282</u> | <u>\$ 723,516</u> | <u>\$ 3,785,954</u> | <u>\$ (33,552)</u> | <u>\$ (70,687)</u> | <u>\$ (66)</u> | <u>\$ 60,503,269</u> | <u>\$ 977,918</u> | <u>\$ 61,481,187</u> |

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

| | For the Six Months Ended June 30 | |
|---|-------------------------------------|--------------|
| | 2021 | 2020 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | \$ 4,614,640 | \$ 5,483,105 |
| Adjustments for: | | |
| Depreciation | 5,741,593 | 5,925,317 |
| Amortization | 543,748 | 529,271 |
| Amortization of concessions | 2,543,290 | 1,495,799 |
| Expected credit losses | 142,384 | 137,527 |
| Net (gains) losses on fair value changes of financial assets at fair value through profit or loss | (13,900) | 7,567 |
| Financial costs | 350,958 | 336,499 |
| Interest income | (22,356) | (39,368) |
| Dividend income | (13,694) | (56,921) |
| Share of the gains of associates | (51,068) | (52,860) |
| Losses on disposal of property, plant and equipment and intangible assets | 130,462 | 354,868 |
| Write-down (reversal of write-down) of inventories | 7,382 | (33,426) |
| Gains on modifications of lease arrangements | (169) | (934) |
| Net changes in operating assets and liabilities | | |
| Contract assets | (46,704) | (1,205,945) |
| Notes receivable | 10,770 | 17,310 |
| Accounts receivable | (380,180) | 115,461 |
| Accounts receivable - related parties | 171,293 | 71,573 |
| Inventories | 1,289,846 | 1,414,522 |
| Prepaid expenses | 72,770 | (74,202) |
| Other current assets | 113,433 | (60,403) |
| Incremental costs of obtaining a contract | (141,700) | 42,231 |
| Contract liabilities | (178,835) | (77,014) |
| Notes payable | (5,349) | (4,075) |
| Accounts payable | (338,204) | 516,170 |
| Other payables | (481,390) | (833,360) |
| Provisions | (796) | (2,515) |
| Other current liabilities | 257,213 | 76,633 |
| Net defined benefit liabilities | (10,141) | (9,215) |
| Cash generated from operations | 14,305,296 | 14,073,615 |
| Interest received | 21,388 | 58,686 |
| Dividends received | 13,694 | 1,303 |
| Interest paid | (427,540) | (395,975) |
| Income taxes paid | (1,989,836) | (152,996) |
| Net cash generated from operating activities | 11,923,002 | 13,584,633 |

(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

| | For the Six Months Ended June 30 | |
|--|-------------------------------------|----------------------|
| | 2021 | 2020 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of financial assets at fair value through other comprehensive income | \$ (50,000) | \$ (400,000) |
| Remittance of cash due to capital reduction of financial assets at fair value through other comprehensive income | 15,300 | - |
| Acquisition of financial assets at amortized cost | - | (11,227) |
| Proceeds from the disposal of financial assets at amortized cost | 60,357 | - |
| Acquisition of investments accounted for using the equity method | (243,780) | - |
| Acquisition of property, plant and equipment | (5,006,300) | (2,195,923) |
| Proceeds from the disposal of property, plant and equipment | 1,891 | 19,295 |
| Increase in contract liabilities from the disposal of noncurrent assets held for sale | 648,585 | - |
| Increase in refundable deposits | (194,541) | (174,961) |
| Decrease in refundable deposits | 190,407 | 160,430 |
| Acquisition of intangible assets | (297,176) | (42,335,373) |
| Decrease in other financial assets | 37,958 | 590,843 |
| Increase in other noncurrent assets | - | (3,800) |
| Net cash used in investing activities | <u>(4,837,299)</u> | <u>(44,350,716)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| (Decrease) increase in short-term borrowings | (27,764) | 78,770 |
| (Decrease) increase in short-term bills payable | (57,523) | 50,067 |
| Proceeds from the issuance of bonds payable | 1,197,485 | 5,991,480 |
| Repayment of bonds payable | - | (2,500,000) |
| Proceeds from long-term borrowings | 6,404,295 | 40,345,830 |
| Repayment of long-term borrowings | (10,311,812) | (4,400,000) |
| Increase in guarantee deposits received | 35,706 | 37,275 |
| Decrease in guarantee deposits received | (43,024) | (68,187) |
| Repayment of the principal portion of lease liabilities | (1,533,738) | (1,595,658) |
| Cash dividends paid | - | (20) |
| Net cash (used in) generated from financing activities | <u>(4,336,375)</u> | <u>37,939,557</u> |
| EFFECT OF EXCHANGE RATE CHANGES | <u>(1,398)</u> | <u>(2,066)</u> |
| INCREASE IN CASH AND CASH EQUIVALENTS | 2,747,930 | 7,171,408 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD | <u>5,713,875</u> | <u>7,874,817</u> |
| CASH AND CASH EQUIVALENTS, END OF THE PERIOD | <u>\$ 8,461,805</u> | <u>\$ 15,046,225</u> |

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

(Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

Far EasTone Telecommunications Co., Ltd. (“Far EasTone”) was incorporated in the Republic of China (ROC) on April 11, 1997 and began commercial operations on January 20, 1998. Far EasTone’s stock was initially listed and commenced trading on the over-the-counter (OTC) securities exchange (known as the Taipei Exchange, TPEx) of the ROC on December 10, 2001, but later ceased trading on the TPEx and transferred listing of its stock on the Taiwan Stock Exchange (TWSE) on August 24, 2005. Far EasTone provides wireless communications, internet and international simple resale (ISR) services and also sells cellular phone equipment and accessories. As of June 30, 2021 and 2020, Far Eastern New Century Corporation (“Far Eastern New Century”) and its affiliates directly and indirectly owned 38.32% and 38.28%, respectively, of Far EasTone’s stock. Since Far Eastern New Century and its subsidiaries have the power to cast the majority of votes at the meeting of Far EasTone’s board of directors, Far Eastern New Century has control over Far EasTone’s finances, operations and personnel affairs. Thus, Far Eastern New Century is the ultimate parent company of Far EasTone.

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

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

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

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were reported to Far EasTone’s board of directors on July 30, 2021.

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

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

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

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

| New IFRSs | Effective Date Announced by IASB (Note 1) |
|--|--|
| “Annual Improvements to IFRS Standards 2018-2020” | January 1, 2022 (Note 2) |
| Amendments to IFRS 3 “Reference to the Conceptual Framework” | January 1, 2022 (Note 3) |
| Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” | To be determined by IASB |
| IFRS 17 “Insurance Contracts” | January 1, 2023 |
| Amendments to IFRS 17 | January 1, 2023 |
| Amendments to IAS 1 “Classification of Liabilities as Current or Noncurrent” | January 1, 2023 |
| Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use” | January 1, 2022 (Note 4) |
| Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract” | January 1, 2022 (Note 5) |
| Amendments to IAS 1 “Disclosure of Accounting Policies” | January 1, 2023 (Note 6) |
| Amendments to IAS 8 “Definition of Accounting Estimates” | January 1, 2023 (Note 7) |
| Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” | January 1, 2023 (Note 8) |

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

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

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

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

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

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

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

Note 8: Except that deferred taxes will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

c. Basis of consolidation

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

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

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

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

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

See Note 12, Schedule F and Schedule G for detailed information on subsidiaries, including the percentages of ownership and main businesses.

d. Other significant accounting policies

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

1) Noncurrent assets held for sale

Noncurrent assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the noncurrent asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, and the sale should be expected to qualify for recognition as a completed sale within 1 year from the date of classification.

Noncurrent assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Such assets classified as held for sale are not depreciated.

2) Retirement benefits

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

3) Taxation

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

6. CASH AND CASH EQUIVALENTS

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|--|---------------------|----------------------|----------------------|
| Cash on hand | \$ 10,615 | \$ 10,444 | \$ 11,344 |
| Checking and demand deposits | 8,077,396 | 5,335,282 | 8,258,522 |
| Cash equivalents | | | |
| Commercial paper purchased under resale agreements | 337,801 | 226,803 | 5,807,939 |
| Certificates of deposits | <u>35,993</u> | <u>141,346</u> | <u>968,420</u> |
| | <u>\$ 8,461,805</u> | <u>\$ 5,713,875</u> | <u>\$ 15,046,225</u> |

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|---|-------------------|----------------------|-------------------|
| <u>Noncurrent</u> | | | |
| Investments in equity instruments at FVTOCI | <u>\$ 846,867</u> | <u>\$ 809,560</u> | <u>\$ 871,111</u> |

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

8. FINANCIAL ASSETS AT AMORTIZED COST

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|---|-------------------|----------------------|-------------------|
| <u>Current</u> | | | |
| Certificates of deposits with original maturities of more than 3 months | <u>\$ 796,123</u> | <u>\$ 856,480</u> | <u>\$ 496,814</u> |

9. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|-------------------------------------|-----------------|----------------------|------------------|
| <u>Notes receivable</u> | | | |
| At amortized cost | | | |
| Gross carrying amount | \$ 9,676 | \$ 20,446 | \$ 53,576 |
| Less: Allowance for impairment loss | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 9,676</u> | <u>\$ 20,446</u> | <u>\$ 53,576</u> |
| Notes receivable - operating | <u>\$ 9,676</u> | <u>\$ 20,446</u> | <u>\$ 53,576</u> |

(Continued)

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|---|----------------------|------------------------------|------------------------------------|
| Accounts receivable (including related parties and noncurrent portion) | | | |
| At amortized cost | | | |
| Gross carrying amount | \$ 9,069,119 | \$ 8,951,670 | \$ 8,363,377 |
| Less: Allowance for impairment loss | (779,722) | (725,460) | (677,557) |
| Less: Unrealized interest income | (6,300) | (8,862) | (6,503) |
| Less: Unearned finance income | <u>(5,134)</u> | <u>(5,949)</u> | <u>(6,819)</u> |
| | <u>\$ 8,277,963</u> | <u>\$ 8,211,399</u> | <u>\$ 7,672,498</u> (Concluded) |

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

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|---|----------------------|------------------------------|----------------------|
| Gross amount of installment accounts receivable | \$ 122,659 | \$ 152,552 | \$ 117,708 |
| Allowance for impairment loss | (3,480) | (3,483) | - |
| Unrealized interest income | <u>(6,300)</u> | <u>(8,862)</u> | <u>(6,503)</u> |
| | <u>\$ 112,879</u> | <u>\$ 140,207</u> | <u>\$ 111,205</u> |
| Current | \$ 45,779 | \$ 52,099 | \$ 22,296 |
| Noncurrent | <u>67,100</u> | <u>88,108</u> | <u>88,909</u> |
| | <u>\$ 112,879</u> | <u>\$ 140,207</u> | <u>\$ 111,205</u> |

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

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

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|---|----------------------|------------------------------|----------------------|
| Gross amount of finance lease receivables | \$ 49,852 | \$ 53,841 | \$ 57,829 |
| Unearned finance income | <u>(5,134)</u> | <u>(5,949)</u> | <u>(6,819)</u> |
| | <u>\$ 44,718</u> | <u>\$ 47,892</u> | <u>\$ 51,010</u> |

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|-------------------------------------|------------------|----------------------|------------------|
| <u>Undiscounted lease payments</u> | | | |
| Year 1 | \$ 7,976 | \$ 7,976 | \$ 7,976 |
| Year 2 | 7,976 | 7,976 | 7,976 |
| Year 3 | 7,976 | 7,976 | 7,976 |
| Year 4 | 7,976 | 7,976 | 7,976 |
| Year 5 | 7,976 | 7,976 | 7,976 |
| Year 6 onwards | <u>9,972</u> | <u>13,961</u> | <u>17,949</u> |
| | 49,852 | 53,841 | 57,829 |
| Less: Unearned finance income | (5,134) | (5,949) | (6,819) |
| Less: Allowance for impairment loss | <u>-</u> | <u>-</u> | <u>-</u> |
| Finance lease receivables | <u>\$ 44,718</u> | <u>\$ 47,892</u> | <u>\$ 51,010</u> |
| Current | \$ 6,515 | \$ 6,402 | \$ 6,291 |
| Noncurrent | <u>38,203</u> | <u>41,490</u> | <u>44,719</u> |
| | <u>\$ 44,718</u> | <u>\$ 47,892</u> | <u>\$ 51,010</u> |

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

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

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

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

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

The Group's expected credit loss rate ranges of receivables which were not overdue and receivables which were overdue were 0.05%-7.00% and 7.09%-100%, respectively.

The Group measures the loss allowance for finance lease receivables at an amount equal to lifetime ECLs. The respective leased equipment served as collateral for the finance lease receivables. As of June 30, 2021, December 31, 2020 and June 30, 2020, no finance lease receivable was past due. The Group has not recognized a loss allowance for finance lease receivables after taking into consideration the historical default experience and the future prospects of the industries in which the lessees operate, together with the value of collateral held over these finance lease receivables.

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

June 30, 2021

| | Not Overdue | Overdue up to 60 Days | Overdue 61 Days or More | Total |
|--------------------------------|---------------------|--------------------------------------|--|---------------------|
| Gross carrying amount | \$ 8,116,191 | \$ 641,919 | \$ 309,251 | \$ 9,067,361 |
| Loss allowance (lifetime ECLs) | <u>(531,401)</u> | <u>(70,798)</u> | <u>(177,523)</u> | <u>(779,722)</u> |
| Amortized cost | <u>\$ 7,584,790</u> | <u>\$ 571,121</u> | <u>\$ 131,728</u> | <u>\$ 8,287,639</u> |

December 31, 2020

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

June 30, 2020

| | Not Overdue | Overdue up to 60 Days | Overdue 61 Days or More | Total |
|--------------------------------|---------------------|--------------------------------------|--|---------------------|
| Gross carrying amount | \$ 7,274,685 | \$ 719,069 | \$ 409,877 | \$ 8,403,631 |
| Loss allowance (lifetime ECLs) | <u>(331,206)</u> | <u>(71,412)</u> | <u>(274,939)</u> | <u>(677,557)</u> |
| Amortized cost | <u>\$ 6,943,479</u> | <u>\$ 647,657</u> | <u>\$ 134,938</u> | <u>\$ 7,726,074</u> |

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

| | For the Six Months Ended June 30 | |
|--|---|-------------------|
| | 2021 | 2020 |
| Balance at January 1 | \$ 725,460 | \$ 679,136 |
| Add: Amounts recovered | 97,388 | 97,097 |
| Add: Net remeasurement of loss allowance | 142,384 | 137,527 |
| Less: Amounts written off | (185,449) | (236,129) |
| Foreign exchange gains and losses | <u>(61)</u> | <u>(74)</u> |
| Balance at June 30 | <u>\$ 779,722</u> | <u>\$ 677,557</u> |

10. INVENTORIES

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|--|---------------------|----------------------|---------------------|
| Cellular phone equipment and accessories | \$ 1,386,634 | \$ 2,663,920 | \$ 1,107,998 |
| Others | <u>432,950</u> | <u>452,892</u> | <u>479,725</u> |
| | <u>\$ 1,819,584</u> | <u>\$ 3,116,812</u> | <u>\$ 1,587,723</u> |

Costs of inventories sold were \$5,732,314 thousand and \$4,841,453 thousand for the three months ended June 30, 2021 and 2020, respectively, and \$12,870,284 thousand and \$10,302,759 thousand for the six months ended June 30, 2021 and 2020, respectively.

The (write-down) reversal of write-down of inventories amounting to \$(12,866) thousand, \$35,659 thousand, \$(7,382) thousand and \$33,426 thousand were included in the cost of sales for the three months and six months ended June 30, 2021 and 2020, respectively.

11. NONCURRENT ASSETS HELD FOR SALE

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|--|---------------------|----------------------|---------------|
| Properties and equipment held for sale | <u>\$ 1,857,022</u> | <u>\$ -</u> | <u>\$ -</u> |

The board of directors of NCIC, Far EasTone's subsidiary, resolved on February 25, 2021 to sell a part of NCIC's properties and equipment located in the Neihu District of Taipei City. On April 28, 2021, NCIC reached an agreement with MediaTek Inc., a non-related party, to sell the aforementioned properties and equipment for \$3,260,000 thousand. The related properties and equipment were reclassified as noncurrent assets held for sale. As of July 30, 2021, this transaction has been completed. The sales proceeds substantially exceeded the carrying amount of the related net assets and, accordingly, no impairment losses was incurred.

12. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

Main businesses and percentages of ownership are shown as follows:

| Investor Company | Investee Company | Main Businesses and Products | Percentage of Ownership (%) | | | Note |
|---------------------|------------------|---|-----------------------------|----------------------|---------------|---|
| | | | June 30, 2021 | December 31, 2020 | June 30, 2020 | |
| Far EasTone | NCIC | Telecommunications services | 100.00 | 100.00 | 100.00 | |
| | ARCOA | Sales of communications products and office equipment | 61.63 | 61.63 | 61.63 | |
| | KGEx.com | Telecommunications services | 99.99 | 99.99 | 99.99 | |
| | YSDT | Electronic information services | 96.18 | 96.18 | 96.18 | |
| | Yuan Cing | Call center services | 100.00 | 100.00 | 100.00 | |
| | FEIS | Investment | 100.00 | 100.00 | 100.00 | |
| | Yuan Bao | Data processing services and electronic information services | 100.00 | 100.00 | 100.00 | |
| FEIS | FEPIA | Property insurance agent | 100.00 | 100.00 | 100.00 | |
| | FETI | Computer software, data processing and network information services | - | - | - | Dissolved in 2020 with the approval of the local government |

(Continued)

| Investor Company | Investee Company | Main Businesses and Products | Percentage of Ownership (%) | | | Note |
|--------------------------|------------------------|--|-----------------------------|-------------------|---------------|---|
| | | | June 30, 2021 | December 31, 2020 | June 30, 2020 | |
| NCIC | ISSDU | Security and monitoring service via internet | 100.00 | 100.00 | 100.00 | |
| | DU (Cayman) | Investment | 100.00 | 100.00 | 100.00 | |
| | New Diligent | Investment | 100.00 | 100.00 | 100.00 | |
| | YSDT | Electronic information services | 0.67 | 0.67 | 0.67 | |
| | Prime Ecopower | Energy technology services | 100.00 | 100.00 | 100.00 | |
| | Nextlink | Electronic information services | 70.00 | 70.00 | 70.00 | |
| | Technology | | | | | |
| New Diligent | FEND | Investment | 100.00 | 100.00 | 100.00 | |
| | Sino Lead | Telecommunications services | 100.00 | 100.00 | 100.00 | |
| | New Diligent Hong Kong | Investment | 100.00 | 100.00 | 100.00 | |
| FEND | FETI | Computer software, data processing and network information services | - | - | - | Dissolved in 2020 with the approval of the local government |
| DU (Cayman) | DUIT | Design, research, installment and maintenance of computer software and systems | 100.00 | 100.00 | 100.00 | |
| ARCOA | DataExpress | Sale of communications products | 70.00 | 70.00 | 70.00 | Dissolved on April 1, 2020 due to the merger with DataExpress |
| DataExpress | Linkwell | Sale of communications products | - | - | - | |
| Nextlink Technology | Home Master | Sale of communications products | 100.00 | 100.00 | 100.00 | |
| | Microfusion | Electronic information services | 100.00 | 100.00 | 100.00 | |
| | Nextlink (HK) | Electronic information services | 100.00 | 100.00 | 100.00 | |
| | Technology | | | | | |
| Nextlink (HK) Technology | Microfusion (HK) | Electronic information services | 100.00 | 100.00 | - | |
| | Technology | | | | | |
| Nextlink (HK) Technology | Nextlink (SH) | Electronic information services | 100.00 | 100.00 | 100.00 | |

(Concluded)

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

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|--|---------------------|---------------------|---------------------|
| Material associate | | | |
| Far Eastern Electronic Toll Collection Co., Ltd. | \$ 1,346,458 | \$ 1,269,488 | \$ 1,136,310 |
| Associates that are not individually material | <u>623,983</u> | <u>412,030</u> | <u>437,376</u> |
| | <u>\$ 1,970,441</u> | <u>\$ 1,681,518</u> | <u>\$ 1,573,686</u> |

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

Material associate:

| Name of Associate | Nature of Activities | Main Place of Business | Interests and Voting Rights | | |
|--|---|------------------------|-----------------------------|-------------------|---------------|
| | | | June 30, 2021 | December 31, 2020 | June 30, 2020 |
| Far Eastern Electronic Toll Collection Co., Ltd. | Electronic information services and electronic toll collection services | Taiwan | 39.42% | 39.42% | 39.42% |

Far Eastern Electronic Toll Collection Co., Ltd.

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

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

14. PROPERTY, PLANT AND EQUIPMENT

| | Freehold Land | Buildings | Operating Equipment | Computer Equipment | Other Equipment | Construction-in-progress | Total |
|--|---------------------|-----------------------|------------------------|------------------------|-----------------------|--------------------------|------------------------|
| <u>Cost</u> | | | | | | | |
| Balance at January 1, 2021 | \$ 7,191,408 | \$ 9,648,717 | \$ 85,563,488 | \$ 13,916,984 | \$ 6,679,501 | \$ 2,554,932 | \$ 125,555,030 |
| Additions | - | 4,555 | 1,980 | 4,150 | 21,280 | 6,619,087 | 6,651,052 |
| Disposals | - | (9,612) | (1,167,892) | (121,460) | (121,901) | (1,665) | (1,422,530) |
| Reclassified as held for sale | (1,094,244) | (943,282) | (42,809) | - | (39,561) | - | (2,119,896) |
| Adjustments and reclassification | 10,008 | 168,602 | 5,554,821 | 326,629 | 91,899 | (6,151,959) | - |
| Balance at June 30, 2021 | <u>\$ 6,107,172</u> | <u>\$ 8,868,980</u> | <u>\$ 89,909,588</u> | <u>\$ 14,126,303</u> | <u>\$ 6,631,218</u> | <u>\$ 3,020,395</u> | <u>\$ 128,663,656</u> |
| <u>Accumulated depreciation and impairment</u> | | | | | | | |
| Balance at January 1, 2021 | \$ (95,894) | \$ (4,399,769) | \$ (63,816,330) | \$ (13,096,501) | \$ (5,941,001) | \$ - | \$ (87,349,495) |
| Depreciation expense | - | (142,367) | (3,458,464) | (255,480) | (112,793) | - | (3,969,104) |
| Disposals | - | 9,612 | 957,018 | 121,244 | 120,232 | - | 1,208,106 |
| Reclassified as held for sale | 36,037 | 344,747 | 41,206 | - | 38,202 | - | 460,192 |
| Adjustments and reclassification | - | - | - | (147) | 147 | - | - |
| Balance at June 30, 2021 | <u>\$ (59,857)</u> | <u>\$ (4,187,777)</u> | <u>\$ (66,276,570)</u> | <u>\$ (13,230,884)</u> | <u>\$ (5,895,213)</u> | <u>\$ -</u> | <u>\$ (89,650,301)</u> |
| Carrying amount at January 1, 2021 | <u>\$ 7,095,514</u> | <u>\$ 5,248,948</u> | <u>\$ 21,747,158</u> | <u>\$ 820,483</u> | <u>\$ 738,500</u> | <u>\$ 2,554,932</u> | <u>\$ 38,205,535</u> |
| Carrying amount at June 30, 2021 | <u>\$ 6,047,315</u> | <u>\$ 4,681,203</u> | <u>\$ 23,633,018</u> | <u>\$ 895,419</u> | <u>\$ 736,005</u> | <u>\$ 3,020,395</u> | <u>\$ 39,013,355</u> |
| <u>Cost</u> | | | | | | | |
| Balance at January 1, 2020 | \$ 7,034,392 | \$ 7,980,284 | \$ 81,405,422 | \$ 14,079,672 | \$ 6,427,921 | \$ 2,445,310 | \$ 119,373,001 |
| Additions | - | 1,760 | - | 1,955 | 71,920 | 2,818,636 | 2,894,271 |
| Disposals | - | (72,369) | (802,818) | (197,985) | (132,407) | (12,162) | (1,217,741) |
| Adjustments and reclassification | - | 100,716 | 1,180,654 | 166,841 | 135,513 | (1,583,724) | - |
| Balance at June 30, 2020 | <u>\$ 7,034,392</u> | <u>\$ 8,010,391</u> | <u>\$ 81,783,258</u> | <u>\$ 14,050,483</u> | <u>\$ 6,502,947</u> | <u>\$ 3,668,060</u> | <u>\$ 121,049,531</u> |
| <u>Accumulated depreciation and impairment</u> | | | | | | | |
| Balance at January 1, 2020 | \$ (95,894) | \$ (4,267,375) | \$ (59,881,952) | \$ (12,996,513) | \$ (5,873,519) | \$ - | \$ (83,115,253) |
| Depreciation expense | - | (106,149) | (3,540,527) | (329,898) | (144,965) | - | (4,121,539) |
| Disposals | - | 30,641 | 485,952 | 197,089 | 129,540 | - | 843,222 |
| Adjustments and reclassification | - | - | - | - | - | - | - |
| Balance at June 30, 2020 | <u>\$ (95,894)</u> | <u>\$ (4,342,883)</u> | <u>\$ (62,936,527)</u> | <u>\$ (13,129,322)</u> | <u>\$ (5,888,944)</u> | <u>\$ -</u> | <u>\$ (86,393,570)</u> |
| Carrying amount at June 30, 2020 | <u>\$ 6,938,498</u> | <u>\$ 3,667,508</u> | <u>\$ 18,846,731</u> | <u>\$ 921,161</u> | <u>\$ 614,003</u> | <u>\$ 3,668,060</u> | <u>\$ 34,655,961</u> |

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

| | |
|--------------------------|-------------|
| Buildings | |
| Main buildings | 33-55 years |
| Other building equipment | 3-45 years |
| Operating equipment | 3-26 years |
| Computer equipment | 1-10 years |
| Other equipment | 1-20 years |

15. LEASE ARRANGEMENTS

a. Right-of-use assets

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|--|---|----------------------|---|
| <u>Carrying amount</u> | | | |
| Land | \$ 936 | \$ 1,368 | \$ - |
| Buildings | 8,272,484 | 8,428,566 | 8,083,078 |
| Other equipment | <u>231,916</u> | <u>203,770</u> | <u>224,655</u> |
| | <u>\$ 8,505,336</u> | <u>\$ 8,633,704</u> | <u>\$ 8,307,733</u> |
| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 |
| | 2021 | 2020 | 2021 |
| | | | 2020 |
| Additions to right-of-use assets | | | <u>\$ 1,744,330</u> |
| Depreciation charge for right-of-use assets | | | <u>\$ 1,966,525</u> |
| Land | \$ 216 | \$ - | \$ 432 |
| Buildings | 851,231 | 863,461 | 1,706,311 |
| Other equipment | <u>33,572</u> | <u>33,055</u> | <u>65,746</u> |
| | <u>\$ 885,019</u> | <u>\$ 896,516</u> | <u>\$ 1,772,489</u> |
| | | | <u>\$ 1,803,778</u> |

Except for the aforementioned additions and recognized depreciation, the Group did not have any significant sublease or impairment of right-of-use assets during the six months ended June 30, 2021 and 2020.

b. Lease liabilities

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|------------------------|---------------------|----------------------|---------------------|
| <u>Carrying amount</u> | | | |
| Current | <u>\$ 2,984,403</u> | <u>\$ 2,758,815</u> | <u>\$ 2,908,101</u> |
| Noncurrent | <u>\$ 5,218,461</u> | <u>\$ 5,397,645</u> | <u>\$ 5,170,630</u> |

Discount rate ranges for lease liabilities were as follows:

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|-----------------|----------------------|------------------------------|----------------------|
| Land | 0.62% | 0.62% | - |
| Buildings | 0.51%-1.44% | 0.53%-1.44% | 0.60%-1.44% |
| Other equipment | 0.51%-0.99% | 0.53%-0.99% | 0.60%-0.99% |

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

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

d. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties are set out in Note 16.

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|------------------|---|-----------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Expenses relating to short-term leases | <u>\$ 27,804</u> | <u>\$ 16,268</u> | <u>\$ 52,847</u> | <u>\$ 24,459</u> |
| Expenses relating to variable lease payments not included in the measurement of lease liabilities | <u>\$ 8,373</u> | <u>\$ 8,050</u> | <u>\$ 16,715</u> | <u>\$ 16,540</u> |
| Total cash outflow for leases | | | <u>\$ (1,628,114)</u> | <u>\$ (1,639,518)</u> |

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

16. INVESTMENT PROPERTIES

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|----------------------------------|----------------------|------------------------------|----------------------|
| Balance of investment properties | <u>\$ 641,246</u> | <u>\$ 838,564</u> | <u>\$ 983,635</u> |

For the six months ended June 30, 2021, the change in the balance of the Group's investment properties resulted from reclassification to noncurrent assets held for sale.

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:

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|----------------|----------------------|------------------------------|----------------------|
| Year 1 | \$ 12,763 | \$ 13,803 | \$ 18,017 |
| Year 2 | 8,470 | 10,250 | 11,462 |
| Year 3 | 4,460 | 4,576 | 5,977 |
| Year 4 | 4,433 | 93 | 1,093 |
| Year 5 | 3,374 | - | - |
| Year 6 onwards | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 33,500</u> | <u>\$ 28,722</u> | <u>\$ 36,549</u> |

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

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|-----------------------|----------------------|------------------------------|----------------------|
| Independent valuation | <u>\$ 641,246</u> | <u>\$ 838,564</u> | <u>\$ 983,635</u> |

The above fair value measurement has taken into consideration market volatility as a result of the COVID-19 pandemic.

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 valutors Mr. Tsai, Chia-Ho and Mr. Lee, Ken-Yuan. The aforementioned valutors are from DTZ Cushman & Wakefield, a member of certified ROC real estate appraisers. After consultation with the appraisers, the Group determined that the fair values reported at December 31, 2020 and 2019 were still valid as of June 30, 2021 and 2020, respectively.

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.

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|-----------------------------------|----------------------|------------------------------|----------------------|
| Expected future cash inflows | \$ 800,262 | \$ 1,048,890 | \$ 1,626,536 |
| Expected future cash outflows | <u>(19,632)</u> | <u>(31,212)</u> | <u>(46,629)</u> |
| Expected future cash inflows, net | <u>\$ 780,630</u> | <u>\$ 1,017,678</u> | <u>\$ 1,579,907</u> |
| Discount rate | 2.01%-2.20% | 2.01%-2.20% | 2.00%-2.29% |

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

All of the investment properties have been leased out under operating leases. The rental incomes generated were \$4,352 thousand and \$4,931 thousand for the three months ended June 30, 2021 and 2020, respectively, and \$8,690 thousand and \$10,741 thousand for the six months ended June 30, 2021 and 2020, 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%.

17. INTANGIBLE ASSETS

| | Concessions | Goodwill | Computer Software | Other Intangible Assets | Total |
|--|------------------------|----------------------|------------------------|-------------------------|------------------------|
| <u>Cost</u> | | | | | |
| Balance at January 1, 2021 | \$ 90,002,000 | \$ 11,194,104 | \$ 18,531,583 | \$ 852,527 | \$ 120,580,214 |
| Additions | - | - | 287,652 | 9,524 | 297,176 |
| Disposals | - | - | (153,449) | - | (153,449) |
| Balance at June 30, 2021 | <u>\$ 90,002,000</u> | <u>\$ 11,194,104</u> | <u>\$ 18,665,786</u> | <u>\$ 862,051</u> | <u>\$ 120,723,941</u> |
| <u>Accumulated amortization and impairment</u> | | | | | |
| Balance at January 1, 2021 | \$ (14,969,229) | \$ (17,273) | \$ (15,654,384) | \$ (549,557) | \$ (31,190,443) |
| Amortization | (2,543,290) | - | (514,255) | (29,493) | (3,087,038) |
| Disposals | - | - | 140,577 | - | 140,577 |
| Balance at June 30, 2021 | <u>\$ (17,512,519)</u> | <u>\$ (17,273)</u> | <u>\$ (16,028,062)</u> | <u>\$ (579,050)</u> | <u>\$ (34,136,904)</u> |
| Carrying amount at January 1, 2021 | <u>\$ 75,032,771</u> | <u>\$ 11,176,831</u> | <u>\$ 2,877,199</u> | <u>\$ 302,970</u> | <u>\$ 89,389,771</u> |
| Carrying amount at June 30, 2021 | <u>\$ 72,489,481</u> | <u>\$ 11,176,831</u> | <u>\$ 2,637,724</u> | <u>\$ 283,001</u> | <u>\$ 86,587,037</u> |
| <u>Cost</u> | | | | | |
| Balance at January 1, 2020 | \$ 46,960,000 | \$ 11,194,104 | \$ 17,830,546 | \$ 852,527 | \$ 76,837,177 |
| Additions | 43,042,000 | - | 293,373 | - | 43,335,373 |
| Disposals | - | - | (16,826) | - | (16,826) |
| Balance at June 30, 2020 | <u>\$ 90,002,000</u> | <u>\$ 11,194,104</u> | <u>\$ 18,107,093</u> | <u>\$ 852,527</u> | <u>\$ 120,155,724</u> |

(Continued)

| | Concessions | Goodwill | Computer Software | Other Intangible Assets | Total |
|--|------------------------|----------------------|--------------------------|--------------------------------|-------------------------------------|
| <u>Accumulated amortization and impairment</u> | | | | | |
| Balance at January 1, 2020 | \$ (11,107,631) | \$ (17,273) | \$ (14,687,183) | \$ (490,573) | \$ (26,302,660) |
| Amortization | (1,495,799) | - | (499,778) | (29,493) | (2,025,070) |
| Disposals | <u>-</u> | <u>-</u> | <u>16,823</u> | <u>-</u> | <u>16,823</u> |
| Balance at June 30, 2020 | <u>\$ (12,603,430)</u> | <u>\$ (17,273)</u> | <u>\$ (15,170,138)</u> | <u>\$ (520,066)</u> | <u>\$ (28,310,907)</u> |
| Carrying amount at June 30, 2020 | <u>\$ 77,398,570</u> | <u>\$ 11,176,831</u> | <u>\$ 2,936,955</u> | <u>\$ 332,461</u> | <u>\$ 91,844,817</u> (Concluded) |

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

| | |
|-------------------------|-----------------|
| Concessions | 14 to 21 years |
| Computer software | 1 to 6 years |
| Other intangible assets | 4 to 15.5 years |

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

18. OTHER NONCURRENT ASSETS

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|---------------------|----------------------|--------------------------|----------------------|
| Refundable deposits | \$ 1,025,680 | \$ 1,021,556 | \$ 1,096,106 |
| Others | <u>123,841</u> | <u>148,634</u> | <u>152,502</u> |
| | <u>\$ 1,149,521</u> | <u>\$ 1,170,190</u> | <u>\$ 1,248,608</u> |

19. BORROWINGS

a. Short-term borrowings

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|-----------------------------|----------------------|--------------------------|----------------------|
| <u>Unsecured borrowings</u> | | | |
| Credit loans | <u>\$ 350,000</u> | <u>\$ 377,764</u> | <u>\$ 568,770</u> |
| Interest rate range | 1.00%-1.60% | 0.66%-1.65% | 0.69%-1.65% |

b. Short-term bills payable

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|-------------------------------------|-------------------|----------------------|-------------------|
| <u>Unsecured borrowings</u> | | | |
| Commercial papers payable | \$ 320,000 | \$ 390,000 | \$ 405,000 |
| Less: Unamortized discount | <u>(303)</u> | <u>(285)</u> | <u>(298)</u> |
| | <u>319,697</u> | <u>389,715</u> | <u>404,702</u> |
| <u>Secured borrowings</u> | | | |
| Commercial papers payable | 12,500 | - | - |
| Less: Unamortized discount | <u>(5)</u> | <u>-</u> | <u>-</u> |
| | <u>12,495</u> | <u>-</u> | <u>-</u> |
| Short-term bills payable | <u>\$ 332,192</u> | <u>\$ 389,715</u> | <u>\$ 404,702</u> |
| <u>Interest rate range</u> | | | |
| Unsecured commercial papers payable | 1.04%-1.59% | 0.38%-1.59% | 0.57%-1.59% |
| Secured commercial papers payable | 1.70% | - | - |

c. Long-term borrowings

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|---|----------------------|----------------------|----------------------|
| <u>Unsecured borrowings</u> | | | |
| Credit loans | \$ 18,300,000 | \$ 27,650,000 | \$ 28,350,000 |
| Long-term commercial papers payable | 17,400,000 | 12,000,000 | 12,000,000 |
| Less: Unamortized discount on commercial papers payable | <u>(15,484)</u> | <u>(4,072)</u> | <u>(4,170)</u> |
| | <u>35,684,516</u> | <u>39,645,928</u> | <u>40,345,830</u> |
| <u>Secured borrowings</u> | | | |
| Bank loans | 142,126 | 75,535 | - |
| Less: Current portion | (9,732) | - | - |
| Long-term commercial papers payable | - | 12,700 | - |
| Less: Unamortized discount on commercial papers payable | <u>-</u> | <u>(4)</u> | <u>-</u> |
| | <u>132,394</u> | <u>88,231</u> | <u>-</u> |
| Long-term borrowings | <u>\$ 35,816,910</u> | <u>\$ 39,734,159</u> | <u>\$ 40,345,830</u> |
| <u>Interest rate range</u> | | | |
| Credit loans | 0.76%-0.89% | 0.68%-0.99% | 0.70%-1.05% |
| Unsecured commercial papers payable | 0.62%-0.91% | 0.85%-0.91% | 0.87%-0.93% |
| Secured bank loans | 1.50%-1.70% | 1.60%-1.70% | - |
| Secured commercial papers payable | - | 1.70% | - |

- 1) The credit loans are payable in New Taiwan dollars. Repayment of principal will be made in full on maturity together with interest payment. Under some contracts, loans are treated as revolving credit facilities, and the maturity dates of the loans are based on the terms as specified in the contracts. The repayment dates of the loans are no later than June 2023.
- 2) The commercial papers payable are treated as revolving credit facilities under contracts. The repayment dates of the commercial papers payable are no later than May 2024.
- 3) For related information on the property, plant and equipment that have been pledged as collateral for the secured borrowings, see Note 33.

20. BONDS PAYABLE

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|-----------------------------------|----------------------|----------------------|----------------------|
| 2016 1st unsecured domestic bonds | \$ 5,199,143 | \$ 5,198,304 | \$ 5,197,465 |
| 2017 1st unsecured domestic bonds | 4,498,805 | 4,498,076 | 4,497,347 |
| 2017 2nd unsecured domestic bonds | 1,998,388 | 1,998,135 | 1,997,881 |
| 2017 3rd unsecured domestic bonds | 2,997,850 | 2,997,441 | 2,997,032 |
| 2018 1st unsecured domestic bonds | 4,996,722 | 4,996,193 | 4,995,664 |
| 2019 1st unsecured domestic bonds | 4,995,826 | 4,995,240 | 4,994,653 |
| 2019 2nd unsecured domestic bonds | 3,096,350 | 3,096,037 | 3,095,724 |
| 2020 1st unsecured domestic bonds | 4,994,761 | 4,994,267 | 4,993,774 |
| 2020 2nd unsecured domestic bonds | 998,305 | 998,161 | 998,018 |
| 2021 1st unsecured domestic bonds | <u>1,197,512</u> | <u>-</u> | <u>-</u> |
| | 34,973,662 | 33,771,854 | 33,767,558 |
| Less: Current portion | <u>(9,697,948)</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 25,275,714</u> | <u>\$ 33,771,854</u> | <u>\$ 33,767,558</u> |

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

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

On June 4, 2021, Far EasTone issued the first seven-year unsecured domestic bonds of 2021, with an aggregate principal amount of \$1,200,000 thousand, a par value of \$10,000 thousand and a coupon interest rate of 0.55%. Interest is paid annually starting from the date of issuance and the principal will be repaid in full on the maturity date.

21. OTHER LIABILITIES

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|--|----------------------|----------------------|----------------------|
| <u>Current</u> | | | |
| Other payables | | | |
| Dividends | \$ 10,590,149 | \$ - | \$ 10,674,557 |
| Acquisition of properties | 2,920,469 | 1,361,194 | 1,583,307 |
| Salaries and bonuses | 1,348,792 | 1,619,412 | 1,280,594 |
| Commission | 772,305 | 864,214 | 841,648 |
| Maintenance fees | 510,777 | 555,498 | 502,888 |
| Compensation of employees and remuneration of directors | 227,320 | 304,824 | 257,776 |
| Others | <u>1,353,978</u> | <u>1,431,770</u> | <u>1,421,221</u> |
| | <u>\$ 17,723,790</u> | <u>\$ 6,136,912</u> | <u>\$ 16,561,991</u> |

22. PROVISIONS

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|----------------------------------|---------------------|-----------------------------------|-----------------------------|
| <u>Current</u> | | | |
| Dismantling obligation | \$ 134,240 | \$ 133,219 | \$ 133,219 |
| Product warranty | <u>53,913</u> | <u>51,293</u> | <u>47,129</u> |
| | <u>\$ 188,153</u> | <u>\$ 184,512</u> | <u>\$ 180,348</u> |
| <u>Noncurrent</u> | | | |
| Dismantling obligation | <u>\$ 1,114,794</u> | <u>\$ 1,049,170</u> | <u>\$ 988,881</u> |
| | | Dismantling Obligation | Product Warranty |
| Balance at January 1, 2021 | | \$ 1,182,389 | \$ 51,293 |
| Additional provisions recognized | | 70,061 | 6,459 |
| Reductions arising from payments | | <u>(3,416)</u> | <u>(3,839)</u> |
| Balance at June 30, 2021 | | <u>\$ 1,249,034</u> | <u>\$ 53,913</u> |
| Balance at January 1, 2020 | | \$ 1,094,702 | \$ 46,945 |
| Additional provisions recognized | | 30,097 | 7,405 |
| Reductions arising from payments | | <u>(2,699)</u> | <u>(7,221)</u> |
| Balance at June 30, 2020 | | <u>\$ 1,122,100</u> | <u>\$ 47,129</u> |

23. RETIREMENT BENEFIT PLANS

For defined benefit plans, employee benefit expenses amounted to \$3,195 thousand and \$3,432 thousand for the three months ended June 30, 2021 and 2020, respectively, and \$6,389 thousand and \$6,864 thousand for the six months ended June 30, 2021 and 2020, respectively, which were calculated by using the actuarially determined pension cost discount rates as of December 31, 2020 and 2019, respectively.

24. EQUITY

a. Capital stock

1) Common stock

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|--|----------------------|----------------------|----------------------|
| Stock authorized (in thousands) | <u>4,200,000</u> | <u>4,200,000</u> | <u>4,200,000</u> |
| Capital authorized | <u>\$ 42,000,000</u> | <u>\$ 42,000,000</u> | <u>\$ 42,000,000</u> |
| Issued and fully paid stock (in thousands) | <u>3,258,501</u> | <u>3,258,501</u> | <u>3,258,501</u> |
| Issued capital | <u>\$ 32,585,008</u> | <u>\$ 32,585,008</u> | <u>\$ 32,585,008</u> |

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

2) Global depositary receipts (GDRs)

Since 2004, part of Far EasTone's issued common stock have been trading on the Luxembourg Stock Exchange in the form of GDRs. One GDR unit represents 15 shares of Far EasTone's common stock. As of June 30, 2021, December 31, 2020 and June 30, 2020, there were 194 thousand, 198 thousand and 198 thousand units of GDRs outstanding, representing 2,917 thousand, 2,967 thousand and 2,967 thousand common stock, respectively.

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

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

On May 6, 2021, the board of directors of Far EasTone resolved to cease the trading of Far EasTone's issued common stock on the Luxembourg Stock Exchange in the form of GDRs. The GDRs have been delisted on July 26, 2021.

b. Capital surplus

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|--|---------------------|----------------------|---------------------|
| From business combinations | \$ 2,375,798 | \$ 5,686,435 | \$ 5,686,435 |
| Share of changes in equities of associates | <u>15,016</u> | <u>14,986</u> | <u>7</u> |
| | <u>\$ 2,390,814</u> | <u>\$ 5,701,421</u> | <u>\$ 5,686,442</u> |

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

c. Retained earnings and dividend policy

Under the dividend policy as set forth in Far EasTone's articles of incorporation (the "Articles"), where Far EasTone made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses in previous years, setting aside 10% of the net profit after tax plus the items other than the net profit after tax which is included in the current year's retained earnings as legal reserve, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by Far EasTone's board of directors as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for 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 26 d. compensation of employees and remuneration of directors.

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

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

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

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

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

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

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

In response to the FSC's announcement: "Measures for Public Companies to Postpone Shareholders' Meetings for Pandemic Prevention", Far EasTone postponed the stockholders' meeting to July 22, 2021. However, the voting result by way of electronic transmission regarding the appropriation of earnings for 2020 and the cash distribution from the additional paid-in capital from business combinations reached the legal resolution threshold and Far EasTone adjusted the related amount accordingly.

As of June 30, 2021 and 2020, cash dividends of \$10,590,128 thousand and \$10,590,128 thousand were included in other payables with July 31, 2021 and July 20, 2020, respectively, as the ex-right record dates for cash dividend distribution.

d. Special reserve

| | For the Six Months Ended June 30 | |
|--|---|-------------------|
| | 2021 | 2020 |
| Beginning balance | \$ 598,988 | \$ 606,730 |
| Appropriation (reversal) in respect of | | |
| Application of the fair value model to investment properties | 24,645 | (7,742) |
| Debits to other equity items | <u>99,883</u> | <u>-</u> |
| Ending balance | <u>\$ 723,516</u> | <u>\$ 598,988</u> |

e. Other equity items

Adjustments to other equity items for the six months ended June 30, 2021 and 2020 are summarized as follows:

| | Exchange Differences on Translating the Financial Statements of Foreign Operations | Unrealized Gains and Losses on Financial Assets at Fair Value through Other Comprehen- sive Income | Gains and Losses on Hedging Instruments | Total |
|---|---|---|--|---------------------|
| <u>For the six months ended June 30, 2021</u> | | | | |
| Beginning balance | \$ (20,598) | \$ (75,931) | \$ (3,354) | \$ (99,883) |
| Recorded as adjustments to stockholders' equity | (3,133) | 4,666 | - | 1,533 |
| Share of the other comprehensive income of associates | <u>(9,821)</u> | <u>578</u> | <u>3,288</u> | <u>(5,955)</u> |
| Ending balance | <u>\$ (33,552)</u> | <u>\$ (70,687)</u> | <u>\$ (66)</u> | <u>\$ (104,305)</u> |

(Continued)

| | Exchange Differences on Translating the Financial Statements of Foreign Operations | Unrealized Gains and Losses on Financial Assets at Fair Value through Other Comprehen- sive Income | Gains and Losses on Hedging Instruments | Total |
|---|--|---|--|--------------------|
| <u>For the six months ended June 30, 2020</u> | | | | |
| Beginning balance | \$ (9,717) | \$ 25,180 | \$ (12,254) | \$ 3,209 |
| Recorded as adjustments to stockholders' equity | (5,962) | (56,338) | - | (62,300) |
| Share of the other comprehensive income of associates | <u>(3,837)</u> | <u>(590)</u> | <u>5,492</u> | <u>1,065</u> |
| Ending balance | <u>\$ (19,516)</u> | <u>\$ (31,748)</u> | <u>\$ (6,762)</u> | <u>\$ (58,026)</u> |
| | | | | (Concluded) |

f. Noncontrolling interests

| | For the Six Months Ended June 30 | |
|--|---|-------------------|
| | 2021 | 2020 |
| Beginning balance | \$ 933,515 | \$ 842,465 |
| Share of profit | 44,476 | 30,322 |
| Other comprehensive income during the period | | |
| Exchange differences on translating the financial statements of foreign operations | (52) | (23) |
| Cash dividends distributed by subsidiaries | (21) | (84,449) |
| Equity transactions | <u>-</u> | <u>85,219</u> |
| Ending balance | <u>\$ 977,918</u> | <u>\$ 873,534</u> |

25. REVENUE

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|------------------------------------|---|----------------------|---|----------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Contract revenue | | | | |
| Sales of inventories | \$ 5,701,136 | \$ 4,875,578 | \$ 12,814,594 | \$ 10,416,102 |
| Telecommunications service revenue | 11,274,720 | 11,365,689 | 22,513,557 | 22,833,549 |
| Other revenue | <u>2,038,166</u> | <u>2,019,176</u> | <u>4,045,512</u> | <u>4,000,020</u> |
| | 19,014,022 | 18,260,443 | 39,373,663 | 37,249,671 |
| Other operating revenue | <u>483,959</u> | <u>414,296</u> | <u>960,093</u> | <u>813,908</u> |
| | <u>\$ 19,497,981</u> | <u>\$ 18,674,739</u> | <u>\$ 40,333,756</u> | <u>\$ 38,063,579</u> |

a. Contract balances

| | June 30, 2021 | December 31, 2020 | June 30, 2020 | January 1, 2020 |
|-------------------------------------|----------------------|------------------------------|----------------------|----------------------------|
| Contract assets | | | | |
| Bundle sale of goods | \$ 7,237,506 | \$ 7,274,473 | \$ 6,755,273 | \$ 6,655,168 |
| Others | 1,007,723 | 924,052 | 1,105,840 | - |
| Less: Allowance for impairment loss | <u>(135,925)</u> | <u>(135,925)</u> | <u>(135,925)</u> | <u>(135,925)</u> |
| | <u>\$ 8,109,304</u> | <u>\$ 8,062,600</u> | <u>\$ 7,725,188</u> | <u>\$ 6,519,243</u> |
| Contract assets - current | \$ 4,842,190 | \$ 4,840,684 | \$ 4,774,787 | \$ 4,186,206 |
| Contract assets - noncurrent | <u>3,267,114</u> | <u>3,221,916</u> | <u>2,950,401</u> | <u>2,333,037</u> |
| | <u>\$ 8,109,304</u> | <u>\$ 8,062,600</u> | <u>\$ 7,725,188</u> | <u>\$ 6,519,243</u> |
| Contract liabilities | | | | |
| Goods | \$ 143,767 | \$ 174,842 | \$ 95,574 | \$ 119,538 |
| Services | 2,056,966 | 2,204,726 | 2,078,690 | 2,131,740 |
| Others | <u>648,585</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 2,849,318</u> | <u>\$ 2,379,568</u> | <u>\$ 2,174,264</u> | <u>\$ 2,251,278</u> |
| Contract liabilities - current | \$ 2,648,655 | \$ 2,190,246 | \$ 1,974,754 | \$ 2,040,678 |
| Contract liabilities - noncurrent | <u>200,663</u> | <u>189,322</u> | <u>199,510</u> | <u>210,600</u> |
| | <u>\$ 2,849,318</u> | <u>\$ 2,379,568</u> | <u>\$ 2,174,264</u> | <u>\$ 2,251,278</u> |

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

For the six months ended June 30, 2021 and 2020, the changes in contract asset and contract liability balances primarily resulted from the timing difference between the Group's satisfaction of performance obligations and the respective customer's payment. Except for the above changes, there are no other significant changes.

b. Assets related to contract costs

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|--|----------------------|------------------------------|----------------------|
| Current | | | |
| Costs to fulfill a contract (included in other current assets) | <u>\$ 8,308</u> | <u>\$ 10,554</u> | <u>\$ 3,036</u> |
| Noncurrent | | | |
| Incremental costs of obtaining a contract | <u>\$ 3,632,344</u> | <u>\$ 3,490,644</u> | <u>\$ 3,355,876</u> |

1) Costs to fulfill a contract

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

2) Incremental costs of obtaining a contract

The Group considered its past experience and believes the commission and subsidies paid for obtaining contracts are wholly recoverable. Total expenses recognized were \$757,391 thousand and \$735,273 thousand for the three months ended June 30, 2021 and 2020, respectively, and \$1,524,222 thousand and \$1,453,093 thousand for the six months ended June 30, 2021 and 2020, respectively.

c. Disaggregation of revenue

Refer to Note 38 for information about the disaggregation of revenue.

26. CONSOLIDATED NET INCOME

a. Financial costs

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---------------------------------------|-------------------|-------------------------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Interest on financial liabilities measured at amortized cost | \$ 155,888 | \$ 163,918 | \$ 314,729 | \$ 294,067 |
| Interest on lease liabilities | 16,576 | 18,579 | 33,908 | 38,010 |
| Other financial costs | <u>942</u> | <u>1,536</u> | <u>2,321</u> | <u>4,422</u> |
| | <u>\$ 173,406</u> | <u>\$ 184,033</u> | <u>\$ 350,958</u> | <u>\$ 336,499</u> |

b. Depreciation and amortization

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---------------------------------------|---------------------|-------------------------------------|---------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Property, plant and equipment | \$ 1,985,139 | \$ 2,005,368 | \$ 3,969,104 | \$ 4,121,539 |
| Right-of-use assets | 885,019 | 896,516 | 1,772,489 | 1,803,778 |
| Intangible assets | <u>272,059</u> | <u>265,363</u> | <u>543,748</u> | <u>529,271</u> |
| | <u>\$ 3,142,217</u> | <u>\$ 3,167,247</u> | <u>\$ 6,285,341</u> | <u>\$ 6,454,588</u> |
| Depreciation expense categorized by function | | | | |
| Operating costs | \$ 2,568,975 | \$ 2,561,187 | \$ 5,119,856 | \$ 5,231,816 |
| Operating expenses | <u>301,183</u> | <u>340,697</u> | <u>621,737</u> | <u>693,501</u> |
| | <u>\$ 2,870,158</u> | <u>\$ 2,901,884</u> | <u>\$ 5,741,593</u> | <u>\$ 5,925,317</u> |
| Amortization expense categorized by function | | | | |
| Operating costs | \$ 55,908 | \$ 61,249 | \$ 110,443 | \$ 123,893 |
| Marketing expenses | 71,354 | 62,632 | 141,176 | 122,407 |
| General and administrative expenses | <u>144,797</u> | <u>141,482</u> | <u>292,129</u> | <u>282,971</u> |
| | <u>\$ 272,059</u> | <u>\$ 265,363</u> | <u>\$ 543,748</u> | <u>\$ 529,271</u> |

c. Employee benefits expense

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|----------------------------|---|---------------------|---|---------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Retirement benefits | | | | |
| Defined contribution plans | \$ 72,941 | \$ 42,871 | \$ 145,957 | \$ 85,729 |
| Defined benefit plans | <u>3,195</u> | <u>3,432</u> | <u>6,389</u> | <u>6,864</u> |
| | <u>76,136</u> | <u>46,303</u> | <u>152,346</u> | <u>92,593</u> |
| Other employee benefits | | | | |
| Salary | 1,433,632 | 1,448,362 | 2,889,018 | 2,945,340 |
| Insurance | 139,093 | 132,431 | 279,579 | 265,996 |
| Others | <u>75,314</u> | <u>74,029</u> | <u>153,660</u> | <u>156,504</u> |
| | <u>1,648,039</u> | <u>1,654,822</u> | <u>3,322,257</u> | <u>3,367,840</u> |
| | <u>\$ 1,724,175</u> | <u>\$ 1,701,125</u> | <u>\$ 3,474,603</u> | <u>\$ 3,460,433</u> |
| Categorized by function | | | | |
| Operating costs | \$ 266,107 | \$ 291,363 | \$ 518,282 | \$ 603,974 |
| Operating expenses | <u>1,458,068</u> | <u>1,409,762</u> | <u>2,956,321</u> | <u>2,856,459</u> |
| | <u>\$ 1,724,175</u> | <u>\$ 1,701,125</u> | <u>\$ 3,474,603</u> | <u>\$ 3,460,433</u> |

d. Compensation of employees and remuneration of directors

Far EasTone distributes compensation of employees and remuneration of directors at rates of 1% to 2% and no higher than 1%, respectively, of income before income tax, compensation of employees and remuneration of directors. For the three months and six months ended June 30, 2021 and 2020, the compensation of employees and the remuneration of directors represented 2% and 0.72%, respectively, of income before income tax, compensation of employees and remuneration of directors.

The accrued compensation of employees and remuneration of directors for the three months and six months ended June 30, 2021 and 2020 were as follows:

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---------------------------|---|------------------|---|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Compensation of employees | <u>\$ 46,189</u> | <u>\$ 55,559</u> | <u>\$ 88,755</u> | <u>\$ 111,810</u> |
| Remuneration of directors | <u>\$ 16,628</u> | <u>\$ 20,002</u> | <u>\$ 31,952</u> | <u>\$ 40,252</u> |

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

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

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

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

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

27. INCOME TAX

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|--|---------------------------------------|-------------------|-------------------------------------|---------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Current tax | \$ 370,256 | \$ 482,136 | \$ 777,346 | \$ 972,976 |
| Deferred tax | <u>38,197</u> | <u>47,073</u> | <u>8,723</u> | <u>68,814</u> |
| Income tax expense recognized in profit or loss | <u>\$ 408,453</u> | <u>\$ 529,209</u> | <u>\$ 786,069</u> | <u>\$ 1,041,790</u> |

b. Income tax recognized in other comprehensive income

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|--|---------------------------------------|-----------------|-------------------------------------|-----------------|
| | 2021 | 2020 | 2021 | 2020 |
| <u>Deferred tax</u> | | | | |
| In respect of the current period | | | | |
| Fair value changes of financial assets at fair value through other comprehensive income | <u>\$ (274)</u> | <u>\$ 2,803</u> | <u>\$ 153</u> | <u>\$ 2,754</u> |

c. Income tax assessments

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

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

28. EARNINGS PER SHARE

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

Net Income for the Period

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|--|---------------------------------------|---------------------|-------------------------------------|---------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Net income for the period attributable to Far EasTone | \$ 1,972,607 | \$ 2,238,797 | \$ 3,784,095 | \$ 4,410,993 |
| Effect of potentially dilutive common stock: | | | | |
| Compensation of employees | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Earnings used in the calculation of diluted earnings per share | <u>\$ 1,972,607</u> | <u>\$ 2,238,797</u> | <u>\$ 3,784,095</u> | <u>\$ 4,410,993</u> |

Weighted Average Number of Common Stock Outstanding

(In Thousands of Shares)

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---------------------------------------|------------------|-------------------------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Weighted average number of common stock used in the calculation of basic earnings per share | 3,258,501 | 3,258,501 | 3,258,501 | 3,258,501 |
| Effect of potentially dilutive common stock: | | | | |
| Compensation of employees | <u>1,374</u> | <u>1,644</u> | <u>2,421</u> | <u>2,503</u> |
| Weighted average number of common stock used in the calculation of diluted earnings per share | <u>3,259,875</u> | <u>3,260,145</u> | <u>3,260,922</u> | <u>3,261,004</u> |

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

29. EQUITY TRANSACTIONS WITH NONCONTROLLING INTERESTS

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

The above transaction was accounted for as an equity transaction, since the Group did not lose control over the subsidiary.

| | YSDT |
|--|--------------------|
| Cash consideration paid | \$ 800,000 |
| The proportionate share of the carrying amount of the net assets of the subsidiary transferred from noncontrolling interests | <u>(714,781)</u> |
| Differences recognized from equity transactions | <u>\$ 85,219</u> |
| | YSDT |
| <u>Line items adjusted for equity transactions</u> | |
| Unappropriated earnings | <u>\$ (85,219)</u> |

30. CASH FLOW INFORMATION

a. Noncash investing and financing activities

The cash dividends approved for distribution by Far Eastone in the stockholders' meeting by way of electronic transmission on June 20, 2021 and in the stockholders' meeting on June 19, 2020 were not yet distributed as of June 30, 2021 and 2020, respectively (refer to Notes 21 and 24).

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

For the six months ended June 30, 2021 and 2020, changes in liabilities arising from financing activities, including noncash transactions, were as follows:

For the six months ended June 30, 2021

| | Balance on January 1, 2021 | Cash Flows from Financing Activities | <u>Changes in Noncash Transactions</u> | | Cash Flows from Operating Activities - Interest Paid | Balance on June 30, 2021 |
|--|----------------------------------|---|--|--------------------|--|-----------------------------|
| | | | New Leases | Others | | |
| Lease liabilities (including the current and noncurrent portion) | <u>\$ 8,156,460</u> | <u>\$ (1,533,738)</u> | <u>\$ 1,680,520</u> | <u>\$ (66,470)</u> | <u>\$ (33,908)</u> | <u>\$ 8,202,864</u> |

For the six months ended June 30, 2020

| | Balance on January 1, 2020 | Cash Flows from Financing Activities | <u>Changes in Noncash Transactions</u> | | Cash Flows from Operating Activities - Interest Paid | Balance on June 30, 2020 |
|--|----------------------------------|---|--|---------------------|--|-----------------------------|
| | | | New Leases | Others | | |
| Lease liabilities (including the current and noncurrent portion) | <u>\$ 7,899,717</u> | <u>\$ (1,595,658)</u> | <u>\$ 1,942,852</u> | <u>\$ (130,170)</u> | <u>\$ (38,010)</u> | <u>\$ 8,078,731</u> |

31. FINANCIAL INSTRUMENTS

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

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

| | <u>June 30, 2021</u> | | <u>December 31, 2020</u> | | <u>June 30, 2020</u> | |
|------------------------------|------------------------|-------------------|--------------------------|-------------------|------------------------|-------------------|
| | <u>Carrying Amount</u> | <u>Fair Value</u> | <u>Carrying Amount</u> | <u>Fair Value</u> | <u>Carrying Amount</u> | <u>Fair Value</u> |
| <u>Financial liabilities</u> | | | | | | |
| Bonds payable | \$ 34,973,662 | \$ 35,179,802 | \$ 33,771,854 | \$ 33,972,196 | \$ 33,767,558 | \$ 33,968,636 |

2) Fair value hierarchy

| | <u>June 30, 2021</u> | | | |
|------------------------------|----------------------|----------------|----------------|----------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| <u>Financial liabilities</u> | | | | |
| Bonds payable | <u>\$ 35,179,802</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 35,179,802</u> |

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

| | <u>June 30, 2020</u> | | | |
|------------------------------|----------------------|----------------|----------------|----------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| <u>Financial liabilities</u> | | | | |
| Bonds payable | <u>\$ 33,968,636</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 33,968,636</u> |

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

1) Fair value hierarchy

| | <u>June 30, 2021</u> | | | |
|--|----------------------|-------------------|-------------------|-------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| <u>Financial assets at fair value through profit or loss</u> | | | | |
| Mutual funds | <u>\$ -</u> | <u>\$ 704,539</u> | <u>\$ -</u> | <u>\$ 704,539</u> |
| <u>Financial assets at fair value through other comprehensive income</u> | | | | |
| Domestic/foreign unlisted common stock | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 846,867</u> | <u>\$ 846,867</u> |

| | December 31, 2020 | | | |
|--|--------------------------|-------------------|-------------------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| <u>Financial assets at fair value through profit or loss</u> | | | | |
| Mutual funds | \$ <u>-</u> | \$ <u>690,639</u> | \$ <u>-</u> | \$ <u>690,639</u> |
| <u>Financial assets at fair value through other comprehensive income</u> | | | | |
| Domestic/foreign unlisted common stock | \$ <u>-</u> | \$ <u>-</u> | \$ <u>809,560</u> | \$ <u>809,560</u> |
| | June 30, 2020 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| <u>Financial assets at fair value through profit or loss</u> | | | | |
| Mutual funds | \$ <u>-</u> | \$ <u>621,771</u> | \$ <u>-</u> | \$ <u>621,771</u> |
| <u>Financial assets at fair value through other comprehensive income</u> | | | | |
| Domestic/foreign unlisted common stock | \$ <u>-</u> | \$ <u>-</u> | \$ <u>871,111</u> | \$ <u>871,111</u> |

There were no transfers of financial assets between the fair value measurements of Level 1 and Level 2 for the six months ended June 30, 2021 and 2020.

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

| | Financial Instruments at Fair Value Through Other Comprehensive Income For the Six Months Ended June 30 | |
|--|--|-------------------|
| | 2021 | 2020 |
| Beginning balance | \$ 809,560 | \$ 447,735 |
| Additions | 50,000 | 500,000 |
| Recognized in other comprehensive income | 4,513 | (59,092) |
| Remittance of cash due to capital reduction | (15,300) | (13,500) |
| Effects of foreign currency exchange differences | <u>(1,906)</u> | <u>(4,032)</u> |
| Ending balance | <u>\$ 846,867</u> | <u>\$ 871,111</u> |

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

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

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

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

c. Categories of financial instruments

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|---|----------------------|--------------------------|----------------------|
| <u>Financial assets</u> | | | |
| Financial assets at fair value through profit or loss | \$ 704,539 | \$ 690,639 | \$ 621,771 |
| Financial assets at amortized cost (Note 1) | 19,364,416 | 16,691,289 | 25,683,961 |
| Financial assets at fair value through other comprehensive income | 846,867 | 809,560 | 871,111 |

Financial liabilities

| | | | |
|--|------------|------------|------------|
| Financial liabilities at amortized cost (Note 2) | 95,686,021 | 87,273,410 | 97,756,209 |
|--|------------|------------|------------|

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

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

d. Financial risk management objectives and policies

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

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

1) Market risk

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

a) Foreign currency risk

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

Sensitivity analysis

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

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

| | USD Impact | |
|-------------------------------|---------------------------------|--------------------|
| | For the Six Months Ended | |
| | June 30 | |
| | 2021 | 2020 |
| 5% change in sensitivity rate | | |
| USD | <u>\$ (23,861)</u> | <u>\$ (32,312)</u> |

b) Interest rate risk

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

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

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|-------------------------------|---------------|----------------------|---------------|
| Fair value interest rate risk | | | |
| Financial assets | \$ 2,733,845 | \$ 2,894,941 | \$ 9,173,392 |
| Financial liabilities | 75,913,277 | 80,678,181 | 80,424,164 |
| Cash flow interest rate risk | | | |
| Financial assets | 8,374,037 | 5,592,104 | 8,702,335 |
| Financial liabilities | 4,122,928 | 2,110,000 | 3,176,000 |

Sensitivity analysis

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

Had interest rates been 25 basis points higher/lower and all other variables been held constant, the income before income tax for the six months ended June 30, 2021 and 2020 would have increased/decreased by \$5,314 thousand and \$6,908 thousand, respectively, which was mainly affected by bank deposits and borrowings with floating interest rates.

c) Other price risks

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

Sensitivity analysis

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

If equity prices had been 5% higher/lower, pre-tax profit for the six months ended June 30, 2021 and 2020 would have increased/decreased by \$35,227 thousand and \$31,089 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL; and the pre-tax other comprehensive income for the six months ended June 30, 2021 and 2020 would have increased/decreased by \$42,343 thousand and \$43,556 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

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

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

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

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. The Group's unutilized overdraft and bank loan facilities amounted to \$51,502,514 thousand, \$38,831,375 thousand and \$32,720,108 thousand as of June 30, 2021, December 31, 2020 and June 30, 2020, respectively.

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

| | Carrying Amount | Contractual Cash Flows | Within 1 Year | 1-5 Years | More than 5 Years |
|--------------------------|----------------------------|-----------------------------------|----------------------|----------------------|------------------------------|
| <u>June 30, 2021</u> | | | | | |
| Short-term borrowings | \$ 350,000 | \$ 350,742 | \$ 350,742 | \$ - | \$ - |
| Short-term bills payable | 332,192 | 332,500 | 332,500 | - | - |
| Long-term borrowings | 35,826,642 | 36,112,112 | 186,062 | 35,926,050 | - |
| Bonds payable | 34,973,662 | 36,074,940 | 10,028,370 | 18,452,495 | 7,594,075 |
| Lease liabilities | <u>8,202,864</u> | <u>8,302,959</u> | <u>3,034,189</u> | <u>5,203,205</u> | <u>65,565</u> |
| | <u>\$ 79,685,360</u> | <u>\$ 81,173,253</u> | <u>\$ 13,931,863</u> | <u>\$ 59,581,750</u> | <u>\$ 7,659,640</u> |
| <u>December 31, 2020</u> | | | | | |
| Short-term borrowings | \$ 377,764 | \$ 378,543 | \$ 378,543 | \$ - | \$ - |
| Short-term bills payable | 389,715 | 390,000 | 390,000 | - | - |
| Long-term borrowings | 39,734,159 | 40,143,593 | 254,077 | 39,826,391 | 63,125 |
| Bonds payable | 33,771,854 | 35,071,460 | 321,770 | 26,521,735 | 8,227,955 |
| Lease liabilities | <u>8,156,460</u> | <u>8,267,314</u> | <u>2,813,456</u> | <u>5,400,893</u> | <u>52,965</u> |
| | <u>\$ 82,429,952</u> | <u>\$ 84,250,910</u> | <u>\$ 4,157,846</u> | <u>\$ 71,749,019</u> | <u>\$ 8,344,045</u> |

(Continued)

| | Carrying Amount | Contractual Cash Flows | Within 1 Year | 1-5 Years | More than 5 Years |
|--------------------------|----------------------|---------------------------|---------------------|----------------------|----------------------|
| <u>June 30, 2020</u> | | | | | |
| Short-term borrowings | \$ 568,770 | \$ 570,389 | \$ 570,389 | \$ - | \$ - |
| Short-term bills payable | 404,702 | 405,000 | 405,000 | - | - |
| Long-term borrowings | 40,345,830 | 40,834,937 | 274,064 | 40,560,873 | - |
| Bonds payable | 33,767,558 | 35,150,510 | 321,770 | 25,275,735 | 9,553,005 |
| Lease liabilities | <u>8,078,731</u> | <u>8,194,827</u> | <u>2,965,750</u> | <u>5,194,805</u> | <u>34,272</u> |
| | <u>\$ 83,165,591</u> | <u>\$ 85,155,663</u> | <u>\$ 4,536,973</u> | <u>\$ 71,031,413</u> | <u>\$ 9,587,277</u> |
| | | | | | (Concluded) |

Additional information about the maturity analysis for lease liabilities:

| <u>June 30, 2021</u> | | | | | |
|--------------------------|---------------------|---------------------|------------------|-----------------|-----------------|
| | Within 1 Year | 1-5 Years | 5-10 Years | 10-15 Years | 15-20 Years |
| Lease liabilities | <u>\$ 3,034,189</u> | <u>\$ 5,203,205</u> | <u>\$ 65,427</u> | <u>\$ 81</u> | <u>\$ 57</u> |
| <u>December 31, 2020</u> | | | | | |
| | Within 1 Year | 1-5 Years | 5-10 Years | 10-15 Years | 15-20 Years |
| Lease liabilities | <u>\$ 2,813,456</u> | <u>\$ 5,400,893</u> | <u>\$ 49,410</u> | <u>\$ 1,829</u> | <u>\$ 1,726</u> |
| <u>June 30, 2020</u> | | | | | |
| | Within 1 Year | 1-5 Years | 5-10 Years | 10-15 Years | 15-20 Years |
| Lease liabilities | <u>\$ 2,965,750</u> | <u>\$ 5,194,805</u> | <u>\$ 34,117</u> | <u>\$ 82</u> | <u>\$ 73</u> |

32. TRANSACTIONS WITH RELATED PARTIES

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

a. The Group's related parties and their relationships

| Related Party | Relationship with the Group |
|--|---|
| Far Eastern New Century Corporation (FENC) | Ultimate parent company |
| Far Eastern Electronic Toll Collection Co., Ltd. | Subsidiary of FENC |
| Ding Ding Integrated Marketing Service Co., Ltd. | Subsidiary of FENC |
| Far Eastern International Leasing Corp. | Other related party (equity-method investee of subsidiary of FENC) |
| Telecommunication and Transportation Foundation | Other related party (Far EasTone's donation is over one third of the foundation's fund) |
| Far Eastern Apparel Co., Ltd. | Subsidiary of FENC |
| Far Cheng Human Resources Consultant Corp. | Subsidiary of FENC |
| Far Eastern Resource Development Co., Ltd. | Subsidiary of FENC |
| Pacific Sogo Department Stores Co., Ltd. (SOGO) | Other related party (same chairman as parent company's) |

(Continued)

| Related Party | Relationship with the Group |
|--|--|
| Far Eastern Big City Shopping Malls Co., Ltd. | Other related party (subsidiary of SOGO) |
| Far Eastern Citysuper Co., Ltd. | Other related party (same chairman as parent company's) |
| Ya Tung Department Store Co., Ltd. | Other related party (same chairman as parent company's) |
| Fu Dar Transportation Corporation | Other related party (same chairman as parent company's) |
| Fu-Ming Transportation Co., Ltd. | Other related party (same chairman as parent company's) |
| YDT Technology International Co., Ltd. | Subsidiary of FENC |
| Nan Hwa Cement Corporation | Other related party (same chairman as parent company's) |
| Ya Tung Ready Mixed Concrete Co., Ltd. | Other related party (same chairman as parent company's) |
| Oriental Securities Corporation Ltd. | Other related party (equity-method investee of FENC) |
| Yuan Ding Co., Ltd. | Subsidiary of FENC |
| Far Eastern Department Stores Co., Ltd. | Other related party (same chairman as Far EasTone) |
| Asia Cement Co., Ltd. | Other related party (same chairman as Far EasTone) |
| Oriental Union Chemical Corporation | Other related party (same chairman as Far EasTone) |
| Far Eastern Ai Mai Co., Ltd. | Other related party (same chairman as Far EasTone) |
| Far Eastern Hospital | Other related party (same chairman as Far EasTone) |
| Oriental Institute of Technology | Other related party (same chairman as Far EasTone) |
| Far Eastern Plaza Hotel | Subsidiary of FENC |
| Yuan-Ze University | Other related party (same chairman as Far EasTone) |
| U-Ming Marine Transport Corporation | Other related party (same chairman as Far EasTone) |
| Chiahui Power Corporation | Other related party (same chairman as Far EasTone) |
| Far Eastern International Bank (FEIB) | Other related party (Far EasTone's chairman is FEIB's vice chairman) |
| Far Eastern Construction Co., Ltd. | Subsidiary of FENC |
| Fu Kwok Garment Manufacturing Co., Ltd. | Subsidiary of FENC |
| Oriental Petrochemical (Taiwan) Co., Ltd. | Subsidiary of FENC |
| Air Liquide Far Eastern Co., Ltd. | Other related party (equity-method investee of FENC) |
| Far Eastern General Contractor Inc. | Subsidiary of FENC |
| Oriental Resources Development Limited | Subsidiary of FENC |
| Far Eastern Fibertech Co., Ltd. | Subsidiary of FENC |
| Far Eastern Realty Management Co., Ltd. | Subsidiary of FENC |
| Ding & Ding Management Consultant Co., Ltd. | Other related party (substantive related party) |
| Yuan Hsin Digital Payment Co., Ltd. | Subsidiary of FENC |
| Far Eastern Polyclinic of Far Eastern Medical Foundation | Other related party (same chairman as Far EasTone) |
| FETC International Co., Ltd. | Subsidiary of FENC |

(Continued)

| Related Party | Relationship with the Group |
|--|---|
| Far Eastern Polytex (Vietnam) Ltd. | Subsidiary of FENC |
| Deutsche Far Eastern Asset Management Co., Ltd. | Other related party (substantive related party) |
| Kowloon Cement Corporation Limited | Other related party (substantive related party) |
| Asia Cement (Singapore) Pte. Ltd. | Other related party (substantive related party) |
| Jianxi Yadong Cement Co., Ltd. | Other related party (substantive related party) |
| Everest Textile Co., Ltd. | Other related party (substantive related party) |
| Kaohsiung Rapid Transit Corporation | Other related party (substantive related party) |
| Oriental Petrochemical (Shanghai) Corporation | Subsidiary of FENC |
| Yuan Ding Enterprise (Shanghai) Limited | Subsidiary of FENC |
| Systex Corporation | Other related party (substantive related party) |
| Oriental Green Materials Limited | Subsidiary of FENC |
| Far Eastern Union Petrochemical (Yangzhou) Corporation | Other related party (substantive related party) |
| Far Eastern Leasing Corporation | Other related party (substantive related party) |
| Drive Catalyst SPC-SP Tranche Two | Associate |
| Drive Catalyst SPC-SP Tranche Three | Associate |

(Concluded)

b. Operating revenue

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|-----------------------|---|-------------------|---|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| FENC | \$ 9,453 | \$ 13,202 | \$ 16,960 | \$ 22,663 |
| Subsidiaries of FENC | 45,798 | 34,719 | 93,388 | 70,580 |
| Other related parties | <u>63,555</u> | <u>67,759</u> | <u>142,478</u> | <u>146,723</u> |
| | <u>\$ 118,806</u> | <u>\$ 115,680</u> | <u>\$ 252,826</u> | <u>\$ 239,966</u> |

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

c. Operating costs and expenses

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|-----------------------|---|-------------------|---|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Operating costs | | | | |
| FENC | \$ 172 | \$ 59 | \$ 292 | \$ 119 |
| Subsidiaries of FENC | 3,470 | 9,842 | 5,745 | 14,953 |
| Other related parties | <u>19,929</u> | <u>21,454</u> | <u>37,859</u> | <u>34,135</u> |
| | <u>\$ 23,571</u> | <u>\$ 31,355</u> | <u>\$ 43,896</u> | <u>\$ 49,207</u> |
| Operating expenses | | | | |
| FENC | \$ 20,769 | \$ 25,014 | \$ 48,750 | \$ 60,935 |
| Subsidiaries of FENC | 58,713 | 59,274 | 120,960 | 109,260 |
| Other related parties | <u>20,848</u> | <u>22,268</u> | <u>50,292</u> | <u>43,625</u> |
| | <u>\$ 100,330</u> | <u>\$ 106,556</u> | <u>\$ 220,002</u> | <u>\$ 213,820</u> |

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

d. Property transactions

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|--|---|-----------------|---|-----------------|
| | 2021 | 2020 | 2021 | 2020 |
| Acquisition of property, plant and equipment and intangible assets | | | | |
| Subsidiaries of FENC | \$ 6,602 | \$ 6,685 | \$ 12,307 | \$ 9,389 |
| Other related parties | <u>4,046</u> | <u>434</u> | <u>4,046</u> | <u>434</u> |
| | <u>\$ 10,648</u> | <u>\$ 7,119</u> | <u>\$ 16,353</u> | <u>\$ 9,823</u> |
| Acquisition of securities | | | | |
| Associates | | | | |
| Drive Catalyst SPC-SP Tranche Two | \$ 114,140 | \$ - | \$ 114,140 | \$ - |
| Drive Catalyst SPC-SP Tranche Three | <u>114,140</u> | <u>-</u> | <u>114,140</u> | <u>-</u> |
| | <u>\$ 228,280</u> | <u>\$ -</u> | <u>\$ 228,280</u> | <u>\$ -</u> |

In April 2021, the Group acquired a partial interest in Drive Catalyst SPC-SP Tranche Two and Drive Catalyst SPC-SP Tranche Three that each amounted to \$114,140 thousand.

e. Lease arrangements - the Group is lessee

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|------------------------------------|---|--------------------------|---|------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Acquisition of right-of-use assets | | | | |
| Other related parties | <u>\$ 2,388</u> | <u>\$ 18,322</u> | <u>\$ 8,894</u> | <u>\$ 27,457</u> |
| | | | | |
| | June 30, 2021 | December 31, 2020 | June 30, 2020 | |
| Lease liabilities - current | | | | |
| FENC | \$ 2,835 | \$ 2,939 | \$ 3,923 | |
| Subsidiaries of FENC | 4,361 | 30,417 | 32,802 | |
| Other related parties | <u>19,925</u> | <u>18,294</u> | <u>21,888</u> | |
| | <u>\$ 27,121</u> | <u>\$ 51,650</u> | <u>\$ 58,613</u> | |
| Lease liabilities - noncurrent | | | | |
| FENC | \$ - | \$ 1,128 | \$ 2,810 | |
| Subsidiaries of FENC | 2,689 | 13,820 | 29,670 | |
| Other related parties | <u>11,299</u> | <u>15,067</u> | <u>21,934</u> | |
| | <u>\$ 13,988</u> | <u>\$ 30,015</u> | <u>\$ 54,414</u> | |

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|-----------------------|---------------------------------------|---------------|-------------------------------------|---------------|
| | 2021 | 2020 | 2021 | 2020 |
| Financial costs | | | | |
| FENC | \$ 5 | \$ 13 | \$ 10 | \$ 29 |
| Subsidiaries of FENC | 20 | 162 | 74 | 352 |
| Other related parties | <u>59</u> | <u>84</u> | <u>123</u> | <u>153</u> |
| | <u>\$ 84</u> | <u>\$ 259</u> | <u>\$ 207</u> | <u>\$ 534</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

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|-----------------------|---------------------|----------------------|---------------------|
| Other related parties | | | |
| FEIB | <u>\$ 3,510,032</u> | <u>\$ 4,408,565</u> | <u>\$ 5,602,466</u> |

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

g. Receivables and payables - related parties

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|---|-------------------|----------------------|-------------------|
| Accounts receivable - related parties | | | |
| FENC | \$ 2,804 | \$ 1,541 | \$ 6,931 |
| Subsidiaries of FENC | 35,746 | 38,172 | 19,014 |
| Other related parties | <u>119,769</u> | <u>289,899</u> | <u>147,420</u> |
| | <u>\$ 158,319</u> | <u>\$ 329,612</u> | <u>\$ 173,365</u> |
| Other receivables - related parties (included in other current assets) | | | |
| Subsidiaries of FENC | \$ 4,215 | \$ 3,554 | \$ 3,072 |
| Other related parties | <u>6,282</u> | <u>5,704</u> | <u>7,237</u> |
| | <u>\$ 10,497</u> | <u>\$ 9,258</u> | <u>\$ 10,309</u> |
| Accounts payable - related parties (included in accounts payable) | | | |
| Subsidiaries of FENC | \$ 9,243 | \$ 2,507 | \$ 3,828 |
| Other related parties | <u>6,081</u> | <u>9,467</u> | <u>12,078</u> |
| | <u>\$ 15,324</u> | <u>\$ 11,974</u> | <u>\$ 15,906</u> |

(Continued)

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|--|------------------|----------------------|-------------------|
| Other payables - related parties (included in other current liabilities) | | | |
| FENC | \$ 23,232 | \$ 23,153 | \$ 23,100 |
| Subsidiaries of FENC | 47,560 | 84,929 | 69,198 |
| Other related parties | <u>14,620</u> | <u>9,662</u> | <u>8,740</u> |
| | <u>\$ 85,412</u> | <u>\$ 117,744</u> | <u>\$ 101,038</u> |
| | | | (Concluded) |

h. Refundable deposits (included in other noncurrent assets)

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|-----------------------|------------------|----------------------|------------------|
| Subsidiaries of FENC | \$ 16,849 | \$ 20,743 | \$ 62,465 |
| Other related parties | <u>2,235</u> | <u>2,215</u> | <u>2,201</u> |
| | <u>\$ 19,084</u> | <u>\$ 22,958</u> | <u>\$ 64,666</u> |

i. Others

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|-----------------------|---------------------------------------|-----------------|-------------------------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Interest income | | | | |
| Subsidiaries of FENC | \$ 4 | \$ 5 | \$ 8 | \$ 11 |
| Other related parties | | | | |
| FEIB | 3,854 | 4,940 | 6,899 | 10,702 |
| Others | <u>-</u> | <u>1</u> | <u>1</u> | <u>2</u> |
| | <u>3,854</u> | <u>4,941</u> | <u>6,900</u> | <u>10,704</u> |
| | <u>\$ 3,858</u> | <u>\$ 4,946</u> | <u>\$ 6,908</u> | <u>\$ 10,715</u> |
| Financial costs | | | | |
| Other related parties | <u>\$ 45</u> | <u>\$ 61</u> | <u>\$ 89</u> | <u>\$ 118</u> |

j. Remuneration of key management personnel

The remuneration of directors and other members of key management personnel during the three months and six months ended June 30, 2021 and 2020 were as follows:

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|--------------------------|---------------------------------------|------------------|-------------------------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Short-term benefits | \$ 54,824 | \$ 55,830 | \$ 149,662 | \$ 155,151 |
| Post-employment benefits | <u>908</u> | <u>790</u> | <u>1,690</u> | <u>1,623</u> |
| | <u>\$ 55,732</u> | <u>\$ 56,620</u> | <u>\$ 151,352</u> | <u>\$ 156,774</u> |

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

33. ASSETS PLEDGED OR MORTGAGED AS COLLATERAL

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

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|------------------------------------|-------------------|----------------------|-------------------|
| Other financial assets - current | \$ 369,016 | \$ 408,912 | \$ 350,143 |
| Property, plant and equipment, net | 176,667 | 104,461 | - |
| Other noncurrent assets | <u>-</u> | <u>531</u> | <u>-</u> |
| | <u>\$ 545,683</u> | <u>\$ 513,904</u> | <u>\$ 350,143</u> |

34. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

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

a. Significant commitments

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|---|----------------------|----------------------|---------------------|
| Unpaid acquisition of property, plant and equipment and intangible assets under contracts | <u>\$ 19,099,284</u> | <u>\$ 8,635,068</u> | <u>\$ 5,189,194</u> |
| Unpaid acquisition of inventories under contracts | <u>\$ 3,171,275</u> | <u>\$ 3,588,647</u> | <u>\$ 2,483,070</u> |

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

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|-------------------|-------------------|----------------------|-------------------|
| Lease commitments | <u>\$ 238,305</u> | <u>\$ 323,370</u> | <u>\$ 321,555</u> |

c. On September 4, 2020, the board of directors of Far EasTone resolved to enter into a business cooperation agreement with Asia-Pacific Telecom Co., Ltd. (APTC). Once approval from the competent authority is obtained, Far EasTone will cooperate with APTC on frequency and network matters whereby Far EasTone shares its 3.5GHz spectrum used for providing 5G services with APTC in exchange for the sharing of two-ninths of 3.5GHz spectrum's related capitalized costs and expenses by APTC. The aforementioned business cooperation has been approved by the NCC on March 3, 2021. As of July 30, 2021, Far EasTone is still waiting for the approval from the Fair Trade Commission regarding the aforementioned business cooperation.

In order to maximize the efficiency of utilizing Far EasTone's network and spectrum resources, and to enhance Far EasTone's competitiveness in the 5G markets, on September 4, 2020, the board of directors of Far EasTone resolved to acquire 11.58% ownership of APTC through private placement by subscribing for 500,000,000 new common stock issued by APTC with the amount invested not exceeding \$5,000,000 thousand after obtaining 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 Far EasTone's spectrum and enhance the competitiveness of Far EasTone in maintaining consumer interests, on November 5, 2020, the board of directors of Far EasTone resolved to enter into a business cooperation agreement with APTC once approval from the competent authority has been obtained. The content of the agreement includes: (a) mutual sharing of 700MHz spectrum between Far EasTone and APTC whereby Far EasTone will bear seven-ninths and APTC will bear two-ninths of the 700MHz spectrum's related capitalized costs and expenses, this agreement will be valid from November 5, 2020 to December 31, 2030; (b) the exchange of Far EasTone's 20 MHz frequency band (2595MHz to 2615MHz spectrum) with 10MHz frequency band (upper segment of 723MHz to 728MHz spectrum and lower segment of 778MHz to 783MHz spectrum) held by APTC, the value of the aforementioned spectrum swap shall be determined in accordance with the agreement. If the competent authority approves the sharing of 700MHz spectrum earlier than the execution date of the spectrum swap, the spectrum swap agreement will be automatically terminated without implementation of the stated obligations.

35. OTHER ITEMS

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

36. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

| (In Thousands, Except Exchange Rate) | | | |
|--------------------------------------|---------------------|-----------------|--------------------|
| <u>June 30, 2021</u> | | | |
| | Foreign Currency | Exchange Rate | Carrying Amount |
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | \$ 38,386 | 27.86 (USD:NTD) | \$ 1,069,439 |
| Nonmonetary items | | | |
| USD | 41,777 | 27.86 (USD:NTD) | 1,163,907 |
| USD | 4,709 | 6.466 (USD:RMB) | 131,204 |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| USD | 21,257 | 27.86 (USD:NTD) | 592,216 |

December 31, 2020

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

June 30, 2020

| | Foreign Currency | Exchange Rate | Carrying Amount |
|------------------------------|-----------------------------|----------------------|----------------------------|
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | \$ 41,182 | 29.63 (USD:NTD) | \$ 1,220,215 |
| Nonmonetary items | | | |
| USD | 29,499 | 29.63 (USD:NTD) | 874,047 |
| USD | 4,702 | 7.0699 (USD:RMB) | 139,316 |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| USD | 19,372 | 29.63 (USD:NTD) | 573,981 |

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

| For the Three Months Ended June 30 | | | | |
|---|---|--|---|--|
| Functional Currency | 2021 | | 2020 | |
| | Exchange Rate (Functional Currency: Presentation Currency) | Net Foreign Exchange Gains (Losses) | Exchange Rate (Functional Currency: Presentation Currency) | Net Foreign Exchange Gains (Losses) |
| NTD | 1 (NTD:NTD) | \$ (9,822) | 1 (NTD:NTD) | \$ (5,283) |
| RMB | 4.331 (RMB:NTD) | (897) | 4.212 (RMB:NTD) | 358 |
| HKD | 3.602 (HKD:NTD) | (929) | 3.856 (HKD:NTD) | (2,446) |
| | | <u>\$ (11,648)</u> | | <u>\$ (7,371)</u> |

| For the Six Months Ended June 30 | | | | |
|----------------------------------|--|---|--|---|
| Functional Currency | 2021 | | 2020 | |
| | Exchange Rate (Functional Currency: Presentation Currency) | Net Foreign Exchange Gains (Losses) | Exchange Rate (Functional Currency: Presentation Currency) | Net Foreign Exchange Gains (Losses) |
| NTD | 1 (NTD:NTD) | \$ (16,168) | 1 (NTD:NTD) | \$ 6,228 |
| RMB | 4.354 (RMB:NTD) | (317) | 4.261 (RMB:NTD) | 730 |
| HKD | 3.630 (HKD:NTD) | <u>(1,945)</u> | 3.865 (HKD:NTD) | <u>(1,300)</u> |
| | | <u>\$ (18,430)</u> | | <u>\$ 5,658</u> |

37. 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 investments in subsidiaries, associates and joint ventures): Schedule B
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Schedule C
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Schedule D
- 9) Trading in derivative instruments: None
- 10) Significant transactions between Far EasTone and its subsidiaries and among subsidiaries: Schedule E

b. Information on investees: Schedule F

c. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Schedule G

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: Schedule E
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) Other transactions that have material effect on profit or loss for the period or on the financial position, such as the rendering or receipt of services.
- d. Information 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

38. SEGMENT INFORMATION

Products and services from which reportable segments derive their revenues:

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

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

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

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

| For the Six Months Ended June 30, 2021 | | | | | |
|---|---|---|-----------------------|---|----------------------|
| | Mobile Services Business | Fixed-line Services Business | Sales Business | Adjustment and Elimination | Consolidation |
| Revenue generated from external customers | \$ 21,280,272 | \$ 4,920,137 | \$ 14,133,347 | \$ - | \$ 40,333,756 |
| Revenue generated within the Group (Note) | <u>103,063</u> | <u>1,138,234</u> | <u>20,543</u> | <u>(1,261,840)</u> | <u>-</u> |
| Total revenue | <u>\$ 21,383,335</u> | <u>\$ 6,058,371</u> | <u>\$ 14,153,890</u> | <u>\$ (1,261,840)</u> | <u>\$ 40,333,756</u> |
| Segment operating income | <u>\$ 3,157,337</u> | <u>\$ 1,139,612</u> | <u>\$ 1,275,539</u> | <u>\$ (957,848)</u> | <u>\$ 4,614,640</u> |
| For the Six Months Ended June 30, 2020 | | | | | |
| | Mobile Services Business | Fixed-line Services Business | Sales Business | Adjustment and Elimination | Consolidation |
| Revenue generated from external customers | \$ 21,363,645 | \$ 4,468,363 | \$ 12,231,571 | \$ - | \$ 38,063,579 |
| Revenue generated within the Group (Note) | <u>121,655</u> | <u>1,109,032</u> | <u>18,416</u> | <u>(1,249,103)</u> | <u>-</u> |
| Total revenue | <u>\$ 21,485,300</u> | <u>\$ 5,577,395</u> | <u>\$ 12,249,987</u> | <u>\$ (1,249,103)</u> | <u>\$ 38,063,579</u> |
| Segment operating income | <u>\$ 4,144,309</u> | <u>\$ 871,310</u> | <u>\$ 1,459,218</u> | <u>\$ (991,732)</u> | <u>\$ 5,483,105</u> |

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE SIX MONTHS ENDED JUNE 30, 2021
(In Thousands of New Taiwan Dollars)

| No. | Lender | Borrower | Financial Statement Account | Related Party | Highest Balance for the Period | Ending Balance | Actual Amount Borrowed | Interest Rate | Nature of Financing | Business Transaction Amount | Reasons for Short-term Financing | Allowance for Impairment Loss | Collateral | | Financing Limit for Each Borrower (Note) | Aggregate Financing Limit (Note) |
|-----|-------------------------------------|--|-------------------------------------|---------------|--------------------------------|----------------|------------------------|-----------------|---|-----------------------------|----------------------------------|-------------------------------|------------|-------|--|----------------------------------|
| | | | | | | | | | | | | | Item | Value | | |
| 1 | New Century InfoComm Tech Co., Ltd. | Far EasTone Telecommunications Co., Ltd. | Other receivables - related parties | Yes | \$ 1,800,000 | \$ 1,800,000 | \$ 1,800,000 | 0.7337%-0.7580% | Business transaction Short-term financing | \$ 2,293,306 | - | \$ - | - | \$ - | \$ 2,293,306 | \$ 11,796,784 |
| | | Far EasTone Telecommunications Co., Ltd. | Other receivables - related parties | Yes | 9,200,000 | 9,200,000 | 7,700,000 | 0.7137%-0.7580% | | - | For business operations | - | - | - | 9,437,428 | 11,796,784 |

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

JUNE 30, 2021

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

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | June 30, 2021 | | | | Note |
|--|---|---------------------------------------|--|------------------|-----------------|-----------------------------|------------|--------|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership (%) | Fair Value | |
| Far EasTone Telecommunications Co., Ltd. | <u>Stock</u> App Works Fund II Co., Ltd. | - | Financial assets at fair value through other comprehensive income - noncurrent | 5,970,000 | \$ 55,126 | 11.11 | \$ 55,126 | Note B |
| | CDIB Capital Innovation Accelerator Limited | - | Financial assets at fair value through other comprehensive income - noncurrent | 9,000,000 | 89,842 | 10.71 | 89,842 | Note B |
| | LINE Bank Taiwan Limited | - | Financial assets at fair value through other comprehensive income - noncurrent | 50,000,000 | 444,980 | 5.00 | 444,980 | Note B |
| | LiTV (Taiwan) Inc. | - | Financial assets at fair value through other comprehensive income - noncurrent | 1,250,000 | 50,000 | 2.50 | 50,000 | Note B |
| ARCOA Communication Co., Ltd. | <u>Stock</u> THI consultants | - | Financial assets at fair value through other comprehensive income - noncurrent | 1,213,594 | 12,190 | 18.32 | 12,190 | Note B |
| | Web Point Co., Ltd. | - | Financial assets at fair value through other comprehensive income - noncurrent | 160,627 | 1,618 | 0.63 | 1,618 | Note B |
| New Century InfoComm Tech Co., Ltd. | <u>Stock</u> Kaohsiung Rapid Transit Corporation | Other related party | Financial assets at fair value through other comprehensive income - noncurrent | 8,858,191 | 49,872 | 3.18 | 49,872 | Note B |
| | Bank Pro E-service Technology Co., Ltd. | - | Financial assets at fair value through other comprehensive income - noncurrent | 450,000 | 4,500 | 3.33 | 4,500 | Note B |
| | <u>Stock certificate</u> Changing.ai Inc. | - | Financial assets at fair value through other comprehensive income - noncurrent | 500,000 | 7,535 | 2.50 | 7,535 | Note B |
| | <u>Overseas funds</u> Opas Fund Segregated Portfolio Tranche A | Other related party | Financial assets at fair value through profit or loss - current | 13,491.781 | 508,260 | - | 508,260 | Note A |
| | Opas Fund Segregated Portfolio Tranche B | Other related party | Financial assets at fair value through profit or loss - current | 5,000 | 196,279 | - | 196,279 | Note A |
| | | | | | | | | |
| Digital United (Cayman) Ltd. | <u>Stock certificate</u> TBCASoft, Inc. | - | Financial assets at fair value through other comprehensive income - noncurrent | 980,435 | 131,204 | 6.77 | 131,204 | Note B |

Note A: The market values of the overseas funds were calculated at their net asset values as of June 30, 2021.

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2021
(In Thousands of New Taiwan Dollars)

| Purchaser (Seller) of Goods | Related Party | Relationship | Transaction Details | | | | Abnormal Transaction | | Accounts/Other Receivables (Payables) | |
|--|--|--|--|--------------|------------|--------------------|----------------------|---------------|--|------------------|
| | | | Purchase/Sale | Amount | % of Total | Payment Terms | Unit Price | Payment Terms | Ending Balance | % of Total |
| Far EasTone Telecommunications Co., Ltd. | ARCOA Communication Co., Ltd. | Subsidiary | Operating costs and marketing expenses | \$ 3,278,215 | 13 | Based on agreement | - | - | Accounts payable and other payables | \$ (909,336) (4) |
| | New Century InfoComm Tech Co., Ltd. | Subsidiary | Operating revenue | (652,699) | (2) | Based on agreement | - | - | Accounts receivable | 183,925 3 |
| | | | Operating costs | 1,068,996 | 5 | Based on agreement | - | - | Accounts payable and other payables (Note A) | (502,410) (2) |
| | DataExpress Infotech Co., Ltd. | Subsidiary of ARCOA Communication Co., Ltd. | Operating costs and marketing expenses | 114,417 | - | Based on agreement | - | - | Accounts payable and other payables | (49,711) - |
| | FarEasTone Property Insurance Agency Co., Ltd. | Subsidiary | Operating revenue | (161,068) | (1) | Based on agreement | - | - | Accounts receivable | 86,537 1 |
| New Century InfoComm Tech Co., Ltd. | Far EasTone Telecommunications Co., Ltd. | Parent company | Operating revenue | (1,068,996) | (22) | Based on agreement | - | - | Accounts receivable (Note B) | 502,410 36 |
| ARCOA Communication Co., Ltd. | Far EasTone Telecommunications Co., Ltd. | Parent company | Operating revenue | (3,278,215) | (66) | Based on agreement | - | - | Accounts receivable | 909,336 74 |
| | | | Operating costs | 652,699 | 14 | Based on agreement | - | - | Accounts payable | (183,925) (13) |
| | Home Master Technology Ltd. | Subsidiary of DataExpress Infotech Co., Ltd. | Operating revenue | (537,285) | (11) | Based on agreement | - | - | Accounts receivable | 79,308 6 |
| DataExpress Infotech Co., Ltd. | Far EasTone Telecommunications Co., Ltd. | Parent company | Operating revenue | (114,417) | (5) | Based on agreement | - | - | Accounts receivable | 49,711 14 |
| Home Master Technology Ltd. | ARCOA Communication Co., Ltd. | Parent company | Operating costs | 537,285 | 71 | Based on agreement | - | - | Accounts payable | (79,308) (75) |
| FarEasTone Property Insurance Agency Co., Ltd. | Far EasTone Telecommunications Co., Ltd. | Parent company | Operating costs | 161,068 | 84 | Based on agreement | - | - | Accounts payable | (86,537) (90) |

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
JUNE 30, 2021
(In Thousands of New Taiwan Dollars)**

| Company Name | Related Party | Relationship | Ending Balance | Turnover Rate | Overdue | | Amount Received in Subsequent Period | Allowance for Impairment Loss |
|--|--|----------------|----------------|---------------|---------|--------------|--------------------------------------|-------------------------------|
| | | | | | Amount | Action Taken | | |
| Far EasTone Telecommunications Co., Ltd. | ARCOA Communication Co., Ltd. | Subsidiary | \$ 186,887 | 8.13 | \$ - | - | \$ 124,973 | \$ - |
| New Century InfoComm Tech Co., Ltd. | Far EasTone Telecommunications Co., Ltd. | Parent company | 10,061,279 | (Note) | - | - | 246,496 | - |
| ARCOA Communication Co., Ltd. | Far EasTone Telecommunications Co., Ltd. | Parent company | 909,336 | 7.35 | - | - | 480,332 | - |

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2021
(In Thousands of New Taiwan Dollars)**

| Number (Note A) | Company Name | Counterparty | Flow of Transactions (Note B) | Transaction Details | | | |
|--------------------|--|-------------------------------------|-------------------------------------|---------------------------------------|------------|------------------|--|
| | | | | Financial Statement Account | Amount | Payment Terms | % of Consolidated Assets/Revenue (Note C) |
| 0 | Far EasTone Telecommunications Co., Ltd. | New Century InfoComm Tech Co., Ltd. | 1 | Accounts receivable - related parties | \$ 9,247 | Note E | - |
| | | | | Other receivables - related parties | 9,855 | Note E | - |
| | | | | Refundable deposits | 5,266 | Note E | - |
| | | | | Accounts payable - related parties | 2,286 | Note E | - |
| | | | | Other payables - related parties | 10,058,993 | Note E | 6 |
| | | | | Lease liabilities | 148,242 | Note E | - |
| | | | | Contract liabilities | 9,838 | Note E | - |
| | | | | Operating revenue | 77,657 | Note E | - |
| | | | | Operating costs | 1,068,996 | Note E | 3 |
| | | | | Operating expenses | 33,510 | Note E | - |
| | | | | Nonoperating income and gains | 24,360 | Note E | - |
| | | | | Nonoperating expenses | 31,228 | Note E | - |
| | | ARCOA Communication Co., Ltd. | 1 | Accounts receivable - related parties | 183,925 | Note E | - |
| | | | | Other receivables - related parties | 2,962 | Note E | - |
| | | | | Accounts payable - related parties | 863,398 | Note E | - |
| | | | | Other payables - related parties | 45,938 | Note E | - |
| | | | | Contract liabilities | 98,467 | Note E | - |
| | | | | Operating revenue | 652,699 | Note E | 2 |
| | | | | Operating costs | 3,042,961 | Note E | 8 |
| | | | | Operating expenses | 246,525 | Note E | 1 |
| | | KGEx.com Co., Ltd. | 1 | Accounts receivable - related parties | 5,770 | Note E | - |
| | | | | Other receivables - related parties | 6,775 | Note E | - |
| | | | | Other payables - related parties | 9,515 | Note E | - |
| | | | | Operating revenue | 17,978 | Note E | - |
| | | | | Operating expenses | 37,953 | Note E | - |
| | | Yuan Cing Co., Ltd. | 1 | Other receivables - related parties | 12,246 | Note E | - |
| | | | | Other payables - related parties | 19,195 | Note E | - |
| | | | | Operating expenses | 48,561 | Note E | - |
| | | | | Nonoperating income and gains | 4,100 | Note E | - |
| | | DataExpress Infotech Co., Ltd. | 1 | Other receivables - related parties | 4,408 | Note E | - |
| | | | | Accounts payable - related parties | 8,849 | Note E | - |
| | | | | Other payables - related parties | 40,862 | Note E | - |
| | | | | Operating revenue | 13,580 | Note E | - |
| | | | | Operating costs | 8,555 | Note E | - |
| | | | | Operating expenses | 105,845 | Note E | - |
| | | | | Nonoperating income and gains | 2,325 | Note E | - |

(Continued)

| Number (Note A) | Company Name | Counterparty | Flow of Transactions (Note B) | Transaction Details | | | |
|--------------------|-------------------------------------|--|-------------------------------------|---------------------------------------|-----------|------------------|--|
| | | | | Financial Statement Account | Amount | Payment Terms | % of Consolidated Assets/Revenue (Note C) |
| | | Home Master Technology Ltd. | 1 | Other payables - related parties | \$ 11,216 | Note E | - |
| | | Information Security Service Digital United Inc. | 1 | Operating expenses | 45,481 | Note E | - |
| | | | | Other receivables - related parties | 7,714 | Note E | - |
| | | | | Accounts payable - related parties | 2,498 | Note E | - |
| | | | | Other payables - related parties | 23,649 | Note E | - |
| | | | | Operating costs | 4,064 | Note E | - |
| | | | | Operating expenses | 4,802 | Note E | - |
| | | Yuanshi Digital Technology Co., Ltd. | 1 | Accounts receivable - related parties | 26,866 | Note E | - |
| | | | | Other receivables - related parties | 13,678 | Note E | - |
| | | | | Accounts payable - related parties | 7,856 | Note E | - |
| | | | | Other payables - related parties | 5,167 | Note E | - |
| | | | | Operating revenue | 65,372 | Note E | - |
| | | | | Operating expenses | 6,882 | Note E | - |
| | | | | Nonoperating income and gains | 3,702 | Note E | - |
| | | Prime EcoPower Co., Ltd. | 1 | Other receivables - related parties | 2,462 | Note E | - |
| | | Yuan Bao Fintech Co., Ltd. | 1 | Other receivables - related parties | 3,093 | Note E | - |
| | | FarEasTone Property Insurance Agency Co., Ltd. | 1 | Accounts receivable - related parties | 86,537 | Note E | - |
| | | | | Other receivables - related parties | 2,461 | Note E | - |
| | | | | Operating revenue | 161,068 | Note E | - |
| 1 | New Century InfoComm Tech Co., Ltd. | KGEx.com Co., Ltd. | 3 | Accounts receivable - related parties | 2,354 | Note E | - |
| | | | | Accounts payable - related parties | 10,333 | Note E | - |
| | | | | Other payables - related parties | 10,281 | Note E | - |
| | | | | Operating revenue | 11,718 | Note E | - |
| | | | | Operating costs | 36,022 | Note E | - |
| | | | | Operating expenses | 30,696 | Note E | - |
| | | Yuan Cing Co., Ltd. | 3 | Accounts payable - related parties | 1,487 | Note E | - |
| | | | | Other payables - related parties | 1,562 | Note E | - |
| | | | | Operating costs | 4,410 | Note E | - |
| | | | | Operating expenses | 2,382 | Note E | - |
| | | Information Security Service Digital United Inc. | 3 | Accounts payable - related parties | 14,766 | Note E | - |
| | | | | Other payables - related parties | 4,092 | Note E | - |
| | | | | Operating revenue | 1,066 | Note E | - |
| | | | | Operating costs | 21,838 | Note E | - |
| | | | | Nonoperating income and gains | 2,455 | Note E | - |
| | | Yuanshi Digital Technology Co., Ltd. | 3 | Accounts receivable - related parties | 1,149 | Note E | - |
| | | | | Operating revenue | 3,037 | Note E | - |
| | | Prime Ecopower Co., Ltd | 3 | Other payables - related parties | 3,340 | Note E | - |
| | | Sino Lead Enterprise Limited | 3 | Operating costs | 1,469 | Note E | - |
| | | Nextlink Technology Co., Ltd. | 3 | Accounts payable - related parties | 7,784 | Note E | - |
| | | | | Operating costs | 35,533 | Note E | - |
| | | Microfusion Technology Co., Ltd. | 3 | Accounts payable - related parties | 12,056 | Note E | - |
| | | | | Operating costs | 18,117 | Note E | - |

(Continued)

| Number (Note A) | Company Name | Counterparty | Flow of Transactions (Note B) | Transaction Details | | | |
|--------------------|----------------------------------|--------------------------------------|-------------------------------------|---------------------------------------|-----------|------------------|--|
| | | | | Financial Statement Account | Amount | Payment Terms | % of Consolidated Assets/Revenue (Note C) |
| 2 | ARCOA Communication Co., Ltd. | Yuanshi Digital Technology Co., Ltd. | 3 | Accounts receivable - related parties | \$ 74,378 | Note E | - |
| | | | | Operating revenue | 58,248 | Note E | - |
| | | DataExpress Infotech Co., Ltd. | 3 | Accounts receivable - related parties | 1,199 | Note E | - |
| | | | | Accounts payable - related parties | 22,078 | Note E | - |
| | | Home Master Technology Ltd. | | Operating revenue | 3,413 | Note E | - |
| | | | 3 | Accounts receivable - related parties | 79,308 | Note E | - |
| | | | | Operating revenue | 537,285 | Note E | 1 |
| 3 | Yuan Cing Co., Ltd. | Yuanshi Digital Technology Co., Ltd. | 3 | Accounts receivable - related parties | 2,355 | Note E | - |
| | | | | Operating revenue | 6,804 | Note E | - |
| 4 | DataExpress Infotech Co., Ltd. | Home Master Technology Ltd. | 3 | Other receivables - related parties | 6,267 | Note E | - |
| | | | | Operating revenue | 20,605 | Note E | - |
| | | | | Operating costs | 2,395 | Note E | - |
| | | | | Nonoperating income and gains | 5,655 | Note E | - |
| 5 | Nextlink Technology Co., Ltd. | Microfusion Technology Co., Ltd. | 3 | Other receivables - related parties | 16,800 | Note E | - |
| | | | | Operating costs | 3,187 | Note E | - |
| | | | | Nonoperating income and gains | 6,000 | Note E | - |
| | | Nextlink (HK) Technology Co., Ltd. | 3 | Accounts receivable - related parties | 18,215 | Note E | - |
| | | | | Other receivables - related parties | 20,800 | Note E | - |
| | | | | Operating revenue | 24,173 | Note E | - |
| | | | | Nonoperating income and gains | 10,800 | Note E | - |
| 6 | Microfusion Technology Co., Ltd. | Nextlink (HK) Technology Co., Ltd. | 3 | Accounts receivable - related parties | 26,558 | Note E | - |
| | | | | Operating revenue | 46,382 | Note E | - |

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

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

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

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

Note C: For assets and liabilities, amount is shown as a percentage of consolidated total assets as of June 30, 2021; while revenues, costs and expenses are shown as a percentage of consolidated total operating revenues for the six months ended June 30, 2021.

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

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

(Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE SIX MONTHS ENDED JUNE 30, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | As of June 30, 2021 | | | Net Income (Loss) of the Investee | Share of Profit (Loss) | Note |
|--|--|------------------------|---|----------------------------|-------------------|---------------------|--------------------------------|-----------------|--------------------------------------|---------------------------|---------------|
| | | | | June 30, 2021 | December 31, 2020 | Number of Shares | Percentage of Ownership (%) | Carrying Amount | | | |
| Far EasTone Telecommunications Co., Ltd. | New Century InfoComm Tech Co., Ltd. | Taiwan | Telecommunications services | \$ 22,249,283 | \$ 22,249,283 | 2,100,000,000 | 100.00 | \$ 26,029,324 | \$ 868,530 | \$ 816,793 | Note A |
| | ARCOA Communication Co., Ltd. | Taiwan | Sales of communications products and office equipment | 1,305,802 | 1,305,802 | 82,762,221 | 61.63 | 757,630 | 76,873 | 78,219 | Note A |
| | KGEx.com Co., Ltd. | Taiwan | Telecommunications services | 2,340,472 | 2,340,472 | 68,897,234 | 99.99 | 836,038 | 77,145 | 77,134 | Note A |
| | Yuanshi Digital Technology Co., Ltd. | Taiwan | Electronic information services | 1,686,169 | 1,686,169 | 107,004,329 | 96.18 | (171,751) | (109,382) | (105,208) | Note A |
| | Yuan Cing Co., Ltd. | Taiwan | Call center services | - | - | 2,000,000 | 100.00 | 35,084 | 9,071 | 9,071 | Notes A and E |
| | Far Eastern Info Service (Holding) Ltd. | Bermuda | Investments | 92,616 | 92,616 | 1,200 | 100.00 | 4,914 | 180 | 180 | Note A |
| | Yuan Bao Fintech Co., Ltd. | Taiwan | Data processing services and electronic information services | 60,000 | 60,000 | 6,000,000 | 100.00 | 46,921 | (5,124) | (5,124) | Note A |
| | FarEasTone Property Insurance Agency Co., Ltd. | Taiwan | Property insurance agent | 5,000 | 5,000 | 500,000 | 100.00 | 46,656 | 35,694 | 35,694 | Note 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 | 1,346,458 | 178,891 | 70,322 | Note B |
| | Ding Ding Integrated Marketing Service Co., Ltd. | Taiwan | Marketing | 139,500 | 139,500 | 5,446,644 | 15.00 | 36,323 | (13,796) | (2,435) | Note B |
| ARCOA Communication Co., Ltd. | Yuan Hsin Digital Payment Co., Ltd. | Taiwan | Other financing and supporting services | 600,000 | 600,000 | 16,451,538 | 21.98 | 108,338 | (68,629) | (15,086) | Note B |
| | DataExpress Infotech Co., Ltd. | Taiwan | Sales of communications products | 141,750 | 141,750 | 13,895,664 | 70.00 | 276,747 | 43,216 | - | Note C |
| | New Diligent Co., Ltd. | Taiwan | Investments | 540,000 | 540,000 | 54,000,000 | 100.00 | 81,840 | 81 | - | Note C |
| | Information Security Service Digital United Inc. | Taiwan | Security and monitoring services via internet | 148,777 | 148,777 | 10,249,047 | 100.00 | 106,787 | (12,924) | - | Note C |
| | Digital United (Cayman) Ltd. | Cayman Islands | Investments | 317,446 | 317,446 | 10,320,000 | 100.00 | 175,678 | (928) | - | Note C |
| | Yuanshi Digital Technology Co., Ltd. | Taiwan | Electronic information services | 20,000 | 20,000 | 749,885 | 0.67 | (1,204) | (109,382) | - | Note A |
| | Ding Ding Integrated Marketing Service Co., Ltd. | Taiwan | Marketing | 46,500 | 46,500 | 1,815,548 | 5.00 | 12,108 | (13,796) | - | Note B |
| | Prime EcoPower Co., Ltd. | Taiwan | Energy technology services | 160,000 | 160,000 | 16,000,000 | 100.00 | 121,971 | (5,459) | - | Note C |
| | Drive Catalyst SPC-SP Tranche One | Cayman Islands | Investments | 123,220 | 123,220 | 4,000 | 25.00 | 104,877 | (126) | - | Note B |
| | Drive Catalyst SPC-SP Tranche Two | Cayman Islands | Investments | 114,140 | - | 4,000 | 25.00 | 110,934 | (2,045) | - | Note B |
| New Diligent Co., Ltd. | Drive Catalyst SPC-SP Tranche Three | Cayman Islands | Investments | 236,440 | 122,300 | 8,000 | 25.00 | 236,022 | (1,035) | - | Note B |
| | Nextlink Technology Co., Ltd. | Taiwan | Electronic information services | 420,000 | 420,000 | 3,430,000 | 70.00 | 435,311 | 18,931 | - | Note C |
| | JuAn Long-Age Co., Ltd. | Taiwan | Electronic information services | 15,500 | - | 1,000,000 | 25.00 | 15,381 | (4,938) | - | Note B |
| | Sino Lead Enterprise Limited | Hong Kong | Telecommunications services | 125 | 125 | 30,000 | 100.00 | 283 | (7) | - | Note C |
| | Far Eastern New Diligent Company Ltd. | British Virgin Islands | Investments | 330,598 | 330,598 | - | 100.00 | 19,844 | 91 | - | Note C |
| | New Diligent Hong Kong Co., Ltd. | Hong Kong | Investments | 3,051 | 3,051 | - | 100.00 | 2,238 | (53) | - | Note C |
| | Home Master Technology Ltd. | Taiwan | Sales of communications products | 10,000 | 10,000 | - | 100.00 | 54,945 | 7,654 | - | Note C |
| | Microfusion Technology Co., Ltd. | Taiwan | Electronic information services | 17,000 | 17,000 | 2,600,000 | 100.00 | 36,481 | 6,272 | - | Note C |
| | Nextlink (HK) Technology Co., Ltd. | Hong Kong | Electronic information services | 973 | 973 | - | 100.00 | 24,598 | 16,366 | - | Note C |
| | Microfusion (HK) Technology Co., Ltd. | Hong Kong | Electronic information services | 1,494 | 1,494 | - | 100.00 | 1,562 | 468 | - | Note C |

Note A: Subsidiary.

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

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

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Investee Company | Main Businesses and Products | Paid-in Capital | Method of Investment (Note A) | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021 | Remittance of Funds | | Accumulated Outward Remittance for Investment from Taiwan as of June 30, 2021 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) | Carrying Amount as of June 30, 2021 | Accumulated Repatriation of Investment Income as of June 30, 2021 |
|---|--|-------------------------------|----------------------------------|---|---------------------|--------|---|-----------------------------------|--|------------------------|-------------------------------------|---|
| | | | | | Outward | Inward | | | | | | |
| Digital United Information Technologies (Shanghai) Ltd. | Design, research, installment and maintenance of computer software and systems | \$ 86,366 (US\$ 3,100,000) | 2 | \$ 86,366 (US\$ 3,100,000) | \$ - | \$ - | \$ 86,366 (US\$ 3,100,000) | \$ (628) | 100.00 | \$ (628) | \$ 5,265 (RMB 1,222,000) | \$ - |
| Nextlink (Shanghai) Technology Co., Ltd. | Electronic information services | 2,006 (US\$ 72,000) | 2 | 2,006 (US\$ 72,000) | - | - | 2,006 (US\$ 72,000) | 612 | 70.00 | 612 | 1,821 (HK\$ 507,000) | - |

| Company Name | Accumulated Investments in Mainland China as of June 30, 2021 | Investment Amounts Authorized by the Investment Commission, MOEA | Limit on Investments (Note B) |
|--|---|--|-------------------------------|
| Far EasTone Telecommunications Co., Ltd. | \$ 92,616 (Note C) | \$ 92,616 (Note C) | \$ 36,301,961 |
| New Century InfoComm Tech Co., Ltd. | 86,366 (US\$ 3,100,000) | 86,366 (US\$ 3,100,000) | 14,156,141 |
| New Diligent Co., Ltd. | 415,866 (US\$ 14,927,000) (Note C) | 415,866 (US\$ 14,927,000) (Note C) | 49,104 |
| Nextlink Technology Co., Ltd. | 2,006 (US\$ 72,000) | 2,006 (US\$ 72,000) | 76,506 |

Note A: Method of investment is as follows:

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

Note B: The limit is up to 60% of the investor's net worth as stated in the Principles Governing the Review of Investment or Technical 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.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES**INFORMATION ON MAJOR STOCKHOLDERS****JUNE 30, 2021**

| Name of Major Stockholder | Shareholding | |
|------------------------------------|------------------|-----------------------------|
| | Number of Shares | Percentage of Ownership (%) |
| Yuan Ding Investment Co., Ltd. | 1,066,657,614 | 32.73 |
| Shin Kong Life Insurance Co., Ltd. | 267,710,000 | 8.21 |
| Cathay Life Insurance Co., Ltd. | 232,685,230 | 7.14 |

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