

遠傳 FET

只有遠傳 沒有距離  
靠得更近 想得更遠

Far EasTone  
Telecommunications Co., Ltd

# 2020 Annual Report

Corporate Website : <http://www.fareastone.com.tw>  
Disclosed information can be found at : <http://mops.twse.com.tw>

遠傳心 **5G** 未來無距離

*A Future Beyond Imagination*



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**Listing of Foreign Securities / Website:**

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The paper used for the contents of this Annual Report conforms to the Green Mark certified.



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## I Letter to Shareholders

## Letter to Shareholders

Dear Shareholders,

Looking back, in 2020 the world faced serious challenges posed by COVID-19, which had a profound impact across various industries. Confronted by the turbulent environment, FET employees stayed focused to enhance their core competencies in Big Data, artificial intelligence (AI), and the Internet of Things (IoT) to deliver more new economy solutions, while our Network team accelerated the deployment of FET's 5G network. FET launched our 5G network and offered virtual reality (VR), and multi-view video services in early July.

With great team efforts, FET delivered solid business results in 2020; consolidated revenue totaled NT\$79,501 million; consolidated earnings before interest, taxes, depreciation, and amortization (EBITDA) and after-tax earnings (net income) were NT\$27,599 million and NT\$8,354 million, respectively; with earnings per share (EPS) at NT\$2.56, achieved 104% of the financial forecast, as we continue to create more values for FET shareholders.

### **As the commander-in-chief of “Business Continuity Management Program,” the President led employees to establish an epidemic prevention system**

The dedicated Business Continuity Management (BCM) program that FET has established a few years ago has played a key role when the Virus initially broke out and President Ching assumed the position of Commander-in-Chief and led employees in implementing the company’s epidemic prevention policies. We regularly assessed employees’ health conditions, monitored the status of the pandemic, and established disease prevention measures in various aspects, formulated remote work guidelines, conducted remote meetings, and implemented visitor access controls to ensure a safe working environment for all employees. While many industries suffered financial hardship due to COVID-19, the stay-at-home economy has actually bloomed as the pandemic changed consumers’ work style and lifestyle, and it also benefited FET’s Digital services, such as the number of friDay Video subscribers increased by 40%, the total # hours of viewing also increased 98% compared with 2019, like other EC, friDay shopping grew 32% in revenue, and also the doubling of sales of enterprise remote solutions, and so on. FET also leveraged its core network competency and ICT capabilities to assist the Government with location services to identify the paths traveled by the potentially infected people to control the damage and provided the cloud service and network infrastructures for the Government’s eMask Ordering System, as the hidden support behind the National Mask team.

### **FET delivered outstanding performance with the launch of the 5G network**

FET commenced 5G business in July 2020. We built infrastructure and optimized the 5G network with AI and big data technology, therefore provided FET users with the highest speed, and ranked #1 among Taiwan operators in the surveys conducted by two international mobile network performance testing authorities, Speedtest and Opensignal. FET reached 300,000 # of 5G users ahead of schedule in early December 2020 and sponsored the Taipei New Year Countdown Party with 5G technology supporting 100 concurrent participants on a video conference watching the event on line in real-time. In addition, the friDay Video pioneered the on-line, multi-view live broadcasting of the Countdown Party, attracted nearly 2 million viewers, which also gave the FET brand maximum exposure. We are set to have a 5G coverage of 90% of the entire population of Taiwan by the end of 2021, allowing all of our users to enjoy the best 4G + 5G network experience.

### **FET and Asia Pacific Telecom formed a win-win spectrum-sharing strategic alliance**

In order to maintain FET's competitive edge in the 5G spectrum, enhance spectrum efficiency, and reduce the capital and operating costs of the network, FET and Asia Pacific Telecom entered into a 5G spectrum-sharing agreement in September. It was approved by NCC in April 2021. Once it is also approved by the Fair Trade Committee, FET will be able to devote more resources to 5G value-added and smart services.

### **FET Enterprise BU forms alliance to launch advanced 5G business solutions, while Consumer BU launched the Mobile Circle**

Prior to the 5G commercial launch, FET published white paper to create 4 models of 5G private networks, first to set the de facto standard; and our Enterprise BU was quick in approaching potential clients to conduct 5G PN Proof of Concept trials, especially pertaining to smart factory and Industry 4.0. With FET's focus on building AI, Big Data and IoT solutions, integrating Communications Technology and Information Technology, and through cross-industry, cross-sector and cross-field business alliances, FET aims to co-create value with our enterprise clients and become their partner for digital transformation. In 2020, FET, Delta Electronics, Inc., and Microsoft

jointly built the first 5G smart factory in Taiwan and introduced multiple applications such as a private 5G network, smart facilities, and cloud-based AIoT, demonstrating the synergistic effects of these technologies. With continuous efforts in smart healthcare, FET delivered Taiwan's first 5G remote diagnosis and treatment facility in Taitung after delivering the world's first NB-IoT glucometer; and took a step further to offer the first remote diabetes follow-up medical care service in New Taipei City. Eliminating physical distance with the Mobile internet, we saved time, money and trouble for remote-area patients from the long-distance hospital visits, but brought the medical services to them, to the faraway suburbs. FET also delivered 80,000+ Smart Street Lights for Taoyuan City Government, with a real-time remote monitoring and automated error reporting system, providing the public with the best in class lighting and road-safety currently available.

For consumer businesses, we launched the mobile circle, exclusively for FET users only and provided them with selective, high quality services and discounts as member benefits. In addition telecommunication services, we offer one-stop solutions which encompassed food, leisure, financial services, and various benefits, in order to build a membership-based economy. Since its launch in Nov. 2020, the FET Mobile Circle App has more than 2M downloads, more than 1.4M monthly active users, and helped boost our digital services subscription and friDay Shopping sales. FET continues to develop and innovate new digital services, in 2020, FET started experimenting with the FinTech opportunities and cooperated with Far Eastern International Bank to create the "friDay Financial Management plus" APP, and became the first Third-Party Service Provider (TSP) approved by the FSC to initiate the second stage of open banking services in Taiwan. With 5G launch, FET also collaborated with Ubitus, a cloud gaming enterprise, to launch "friDay Cloud Gaming" where 50 cloud-based games were introduced on the debut date. The availability of high-speed Mobile network greatly improved players' experience. Last but not least, FET also rolled out a brand-new business model, "You shop, FET pays" the first and largest Online-Merge-Offline (OMO) cross-industry platform.

### **By thinking from the customer's perspective for how we conduct our business and serve our customers, FET has received numerous awards for high quality customer service**

By thinking from the customer's perspective to forge emotional connections, "for every thought you have, FET goes farther for you". FET is the only enterprise in Taiwan to win the gold medal for "Best Service Evaluation" for nine consecutive years; also FET has won nine other major awards including Customer Service Excellence Awards (CSEA) in 2020, becoming one of the biggest winners of the year. Fifteen of FET's store managers won the "National Outstanding Store Manager Award" which is considered the Oscar of the chain and franchise service industry. FET is committed to be the leading service brand in Taiwan's telecommunications industry. We will continue to offer a wide range of digital products and services and to be the best digital partner for our customers.

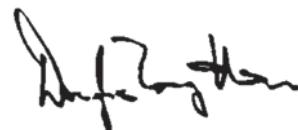
### **Aligned with the Sustainable Development Goals (SDGs) of the United Nations, we established "5 Gos" driving forces plans to carry out our sustainable strategy**

FET sets sustainability as the goal of corporate development and has a blueprint for strategic planning aligned with the UN's SDGs. For many years, we have utilized our core competency in ICT to proactively implement sustainability strategies. We take actions concerning corporate governance, environmental, social, and economic issues; we formulated strategies for 2018 to 2025 (Go Prosperous, Go Caring, Go Inclusive, Go Innovative, and Go Eco) and set mid- and long-term business goals in pursuit of sustainable growth.

FET's efforts related to corporate sustainability have long been highly recognized by sustainability rating agencies both abroad and at home. The eight major awards were: twice becoming a component stock of the DJSI World Index, ranking fourth among the 100 plus telecommunication operators worldwide; being included in the DJSI Emerging Markets Index for five consecutive years; twice being awarded the "Silver Class" in the 2020 and 2021 Sustainability Yearbook; being the only telecommunication operator in the world to receive the Industry Mover award organized by an international sustainability rating agency; having received the highest honor of being in the top 5% in corporate governance as rated by Taiwan Stock Exchange for six consecutive years; having won the CSR Survey - Role Model Award organized by the Global Views Monthly for four consecutive years; being ranked as one of Taiwan's Top Ten Sustainability Model Companies of the TCSA award for many years; and having received the TCSA award. Because both the TPKC (FET's cloud computing center) and the TPKD (R&D office building) earned diamond-grade certification, the highest honor for sustainable architecture in Taiwan, our sustainability performance was recognized once again! FET won the Energy Management Insight Award of the United Nations for our energy-saving innovations, being the second telecommunication company worldwide and the first one in Taiwan to receive this honor. Finally, FET was upgraded to a B rating by the CDP (Carbon Disclosure Project). The only telecom operator in Taiwan to achieve the highest rating "A" for the supplier engagement leader in CDP (Carbon Disclosure Project). These exceptional achievements represent FET's determination and performance in promoting sustainable development.

Looking forward, FET will proactively carry out strategic development by speeding up the full commercial operation of 5G, restarting our core business of telecommunication through the mobile living sphere, and forging cross-industry alliances in the hope of driving the new economy with innovations. FET employees will also persistently enhance their competencies concerning “big data, AI, and IoT”, think from customer perspectives as well as go farther for every thought from customers in order to realize the vision of “FET Connects and Enriches Life.”

Finally, we would like to express our utmost gratitude to all shareholders. We look forward to the continuous supervision and encouragement from you and the public. And lastly, we wish you good health and all the best.

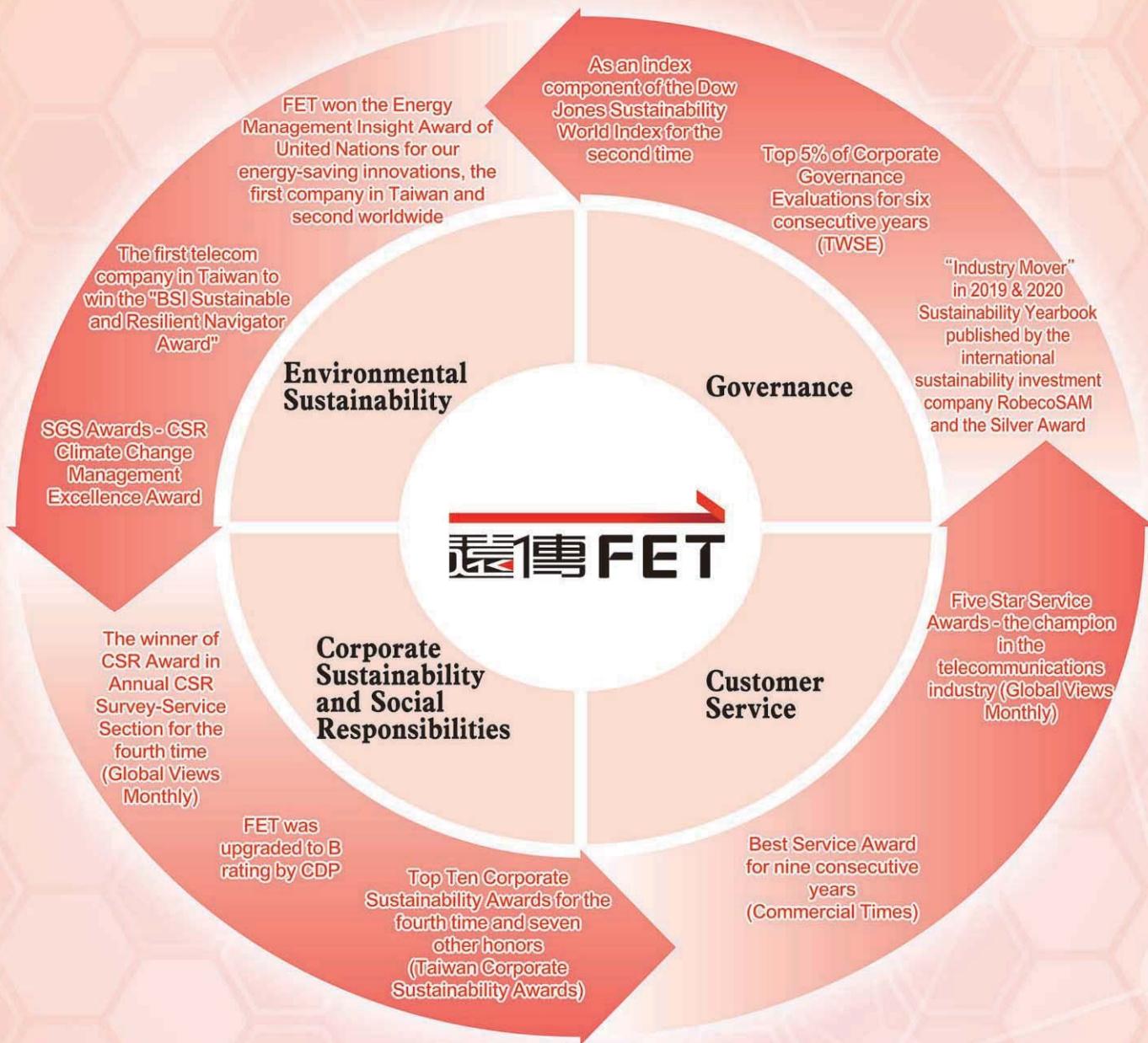


Douglas Hsu  
Chairman



Chee Ching  
President

# 2020 Major Honors and Awards



**FET Garnered over 20 Recognitions in 2020**

FET Connects and Enriches Life



## 1. Date of Incorporation

**Far EasTone Telecommunications Co., Ltd. (the "Company") was incorporated on April 11, 1997.**

## 2. Company History

### 1. Milestones:

- 2021/04 Ranked top 5% of the "Corporate Governance Evaluation" result hosted by Taiwan Stock Exchange Corporation for the seventh consecutive year
- 2021/03 FET, Delta Electronics, Inc. and Microsoft jointly built the first 5G intelligent factory in Taiwan where FET set up private 5G network within Delta Electronics, Inc.
- 2021/03 As for FET's 5G remote diagnosis and treatment, Taiwan's first remote diagnosis and treatment for cardiology was introduced to the public health centers at Lanyu and Ludao in Taitung County
- 2021/02 FET became the very first telecommunication company rated A in Taiwan as its supplier engagement performance was assessed as leader-level by CDP
- 2021/02 FET won the Silver Award in the Sustainability Yearbook for two consecutive years
- 2021/01 FET launched the "FET Life" app, an innovative and advanced service for telecom users, to create a one-stop mobile life sphere for its users
- 2021/01 FET has been ranked first among Taiwan operators in terms of 5G speed in the Taiwan 5G user experience surveys conducted by international mobile network performance testing authorities, Speedtest and Opensignal
- 2021/01 FET successfully applied the core technology of 5G in providing a multi-angle viewing of Taipei City New Year Countdown Party exclusively through the friDay Video app, attracting nearly 2 million viewers
- 2020/12 Opensignal, an international mobile network survey authority, released the "Taiwan 5G User Experience Report" for the first time, and FET was the winner in both the "5G Download Speed" and "5G User Overall Download Speed Experience"
- 2020/12 FET's " friDay Finance+" APP and FET International Bank were approved to initiate the second stage of open banking services, becoming the first TSP approved by FSC to provide such service
- 2020/11 FET launched the value-added service of friDay cloud gaming
- 2020/11 FET's won 8 awards in Taiwan Corporate Sustainability Awards and ranked in Taiwan's Top Ten Sustainability Model Companies for the fourth time with its Big Data, AI and IoT incorporated into CSR measures
- 2020/11 FET was nominated as a component stock of "DJSI World" Index for two consecutive years and was upgraded to B rating by CDP in climate change category
- 2020/11 FET, New Taipei City Government, National Health Research Institutes, and Far Eastern Memorial Hospital jointly announced the launch of the first 5G diabetes continuous remote medical care service in Taiwan
- 2020/10 FET launched a brand-new business model, "FET Pay," the first and largest Online-Merge-Offline (OMO) cross-industry platform
- 2020/09 FET and Asia Pacific Telecom formally formed a spectrum sharing strategic alliance to break into the 5G market with the principles of integrity, reciprocity, and win-win
- 2020/09 FET called on suppliers to form the "2020 Sustainability Pioneer Team" for charity works and repaired the basketball court of Binmao Junior High School in Taitung County in the first year
- 2020/09 FET was nominated as a component stock of "DJSI World" Index for the second time for its outstanding sustainability performance
- 2020/09 FET was the first operator in the industry to introduce the "mobile self-service e-form" in all Taiwan branches, carrying out innovative digital services
- 2020/07 FET was the second company in the world and the first in Taiwan to receive the "Energy Management Insight Award" of the United Nations Clean Energy Ministerial (CEM)
- 2020/07 "FET 5G" was officially launched for the coming 5G new generation
- 2020/06 FET, Delta Electronics, Inc. and Microsoft jointly built the first 5G intelligent factory in Taiwan

2020/05	Approved the 5G business plan and information security maintenance plan, obtained business permits, actively established the 5G network
2020/03	FET rapidly obtained internet resources required for the operation of the mask online purchase system 2.0, contributing to the country during the critical moment of the epidemic prevention
2020/02	Highly recognized by domestic and overseas sustainability evaluation organizations, the only telecommunication operator in the world to receive the Industry Mover award, in the 2020 Sustainability Yearbook published by the international sustainability evaluation institution, RobecoSAM
2020/02	Acquired an advantage edge by successfully securing the 80MHz and 400MHz and in the 3.5GHz and 28GHz band during the bid for 5G bands. Start rolling out the 5G business plan
2020/01	Participated in the New Year's Eve party organized by the Taipei City Government, which was Taiwan's first entertainment providing multiple stages and utilizing 5G technology with low latency
2019/11	Received a silver award in the first "National Enterprise Environmental Protection Award" organized by the Environmental Protection Administration, Executive Yuan, becoming the only award-winning enterprise in the telecommunication industry
2019/10	Received the 2019 CSEA Outstanding Customer Service Award by Taiwan Contact Center Development Association (TCCDA)
2019/09	Launched the Taoyuan City Street Light Replacement Project in cooperation with the Taoyuan City Government
2019/09	Selected as an index component of the Dow Jones Sustainability World Index for the first time
2019/03	Acquired shares of Nextlink Technology Co., Ltd., entered the cloud service market
2019/02	Awarded the "Industry Mover" in the 2019 Sustainability Yearbook published by the international sustainability evaluation institution, RobecoSAM, became the only award-winning enterprise in the telecommunication industry in the world and won the "Bronze Class" Sustainability Award
2019/01	Chee Ching was appointed as the new President of FarEasTone
2018/08	Established Prime EcoPower as a stepping stone to the solar energy industry
2018/07	Published Taiwan's first Total Impact Measurement and Management (TIMM) report, adopting digital management for sustainability performance
2018/01	Continued to be recognized as the fastest mobile network provider in Taiwan for the second half of 2017 by the Speedtest website
2017/11	Established the FET "IoT Ecosystem" in cooperation with 46 partners and became the first Taiwanese telecommunication enterprise to officially provide NB-IoT services
2017/07	Recognized as the fastest mobile network provider in Taiwan for the second half of 2017 by the Speedtest website
2017/07	Published the world's first Social Return on Investment (SROI) Forecast Report in Traditional Chinese
2016/09	Established the first 5G laboratory in Taiwan
2016/08	Launched the first telecom shop robot assistant in Taiwan
2016/03	Commenced operation of 2,600MHz bands, officially entered the 4.5G era, becoming the first enterprise in the industry to provide 700MHz, 1800 MHz and 2600MHz tri-band services in the Asia telecommunication market
2015/04	The first telecommunication enterprise in Asia to obtain the SGS BS 8477 Code of Practice for Customer Service Certification
2014/06	Officially launched 4G mobile services with 75% coverage, which is significantly larger than its peers. In August, the 1800MHz band was officially launched and became the first 4G service provider with 700MHz and 1800 MHz dual band in the world
2013/10	FET ranked first in the network speed test report published by NCC. Among the 22 counties in Taiwan, FET's download and upload speeds ranked first in 12 and 14 counties, respectively. In addition, FET has three 4G bands, which is the only carrier in telecom industry offering the 20 MHz contiguous spectrum in the telecom industry
2012/01	Published the online edition of the first CSR report, heading towards corporate sustainable development with the concept of "Eco-Fashion and Creative - Responsibility"
2006/10	Launched the first 3.6 Mbps HSPA technology with the highest speed in Taiwan, opening up the new era of 3.5G mobile communication
2005/08	Officially listed on the Taiwan Stock Exchange as an electronics stock company

2005/07	Launched the 3G multimedia services, becoming the first 3G/WCDMA provider in Taiwan
2004/01	The merger and acquisition with KGT was approved by the Executive Yuan's Fair Trade Commission. FET officially merged with KGT, becoming Taiwan's largest mobile operator in the private sector
2003/04	Made Taiwan's first live 3G video call
1999/03	Ranked as the fastest telecommunication provider to reached one million users by the Global Mobile Magazine
1997/01	Officially operating
1997/01	Obtained 2G licenses (GSM1800-whole region & GSM900-Northern region) from the Ministry of Transportation and Communication

**2-2. Status of the Affiliated Company from Last Year up to the Annual Report being Published :**

Please refer "9". Comprehensive Shareholding Information Relating to Company, Directors, Management, and Companies Affiliated through Direct and Indirect Investment".

**2-3. Status of the Reorganization of the Company from Last Year up to the Annual Report being Published:** None.

**2-4. Changes in Directors, Shareholders with Greater than 10% Shareholding or Their Selling of a Large Number of Shares from Last Year up to the Annual Report being Published:** None.

**2-5. Material Impact Event on the Shareholders' Equity and Company from Change of Ownership, Business Operating, Business Content and Others from last year up to the Annual Report being Published:** None.

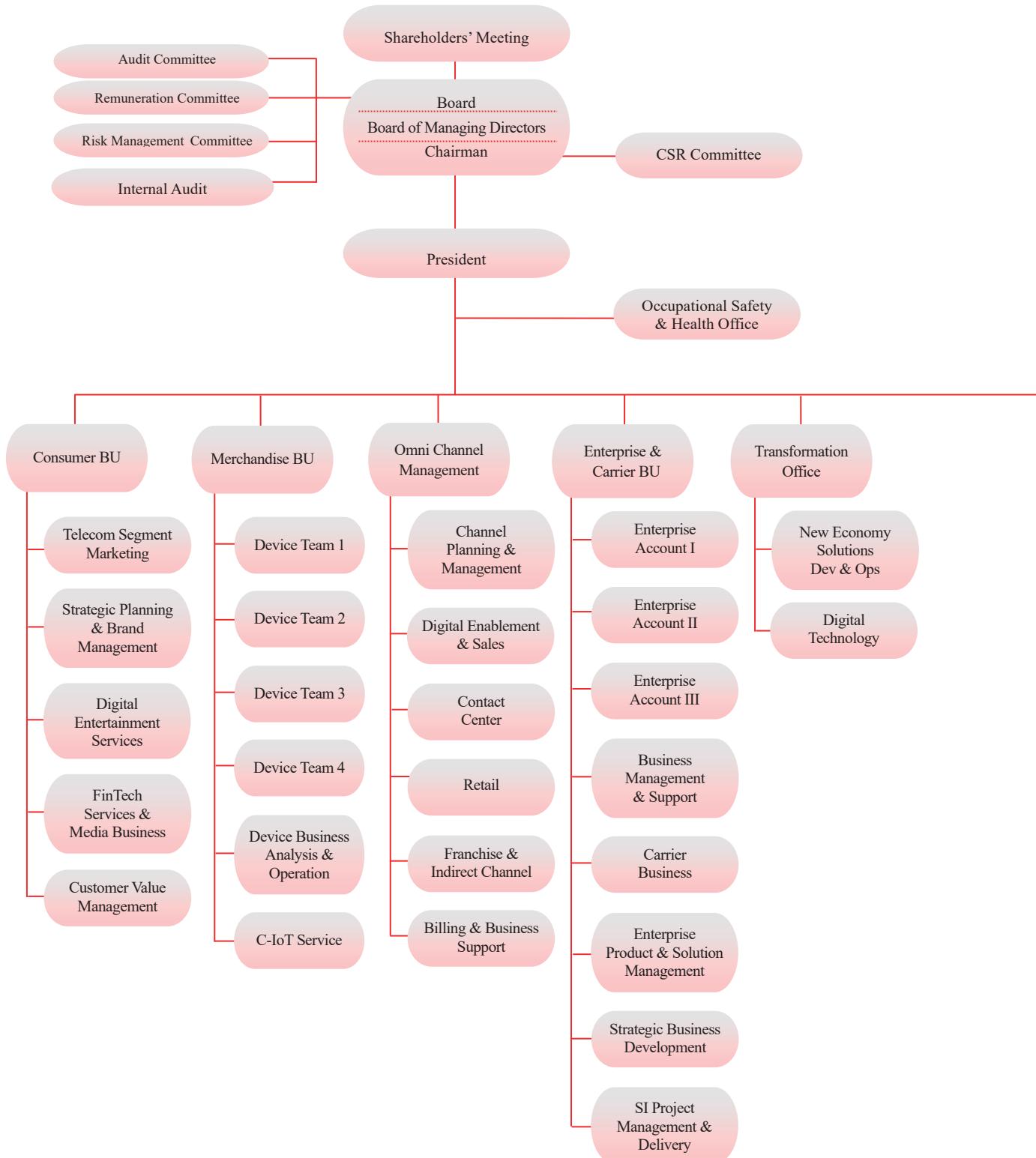


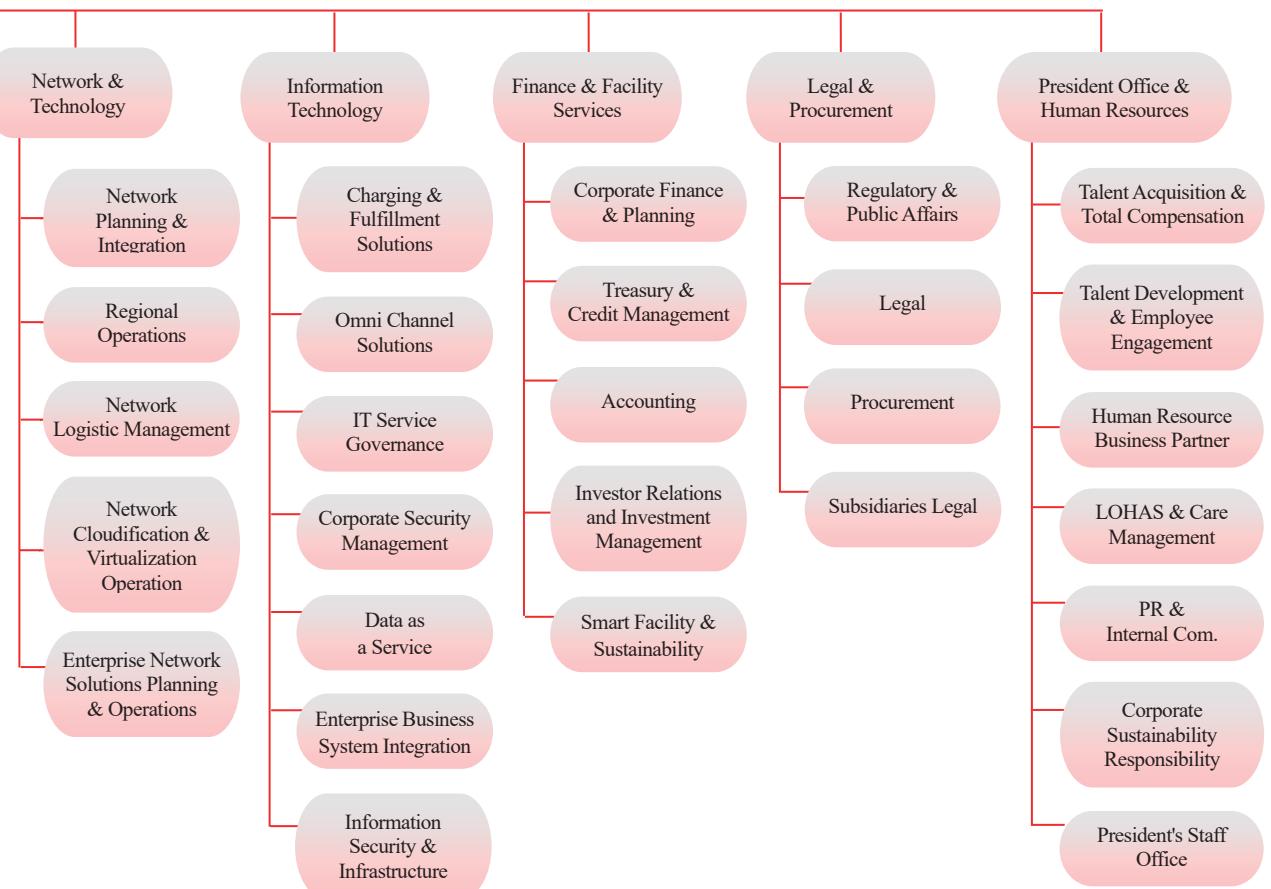
# Corporate Governance

1. Organization Structure
  2. Directors, President, Executive Vice Presidents, Senior Vice Presidents, Vice Presidents, Senior Directors and Department Heads
  3. Operation of Corporate Governance
  4. Certified Public Accountant (CPA) Professional Fee Information
  5. Change of Certified Public Accountant (CPA)
  6. The Company's Chairman, President and Managers Responsible for Finance or Accounting Who Have Held a Post in Company's Audit Firm or its Affiliations in the Last Year
  7. Shares Transferred by Directors, Managers and Major Shareholders from Last Year up to the Annual Report being Published
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  9. Comprehensive Shareholding Information Relating to Company, Directors, Managers, and Companies Affiliated through Direct and Indirect Investment

## 1. Organization Structure

### 1-1. Organization Chart





## 1-2. Roles and Responsibilities

Department	Job Description
President Office	Responsible for implementing the Board's decisions, developing material strategies and directions for the company, and supervising overall operation and organization.
Consumer BU	Responsible for consumer and products of Telecom segment, Digital segment, Home segment and Consumer Analytics & Insights.
Merchandise BU	In charge of FET merchandising, planning, maintenance and logistic businesses, meanwhile, deploy resources among subsidiaries in the most effective way.
Omni Channel Management	Responsible for the full product range sales and services function, including the Retail store, Franchise store, Wholesales channel, digital channel and customer contact center.
Enterprise & Carrier BU	Responsible for the business planning & sales of Enterprise BU, and also define the operation strategies for Carrier function.
Transformation Office	Responsible for IoT end to end development in product and technical support, new technology application and development and laying out FET's long term technology roadmap.
Network & Technology	Responsible for Mobile/ Broadband/ ISP Network planning, development and operation, technology strategy, planning and development.
Information Technology	Responsible for strategic planning, developing and operating of company information technology strategy and system. To provide IT services for store, customer care, billing, financial and decision analysis information.
Finance & Facility Services	Responsible for finance, accounting, tax, risk management, investor relations, collection and sustainable management and smart facilities administration.
Legal & Procurement	Responsible for legal litigation, IP, regulatory, contract management, corporate security, the public affairs and procurement.
President office & Human Resources	The strategic advisors of the President Office assist the President with cross-departmental strategic planning, formulation of corporate and cross-functional performance targets, and regular updates on business management information. They also manage services associated with human resources management, development and training, human capital, engagement and growth, recruitment, employee relations, remuneration and benefits, safety and health, human resources system, media relations, corporate social responsibility, etc.
Internal Audit	Responsible for assisting the Board and management team to identify the deficiency of the internal control system, to assess the effectiveness and efficiency of the operation, and to provide appropriate improvement suggestions to ensure the effectiveness of internal control system as well as for continuous improvement.



## 2. Directors, President, Executive Vice Presidents, Senior Vice Presidents, Vice Presidents, Senior Directors and Department Heads

### 2-1. Directors

Title	Nationality	Name	Gender	Election Date	Tenure (year)	First Election Date	Shareholding When Elected		Current Shareholding	
							Shares	%	Shares	%
Chairman	R.O.C.	Douglas Hsu, Representative of Yuan Ding Investment Co., Ltd.	Male	2018/06/14	3	1997/04/11 *1997/04/11	1,066,657,614 *0	32.73 *0	1,066,657,614 *0	32.73 *0
Vice Chairman	R.O.C.	Peter Hsu, Representative of Yuan Ding Investment Co., Ltd.	Male	2018/06/14	3	1997/04/11 *1997/04/11	1,066,657,614 *0	32.73 *0	1,066,657,614 *0	32.73 *0
Managing Director	Sweden	Jan Nilsson, Representative of Yuan Ding Investment Co., Ltd.	Male	2018/06/14	3	1997/04/11 *2003/05/26	1,066,657,614 *0	32.73 *0	1,066,657,614 *0	32.73 *0
Independent Director	Hong Kong (China)	Lawrence Juen-Yee LAU	Male	2018/06/14	3	2005/05/20	0	0	0	0

2021/04/25

Spouse & Minor Shareholding	Shareholding in the Name of Others	Major Education & Experience	Current Position with Other Company	Officer or Directors is a Spouse or Consanguinity within 2 Degrees to Each Other			Note (Note 2)
				Title	Name	Relation	
Shares	%	Shares	%				
0 *0	0 *0	0 *0	0 M.S., University of Notre Dame, U.S.A.; *0 M.S., Economics, Columbia University, U.S.A.; Honor Ph. D., Management, National Chiao Tung University; President of Far Eastern New Century Corporation	Chairman of Far Eastern New Century Corporation; Chairman of Asia Cement Co., Ltd.; Chairman of Far Eastern Department Stores Ltd.; Chairman of Oriental Union Chemical Corp.; Chairman of U-Ming Marine Transport Corp.; Chairman of New Century InfoComm Tech Co., Ltd.; Vice Chairman of Far Eastern International Bank	Vice Chairman Director	Peter Hsu Jeff Hsu	Brother Father and Son
0 *0	0 *0	0 *0	0 M.S., Operations Research, Stanford University, U.S.A.; Vice President of Ding & Ding Management Consultants Co. Ltd.	Vice Chairman of Far Eastern New Century Corporation; Director of Asia Cement Co., Ltd.; Director of U-Ming Marine Transport Corp.	Chairman	Douglas Hsu	Brother
0 *0	0 *0	0 *0	0 Vice Chairman of Far EasTone Telecommunications Co., Ltd.; President of Far EasTone Telecommunications Co., Ltd.; Sr. Executive VP of Satelindo Telecom Indonesia; M.S., Industrial and Management Engineering, Linköping University, Sweden	None	None	None	None
0	0	0	0 Academician, Academia Sinica, 1982; Kwoh-Ting Li Professor in Economic Development, Stanford University, U.S.A.; Vice-Chancellor (President) of The Chinese University of Hong Kong; Chairman of CIC International (Hong Kong) Co., Limited; B.S. in Physics, Stanford University, U.S.A.; M.A. and Ph.D. in Economics, University of California at Berkeley, U.S.A.	Ralph and Claire Landau Professor of Economics, The Chinese University of Hong Kong; Independent Non-executive Director, CNOOC Limited in Hong Kong; Independent Non-executive Director, AIA Group Limited in Hong Kong; Independent Non-executive Director, Semiconductor Manufacturing International Corporation in Hong Kong; Member of the Currency Board Subcommittee of the Hong Kong Special Administrative Region Exchange Fund Advisory Committee	None	None	None

Title	Nationality	Name	Gender	Election Date	Tenure (year)	First Election Date	Shareholding When Elected		Current Shareholding	
							Shares	%	Shares	%
Independent Director	R.O.C.	Tim Pan	Male	2018/06/14	3	2018/06/14	0	0	0	0
Director	R.O.C.	Champion Lee, Representative of Yuan Ding Co., Ltd.	Male	2018/06/14	3	2003/05/23 *1997/04/11	4,163,500 *0	0.13 *0	4,163,500 *0	0.13 *0
Director	U.S.A.	Jeff Hsu, Representative of Yuan Ding Co., Ltd.	Male	2018/06/14	3	2003/05/23 *2015/06/18	4,163,500 *0	0.13 *0	4,163,500 *0	0.13 *0
Director	Japan	Nobutaka Kurata, Representative of U-Ming Marine Transport Corp.	Male	2018/06/14	3	2012/06/13 *2019/07/01	331,000 *0	0.01 *0	331,000 *0	0.01 *0
Director	R.O.C.	Bonnie Peng, Representative of Asia Investment Corp.	Female	2018/06/14	3	2000/12/28 *2015/06/18	986,303 *0	0.03 *0	1,426,303 *0	0.04 *0
Director	Singapore	Toon Lim, Representative of Ding Yuan International Investment Co., Ltd.	Male	2018/06/14	3	2012/06/13 *2008/01/10	919,653 *0	0.03 *0	919,653 *0	0.03 *0

\*Number of shares and percentage of shares currently held and first election date by the individual.

Note 1: For all directors and shareholders are corporate entities, the company registry is R.O.C.

Note 2: Where the Company's chairman and the president or an officer of equivalent position (the most senior manager) are the same person, or spouses or consanguinity within the first degree to each other, the reason, rationality, necessity and countermeasures (e.g. to increase the number of independent directors and have the majority of directors not serving concurrently as an employee or a manager) shall be disclosed.

Note 3: Independent director Liu Chung Laung passed away on November 7, 2020, and was discharged abided by law.

2021/04/25

Spouse & Minor Shareholding				Shareholding in the Name of Others	Major Education & Experience	Current Position with Other Company	Officer or Directors is a Spouse or Consanguinity within 2 Degrees to Each Other			Note (Note 2)
Shares	%	Shares	%				Title	Name	Relation	
0	0	0	0	Ph.D. in Electrical Engineering, Washington University in St. Louis, U.S.A; Chairman and CEO of Gemfor Technology; Co-founder and CEO of GoldKey Technology; Board member of St. John's University	Senior Outreach Director, Microsoft Research Asia	None	None	None	None	
0	0	0	0	MBA, Texas A&I University, U.S.A.; *President of Yuan Ding Co., Ltd.; Sr. EVP of Far Eastern New Century Corporation	Director of Far Eastern New Century Corporation; Director of Asia Cement Co., Ltd.; Director of U-Ming Marine Transport Corp.	None	None	None	None	
0	0	0	0	Master's degree in Design and Innovation Methods, Institute of Design, Illinois Institute of Technology, U.S.A.; MBA, University of Notre Dame, U.S.A.; Worked as a Strategy and Design Consultant in the United States with clients ranging from hi-tech startups to Nestle, Denso Automotive, Kia Motors, and Target.; Captain's commission in the United States Marine Corps	Chief Innovation Officer of Far Eastern Group; Director and Executive Vice President of U-Ming Marine Transport Corp.	Chairman	Douglas Hsu	Father and Son	None	
0	0	0	0	College of William and Mary, Maison school of business, Williamsburg, Virginia, U.S.A; Executive Director, Global Business Office, Tokyo, Nippon Telegraph and Telephone Corporation ("NTT", DOCOMO's parent company)	Executive Director, Strategic Alliance, Global Business Division, NTT DOCOMO, Inc.	None	None	None	None	
0	0	0	0	Doctor of Journalism, Southern Illinois University, Carbondale, U.S.A.; Chairperson of the 2 <sup>nd</sup> term of National Communication Commission; Professor, Department of Journalism (Graduate program), National Chengchi University, Taiwan	Adjunct Professor, College of Communication, National Chengchi University; Adjunct Professor, School of Communication, Ming Chuang University.	None	None	None	None	
0	0	0	0	Postgraduate Diploma in Business Administration University of Singapore; BE(Hons), University of Canterbury, New Zealand; Chief Operating Officer, SingTel Group	Advisor, SingTel Group; Board Director, APT Satellite, HK	None	None	None	None	

## 2-2. Information of Directors

2021/04/25

Name	Condition	With work experience of more than 5 years and the following professional qualifications	Conform to Independent (Note)												No. of Public companies in which he/she serves as Independent Director
			1	2	3	4	5	6	7	8	9	10	11	12	
Douglas Hsu			V		V		V		V		V		V		None
Peter Hsu			V		V		V		V		V		V		None
Jan Nilsson			V		V	V	V		V		V		V		None
Lawrence Juen-Yee LAU	V		V		V	V	V	V	V	V	V	V	V	V	None
Tim Pan			V		V	V	V	V	V	V	V	V	V	V	None
Champion Lee			V		V	V		V		V	V	V	V	V	None
Jeff Hsu			V		V		V		V		V		V		None
Nobutaka Kurata			V		V	V	V		V	V	V	V	V	V	None
Bonnie Peng	V		V		V	V	V		V	V	V	V	V	V	None
Toon Lim			V		V	V	V		V	V	V	V	V	V	None

Note: "V" indicates qualified Directors during the two years before being elected or during the term of the appointment.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates. (This requirement does not apply where the independent director serving concurrently in the Company and its' parent company or subsidiaries, or subsidiaries of the same parent company, is set up in accordance with the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" or local laws.)
- (3) Not a nature-person shareholder who holds shares, together with those held by the person's spouse or minor children, or under others' names, in an aggregate amount of 1 percent or more of the Company's total outstanding shares or ranks among the Company's top ten shareholders.
- (4) Not a spouse, relative within the second degree of kinship, or lineal blood relative within the third degree of kinship of manager under (1) or personnel under (2) and (3).
- (5) Not a director, supervisor, or employee of an institutional shareholder that directly holds 5 percent or more of the Company's total outstanding shares, ranks among the Company's top five shareholders, or appoints representatives to be the Company's directors or supervisors pursuant to Paragraph 1 or 2, Article 27 of the Company Act. (This requirement does not apply where the independent director serving concurrently in the Company and its' parent company or subsidiaries, or subsidiaries of the same parent company, is set up in accordance with the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" or local laws.)
- (6) Not a director, supervisor, or employee of a company which owns the Company's majority of directorships or voting rights. (This requirement does not apply where the independent director serving concurrently in the Company and its' parent company or subsidiaries, or subsidiaries of the same parent company, is set up in accordance with the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" or local laws.)
- (7) Not a director, supervisor or employee of a company or institution whose chairman, the president, or an officer of equivalent position is the same person as or a spouse to the Company's chairman, the president, or an officer of equivalent position. (This requirement does not apply where the independent director serving concurrently in the Company and its' parent company or subsidiaries, or subsidiaries of the same parent company, is set up in accordance with the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" or local laws.)
- (8) Not a director, supervisor, or manager, nor shareholder with 5 percent or more of shareholding of a specific company or institution which has financial or business dealings with the Company. (This requirement does not apply where the specific company or institution owns twenty percent or more but less than fifty percent of the Company's outstanding shares, and the independent director serving concurrently in the Company and its' parent company or subsidiaries, or subsidiaries of the same parent company, is set up in accordance with the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" or local laws.)
- (9) Not a professional, or an owner, partner, director, supervisor, or manager and the spouse thereof of a sole proprietorship, partnership, company, or institution that provides auditing services or renders commercial, legal, financial, or accounting services with an accumulated compensation exceeding half a million New Taiwan Dollars in the past two years to the Company or any of its affiliates. However, this restriction does not apply to members of the remuneration committee, public tender offer review committee, or special committee for merger/acquisition who exercise powers pursuant to laws and regulations in association with the Securities and Exchange Act or the Business Mergers and Acquisitions Act.
- (10) Not a spouse or relative within the second degree of kinship of any directors.
- (11) Not have any of the circumstance in the subparagraphs of Article 30 of the Company Act.
- (12) Not elected in the capacity of a government agency, a juristic person, or a representative thereof, as provided in Article 27 of the Company Act.

## Diversity of Board Members

Name	Basic requirements and values		Professional knowledge and skills		Necessary knowledge, skill, and experience (Note)								
	Gender	Nationality	Professional background	Professional skills	Industry experience	Ability to make operational judgment	Ability to perform accounting and financial analysis	Ability to conduct management administration	Ability to conduct crisis management	International market perspective	Ability to lead	Ability to make decisions	Information skills
Douglas Hsu	Male	R.O.C.	Business			V	V	V	V	V	V	V	*
Peter Hsu	Male	R.O.C.	Business			V	V	*	V	V	V	V	V
Jan Nilsson	Male	Sweden	Telecom			V	V	V	V	V	V	V	*
Lawrence Juen-Yee LAU	Male	Hong Kong (China)	Economic	Professor of Economics		V	V	V	V	V	V	V	*
Tim Pan	Male	R.O.C.	Technology			*	V	*	V	V	V	V	V
Champion Lee	Male	R.O.C.	Finance			V	V	V	V	V	V	V	*
Jeff Hsu	Male	U.S.A.	Business			*	V	*	V	V	V	V	*
Nobutaka Kurata	Male	Japan	Telecom			V	V	*	V	V	V	V	*
Bonnie Peng	Female	R.O.C.	Telecom	Professor of Journalism		V	V	*	V	V	V	V	*
Toon Lim	Male	Singapore	Telecom			V	V	*	V	V	V	V	*

\* is referred to possessing partial ability.

Note 1: The directors account for 0% of employees.

Note 2: The independent directors account for 20% of the Board.

Note 3: The female director accounts for 10% of the Board

Note 4: One independent director has been served on the board for over 9 years. There is one independent director has been served on the board under 6 years.

Note 5: The age of 5 directors is over 70 years old. The age of 2 directors is between 60 to 69 years old. The age of 3 directors is under 60 years old.

Note 6: Currently there are 4 directors are expertise in Telecom, Industry, Min. requirement is 3 board members should be expertise in Telecom, Industry.

## 2-3. Major shareholders of FET's Board Directors those are institutional shareholders

2020/12/31

Institutional Shareholders	Major Shareholders of the Institutional Shareholders
Yuan Ding Investment Co., Ltd.	Far Eastern New Century Corporation (99.40%), Ta Juh Chemical Fibers Co., Ltd. (0.3%), An Ho Garment Co., Ltd. (0.3%)
Yuan Ding Co., Ltd.	Far Eastern New Century Corporation (37.13%), Asia Cement Co., Ltd. (35.50%), Der Ching Investment Corp. (14.50%), Yuan Ding Investment Co., Ltd. (12.86%), Yu Ming Trading Co., Ltd. (0.002%), Far Eastern Department Store Co., Ltd. (0.001%), Douglas Hsu (0.001%)
U-Ming Marine Transport Corp.	Asia Cement Co., Ltd. (39.25%), Public Service Pension Fund Management Board (2.04%), Cathay Life Insurance Co., Ltd. (1.61%), Yu Yuan Investment Co., Ltd. (1.05%), Fubon Life Insurance Co., Ltd. (1.04%), Yu Yuan Investment Co., Ltd. (0.94%) Asia Investment Corp. (0.92%), JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (0.92%), Ya Li Transportation Corporation (0.75%), Ding Shen Investment Corp. (0.75%)
Asia Investment Corporation	Asia Cement Co., Ltd. (100%)
Din Yuang Investment Co., Ltd.	Far Eastern New Century Corporation (100%)

Information Sources: Department of Commerce, Ministry of Economic Affairs, R.O.C., public announcements on each company's websites and Ex-rights/Ex-dividend information disclosed by each company.

Note: Where the institutional shareholder is not structured as a company, the shareholders' names and shareholding percentages to be disclosed as per the preceding paragraph would be the names of investors or endowers and their investment amounts or endowment percentages.

## 2-4. Major Shareholders of Institutional Shareholders mentioned in 2-3 section

2020/12/31

Institutional Shareholders	Major Shareholders of the Institutional Shareholders
Far Eastern New Century Corporation	Asia Cement Co., Ltd. (23.77%), Oriental Institute of Technology (4.81%), Far Eastern Medical Foundation (3.61%), Far Eastern Memorial Foundation (3.42%), Yuan-Ze University (2.74%), Der Ching Investment Corporation (1.55%), Yu Yuan Investment Co., Ltd. (0.95%), Special Account for trust property of Far Eastern New Century Corporation employee in custody of Far Eastern International Bank (0.93%), Labor Pension Fund Committee of Far Eastern New Century Corporation (0.81%), Supervisory Committee of the Labor Retirement Fund of Asia Cement Co., Ltd. (0.75%)
Ta Chu Chemical Fiber Co., Ltd.	Yuan Ding Investment Co., Ltd. (41.86%), Yu Ding Industry Co., Ltd. (38.76%), Yu Li Investment Corp. (19.38%)
An Ho Garment Co., Ltd.	Far Eastern New Century Corporation (100%)
Asia Cement Co., Ltd.	Far Eastern New Century Corporation (22.33%), Far Eastern Medical Foundation (5.40%), Nan Shan Life Insurance Co., Ltd.(2.66%), China Life Insurance Co., Ltd.(1.69%), Yuanta Taiwan Dividend Plus ETF account in the custody of Cathay United Bank (1.64%), Labor Pension Fund Committee of Far Eastern New Century Corporation (1.59%), Yuan Ding Investment Co., Ltd.(1.54%), Far Eastern Department Stores Co., Ltd. (1.49%), Yuan-Ze University (1.41%), Far Eastern Memorial Foundation (1.31%)
Der Ching Investment Corporation	Asia Cement Co., Ltd. (99.99%), Asia Investment Corporation. (0.001%), Peter Hsu (0.001%)
Yuan Ding Investment Co., Ltd.	Far Eastern New Century Corporation (99.40%), Ta Juh Chemical Fibers Co., Ltd. (0.3%), An Ho Garment Co., Ltd. (0.3%)
Yue Ming Trading Company Limited	Bai-Ding Investment Co., Ltd. (47%), Yuan Ding Investment Co., Ltd. (45.50%), Yu Ding Industry Co., Ltd. (5%), Ding & Ding Management Consultants Co., Ltd. (1%)
Far Eastern Department Stores Co., Ltd.	Far Eastern New Century Corporation (17.06%), Yuan Ding Investment Co., Ltd.(7.15%), PJ Asset Management Co., Ltd. (6.61%), Asia Cement Co., Ltd. (5.65%), Jaryuan Investment Co., Ltd. (5.17%), Yuan-Ze University (4.75%), Yuan Tong Investment Co., Ltd. (3.64%), Norges Bank (2.21%), The committee of Employee Pension Fund of Far Eastern Department Stores Co., Ltd. (2.11%), Yu Yuan Investment Co., Ltd. (2.06%)
Cathay Life Insurance Co., Ltd.	Cathay Financial Holding Co., Ltd. (100%)
Fubon Life Insurance Co., Ltd.	Fubon Financial Holding Co., Ltd. (100%)
Yu Yuan Investment Co., Ltd.	Asia Cement Co., Ltd. (29.20%), Yuan Ding Co., Ltd. (25.02%), Yuan Ding Investment Company (18.96%), U-Ming Marine Transport Corp. (17.66%), Yu Ding Industry Co., Ltd. (0.1%)
Asia Investment Corporation	Asia Cement Co., Ltd. (100%)
Ya Li Transportation Corporation	Yu Yuan Investment Co., Ltd. (48.39%), Asia Cement Co., Ltd. (51%)
Ding Shen Investment Co., Ltd.	Yuan Tong Investment Co., Ltd., (18%), Ton Fu Investment Corporation (18%), Bai-Ding Investment Co., Ltd. (18%), Asia Investment Corp. (18%), Yue-Tung Investment Corporation (18%), Yu Ding Industry Co., Ltd. (5%)

Information Sources: Department of Commerce, Ministry of Economic Affairs, R.O.C., public announcements on each company's websites and Ex-rights/Ex-dividend information disclosed by each company.

Note: Where the institutional shareholder is not structured as a company, the shareholders' names and shareholding percentages to be disclosed as per the preceding paragraph would be the names of investors or endowers and their investment amounts or endowment percentages.



## 2-5. President, Executive Vice Presidents, Senior Vice Presidents, Vice Presidents, Senior Directors and Department Heads

Title	Nationality	Name	Gender	Effective Date	Current Shareholding		Shares held by Spouse & Minor	
					Shares	%	Shares	%
President	R.O.C.	Chee Ching	Female	2019.01.07	0	0.00	0	0.00
Executive Vice President, Consumer BU	R.O.C.	T.Y. Yin	Male	2018.01.01	0	0.00	0	0.00
Executive Vice President, Omni Channel Management	R.O.C.	Maxwell Cheng	Male	2018.01.01	18	0.00	0	0.00
Executive Vice President, Enterprise & Carrier BU	R.O.C.	Philip Tseng	Male	2017.02.21	0	0.00	0	0.00
Executive Vice President, Network & Technology	R.O.C.	Herman Rao	Male	2008.02.01	16,682	0.00	0	0.00
Executive Vice President, Information Technology	R.O.C.	Eton Shu	Male	2018.01.01	0	0.00	0	0.00
Executive Vice President & CFO, Finance & Facility Services	R.O.C.	Sharon Lin	Female	2020.08.01	11,076	0.00	0	0.00

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Shares held in Name of Others	Major Experience and Education	Current Position with Other Company	Managers are Spouse or Consanguinity within 2 Degrees to Each Other			Note (Note1)
			Title	Name	Relation	
0: 0.00	Vice President, Technology Development, AT&T; Ph.D., Management Information Systems., Purdue University	Director of Far Eastern Department Stores Ltd.; Chairwoman & President of Far Eastern Info Service (Holding) Ltd.; Chairwoman of ARCOA Communications Co., Ltd.; Director & President of New Century InfoComm Tech Co., Ltd.; Director of Pacific SOGO Department Store Co., Ltd.; Chairwoman of DataExpress Infotech Co., Ltd.; Chairwoman of Yuanshi Digital Technology Co., Ltd.	None	None	None	None
0: 0.00	CFO of KG Telecom; Finance Director of Dell Inc.; M.S., Business Administration, Indiana University, U.S.A.	Director of ARCOA Communications Co., Ltd.; Director of Digital United (Cayman) Ltd.; Director of FarEastern New Diligent Company Ltd.; Director of Far Eastern Info Service(Holding) Ltd.; Vice Chairman of Far Eastern Electronic Toll Collection Co., Ltd. Director of Ding Ding Integrated Marketing Service Co., Ltd. Director of New Diligent Hong Kong Company Ltd.; Chairman of Yuan Bao Fintech Co., Ltd.; Chairman of Far Eastone Property Insurance Agency Co., Ltd.	None	None	None	None
0: 0.00	Manager of Nestle Taiwan Group; M.S., Marketing, University of Michigan, U.S.A.	Chairman of Yuan Cing Co., Ltd.	None	None	None	None
0: 0.00	President of Ericsson Taiwan; Master Degree of Science from Industrial Engineering School, Lehigh University, U.S.A.	Chairman & President of KGEx.com Co., Ltd.; Director of New Century InfoComm Tech Co., Ltd.; Chairman of Information Security Service Digital United, Inc.; Chairman of Digital United (Cayman) Ltd.; Chairman of Digital United Information Technology Co., Ltd. (Shanghai); Director of Sino Lead Enterprise Limited; Director of New Diligent Co., Ltd.; Chairman of Prime EcoPower Co., Ltd.; Manager of Far EasTone Telecommunications Co., Ltd. System Integration Branch Office; Chairman of Nextlink Technology Co., Ltd.; Chairman of Microfusion Technology Co., Ltd.	None	None	None	None
0: 0.00	Director of AT&T Wireless; Ph.D. of Computer Science, Arizona University, U.S.A.	None	None	None	None	None
0: 0.00	VP of KG Telecom; M.S., Computer Science and Information Engineering, National Taiwan University	Director of Yuan Hsin Digital Payment Co., Ltd; Supervisor of Far Eastern Electronic Toll Collection Co., Ltd.; Director of Information Security Service Digital United, Inc.; Director of Nextlink Technology Co., Ltd.	None	None	None	None
0: 0.00	Manager of Vishay General Semiconductor Taiwan Ltd.; M.S, Finance, University of Wisconsin, U.S.A.	Supervisor of Yuanshi Digital Technology Co., Ltd.; Supervisor of ARCOA Communication Co., Ltd.; Director of Far Eastern Info Service (Holding) Ltd.; Supervisor of Ding Ding Integrated Marketing Service Co., Ltd.; Supervisor of New Century InfoComm Tech Co., Ltd.; Supervisor of KGEx.com Co., Ltd.; Supervisor of Yuan Cing Co., Ltd.; Director of New Diligent Hong Kong Company Ltd.; Supervisor of New Diligent Co., Ltd.; Supervisor of Information Security Service Digital United, Inc.; Supervisor of Prime EcoPower Co., Ltd.; Supervisor of Digital United Information Technology Co., Ltd. (Shanghai); Director of Yuan Bao Fintech Co., Ltd.; Supervisor of Far Eastone Property Insurance Agency Co., Ltd.; Supervisor of Nextlink Technology Co., Ltd.; Supervisor of Microfusion Technology Co., Ltd.; Director of FarEastern New Diligent Company Ltd.	None	None	None	None

Title	Nationality	Name	Gender	Effective Date	Current Shareholding		Shares held by Spouse & Minor	
					Shares	%	Shares	%
Senior Vice President, Merchandise BU	R.O.C.	Andy Tu	Male	2020.08.01	0	0.00	0	0.00
Senior Vice President Legal & Procurement	R.O.C.	Vivian Lee	Female	2018.01.03	0	0.00	0	0.00
Vice President, Consumer BU	R.O.C.	Eric Chu	Male	2021.02.01	0	0.00	0	0.00
Vice President, Consumer BU	R.O.C.	Lopes Lu	Female	2019.04.01	155	0.00	0	0.00
Vice President, Consumer BU	R.O.C.	Belinda Chen	Female	2018.01.01	5,070	0.00	0	0.00
Vice President, Consumer BU	R.O.C.	Jessie Teng	Female	2018.01.01	0	0.00	0	0.00
Vice President, Merchandise BU	R.O.C.	Jessica Sung	Female	2020.04.16	0	0.00	0	0.00
Vice President, Omni Channel Management	R.O.C.	Roger Lin	Male	2018.01.01	0	0.00	0	0.00
Vice President, Omni Channel Management	R.O.C.	Andy Kuo	Male	2021.02.01	0	0.00	0	0.00
Vice President, Omni Channel Management	R.O.C.	Brian Chao	Male	2020.03.01	0	0.00	0	0.00
Vice President, Enterprise & Carrier BU	R.O.C.	Eric Li	Male	2010.10.05	0	0.00	0	0.00
Vice President, Enterprise & Carrier BU	R.O.C.	Mark Lee	Male	2014.10.01	0	0.00	0	0.00
Vice President, Enterprise & Carrier BU	R.O.C.	James Lee	Male	2007.07.01	676	0.00	0	0.00
Vice President, Enterprise & Carrier BU	R.O.C.	Andy Kuo	Male	2018.04.01	0	0.00	0	0.00
Vice President, Enterprise & Carrier BU	R.O.C.	Eddie Kao	Male	2019.10.15	0	0.00	0	0.00

2021/04/25

Shares held in Name of Others	Major Experience and Education	Current Position with Other Company	Managers are Spouse or Consanguinity within 2 Degrees to Each Other			Note (Note1)
			Title	Name	Relation	
0 0.00	Vice President of Samsung Electronics Taiwan & GM of IT & Mobile; MBA, Portland State University, Oregon, U.S.A.	Vice-Chairman and President of Yuansi Digital Technology Co., Ltd.; Chairman of Home Master Technology Ltd.	None	None	None	None
0 0.00	M.S., LLM, Intellectual Property Law. John Marshall Law School, Chicago, Illinois; VP, Head of Ericsson Commercial Management, Ericsson Sweden	Director of KGEx.com Co., Ltd.; Director of Yuan Cing Co., Ltd.; Director of Nextlink Technology Co., Ltd.	None	None	None	None
0 0.00	VP, SinoPac Bank, Taiwan; AVP, Citibank (New York); MS, EES/OR, Stanford University, U.S.A.	None	None	None	None	None
0 0.00	Assist. Marketing Manager, Standard Chartered Bank; Major in Accounting & Statistics, Ming-Chuan College, Taiwan	Director of ARCOA Communications Co., Ltd.	None	None	None	None
0 0.00	Director of Taiwan High Speed Rail Corporation; M.S., Advertising, University of Illinois, U.S.A.	None	None	None	None	None
0 0.00	Director of Taiwan High Speed Rail Corporation; M.S., Business Administration, Southern Methodist University, U.S.A.	Director of Far Eastone Property Insurance Agency Co., Ltd.; President of Yuan Bao Fintech Co., Ltd.	None	None	None	None
0 0.00	CFA of California, U.S.A.; MIS Manager of Janssen Cilag Taiwan, Johnson & Johnson; EMBA, National Taiwan University	President of ARCOA Communications Co., Ltd.;	None	None	None	None
0 0.00	Sales Representative of Carrier Corporation, Taiwan; Master of International Business of CYCU, Taiwan.	None	None	None	None	None
0 0.00	Manager of Magical Furniture Corporation; B.S., Business Management, Tamsui Oxford University College, Taiwan.	Director & President of Yuan Cing Co., Ltd.	None	None	None	None
0 0.00	Sales Supervisor of Shin Kong Life Insurance Co., Ltd.; B.S., Accounting, Feng Chia University, Taiwan.	Director of ARCOA Communications Co., Ltd. Director of DataExpress Infotech Co., Ltd.	None	None	None	None
0 0.00	VP of New Century InfoComm Tech Co., Ltd.; VP of Digital United Inc.; Master of Information Management, National Sun Yat-Sen University; Taiwan.	Chairman of New Diligent Co., Ltd.; Director of Prime EcoPower Co., Ltd.; Director of Digital United Information Technology Co., Ltd. (Shanghai); Director of Nextlink Technology Co., Ltd.; Chairman of Microfusion (HK) Technology Co., Ltd.	None	None	None	None
0 0.00	Director of Sales of New Century InfoComm Tech Co., Ltd.; B.S., Information Technology of Chung-Yuen University, Taiwan	Director of Nextlink Technology Co., Ltd.; Director of Microfusion Technology Co., Ltd.	None	None	None	None
0 0.00	Director of KG Telecom; B.S., Electrical Engineering, Feng Chia University, Taiwan	Director of KGEx.com Co., Ltd.; Director of Digital United Information Technology Co., Ltd. (Shanghai); Director of New Diligent Co., Ltd.; Director of Prime EcoPower Co., Ltd.	None	None	None	None
0 0.00	Director of Sales of New Century InfoComm Tech Co., Ltd.; Ph.D. of Management Science, National Taiwan University of Science and Technology	President of Information Security Service Digital United Inc.	None	None	None	None
0 0.00	Computer Science/New Jersey State University USA EUTOP Polymers Industries Ltd CHINA	None	None	None	None	None

Title	Nationality	Name	Gender	Effective Date	Current Shareholding		Shares held by Spouse & Minor	
					Shares	%	Shares	%
Vice President, Network & Technology	R.O.C.	Bruce Yu	Male	2013.04.01	0	0.00	0	0.00
Vice President, Network & Technology	R.O.C.	Jason Kuo	Male	2021.02.01	0	0.00	0	0.00
Vice President, Finance & Facility Services	R.O.C.	David Tsai	Male	2018.03.01	0	0.00	0	0.00
Vice President, President Office & Human Resources	R.O.C.	Charlene Lin	Female	2020.02.10	0	0.00	0	0.00
Vice President, Consumer BU	R.O.C.	C. J. Lee	Female	2018.01.01	27,615	0.00	0	0.00
Senior Director of Sales, Omni Channel Management	R.O.C.	Adam Wong	Male	2018.04.01	0	0.00	0	0.00
Senior Director, Omni Channel Management	R.O.C.	Peggy Peng	Female	2020.10.01	0	0.00	0	0.00
Senior Director of Sales, Omni Channel Management	R.O.C.	Maurice Tsai	Male	2018.04.01	0	0.00	0	0.00
Senior Director, Omni Channel Management	R.O.C.	TK Han	Male	2020.10.01	1,000	0.00	0	0.00
Senior Director Enterprise & Carrier BU	R.O.C.	Milly Lin	Female	2019.11.01	0	0.00	0	0.00
Senior Director, Enterprise & Carrier BU	R.O.C.	Paul Yang	Male	2020.10.01	0	0.00	0	0.00
Senior Director, Transformation Office	R.O.C.	Joyce Chen	Female	2018.11.15	0	0.00	0	0.00
Senior Director, Transformation Office	R.O.C.	Anson Tsai	Male	2020.10.01	0	0.00	0	0.00
Senior Director, Network & Technology	R.O.C.	Vivian Chiang	Female	2014.10.01	0	0.00	0	0.00
Senior Director, Network & Technology	R.O.C.	Dave Lu	Male	2016.10.01	0	0.00	0	0.00
Senior Director, Network & Technology	R.O.C.	James Yen	Male	2019.04.01	42,615	0.00	0	0.00
Senior Director, Information Technology	R.O.C.	Leon Li	Male	2013.10.01	0	0.00	0	0.00

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Shares held in Name of Others	Major Experience and Education	Current Position with Other Company	Managers are Spouse or Consanguinity within 2 Degrees to Each Other			Note (Note1)
			Title	Name	Relation	
0	0.00 Telecom engineer of Siemens Telecom Systems Ltd.; B.S., Computer Science, National Chiao Tung University, Taiwan	Director of KGEx.com Co., Ltd.; Director of Information Security Service Digital United Inc.	None	None	None	None
0	0.00 Director, Digital United Inc, Taiwan; Master degree of Science in Electrical Engineering, University of Southern California, U.S.A.	None	None	None	None	None
0	0.00 Manager of U-Ming Marine Transport Corp.; EMBA of Yuan-Ze University, Taiwan	Supervisor of ARCOA Communication Co., Ltd.	None	None	None	None
0	0.00 VP & CFO of New Century InfoComm Tech Co., Ltd.; VP of Digital United Inc.; Master of Business Administration, National Taiwan University	Director of Yuanshi Digital Technology Co., Ltd.	None	None	None	None
0	0.00 CFO/COO, Effortel SA Taiwan; B.S., Accounting, The Soochow University, Taiwan.	None	None	None	None	None
0	0.00 Sales Assistant Manager of KG Telecom; Executive Master, Department of International Business, Soochow University, Taiwan	None	None	None	None	None
0	0.00 Director of KGI Bank Co., Ltd. Taiwan Massachusetts Institute of Technology, U.S.A.	None	None	None	None	None
0	0.00 Manager of New Century InfoComm Tech Co., Ltd.; Department of Physics, Chung Yuang Christian University	None	None	None	None	None
0	0.00 AE of Tai E Trading Co., Ltd. Taiwan Chung Yuan Christian University, Taiwan	None	None	None	None	None
0	0.00 Sr. Product Manager of Taiwan Telecom Network (TTN); ATMA JAYA University Bachelor of English Education.	Chairwoman of Nextlink (HK) Technology Co., Ltd.	None	None	None	None
0	0.00 Sales Director Gartner Inc.; Northwestern University	None	None	None	None	None
0	0.00 Senior consultant of BroadVision, Inc.; MBA, National Taiwan University	None	None	None	None	None
0	0.00 Data analyst, eBay inc.; Fu Jen Catholic University of Information Management	None	None	None	None	None
0	0.00 Marketing specialist of MiTAC; Engineer of ABS Telecom Inc.; Ph.D. of Department of Engineering Science, National Cheng Kung University, Taiwan	None	None	None	None	None
0	0.00 LANcom Technologies, Inc; M.S., Naval architecture and Ocean engineering, National Taiwan University	None	None	None	None	None
0	0.00 EUTOP Polymers Industries Ltd CHINA Computer Science/New Jersey State University USA.	None	None	None	None	None
0	0.00 Manager of KG Telecom.; M.S., Computer Science, Monmouth University, U.S.A.	Director of KGEx.com Co., Ltd.; Director of Information Security Service Digital United Inc.	None	None	None	None

Title	Nationality	Name	Gender	Effective Date	Current Shareholding		Shares held by Spouse & Minor	
					Shares	%	Shares	%
Senior Director, Information Technology	R.O.C.	Julian Lin	Male	2018.06.19	0	0.00	0	0.00
Senior Director, Information Technology	R.O.C.	Kai Lin	Male	2019.04.01	11,607	0.00	0	0.00
Senior Director, Information Technology	R.O.C.	Barry Chang	Male	2017.07.03	0	0.00	0	0.00
Senior Director, Information Technology	R.O.C.	Linda Chang	Female	2020.10.01	0	0.00	0	0.00
Senior Director, Finance & Facility Services	R.O.C.	Allan Lee	Male	2020.02.10	0	0.00	0	0.00
Senior Director, Finance & Facility Services	R.O.C.	Ann Chang	Female	2018.03.01	13,352	0.00	0	0.00
Senior Director, Strategy & Finance	R.O.C.	Gary Lai	Male	2018.03.01	0	0.00	0	0.00
Senior Director, Finance & Facility Services	R.O.C.	Stacy Chang	Female	2020.10.01	0	0.00	0	0.00
Senior Director, Legal & Procurement	R.O.C.	Jason Chen	Male	2018.01.03	0	0.00	0	0.00
Senior Director, Legal & Procurement	R.O.C.	Kevin Chang	Male	2020.10.01	0	0.00	0	0.00
Senior Director, Human Resources & Corporate Communications	R.O.C.	Yaling Lang	Female	2018.01.01	1,000	0.00	0	0.00
Chief Auditor, Internal Audit	R.O.C.	Iris Su	Female	2015.03.16	43,246	0.00	0	0.00

Note: The Company has not issued employee stock options.

Note 1: Where the Company's president or an officer of equivalent position (the most senior manager) is the same person as, the spouse of, or a relative within the first degree to the chairman, the reason, rationality, necessity and countermeasures (e.g. to increase the number of independent directors and have the majority of directors not serving concurrently as an employee or a manager) shall be disclosed.

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Shares held in Name of Others	Major Experience and Education	Current Position with Other Company	Managers are Spouse or Consanguinity within 2 Degrees to Each Other			Note (Note1)
			Title	Name	Relation	
0	0.00 Chief Technology Officer, IBM Taiwan Corporation; Bachelor of Business Administration, National Sun Yat-Sen University	None	None	None	None	None
0	0.00 Sr. system analyst, China Times; Tamkang University of Management Science	None	None	None	None	None
0	0.00 AVP, IT Division, Genius Electronic Optics; Master, Institute of Decision and Computer Science, Tsing-hwa University, Taiwan	None	None	None	None	None
0	0.00 Associate Director, China.COM; Tamkang University of Information Management	None	None	None	None	None
0	0.00 Manager of Chung-Chie Property Management; Ph.D. of Economics, Nankai University, China	None	None	None	None	None
0	0.00 Arthur Andersen CPA firm; M.S., Management science, National Chiao Tung University, Taiwan	Supervisor of DataExpress Infotech Co., Ltd.	None	None	None	None
0	0.00 Director of MrTaiwan.com; M.S., Finance, George Washington University, U.S.A	None	None	None	None	None
0	0.00 Assistant Manager of Audit Division, KPMG Taiwan; Bachelor of Accounting, National Cheng Chi University, Taiwan	Accounting Officer of KGEx.com Co., Ltd.; Director of FarEastern New Diligent Company Ltd.	None	None	None	None
0	0.00 Manager of KG Telecom.; M.S., E.E., Polytechnic Institute of New York University, U.S.A.(NYU-Poly)	None	None	None	None	None
0	0.00 Congressional assistant of Legislative Yuan, Republic of China (Taiwan); Bachelor of Laws, Soochow University, Taiwan	None	None	None	None	None
0	0.00 Reporter at TTV & United Daily News; Supervisor, Department of public information, Formosa TV; Special assistant and Spokesperson to General Manager, Far Eastern Electronic Toll Collection Co., Ltd; M.S. in Media University of Minnesota-Twin Cities U.S.A	None	None	None	None	None
0	0.00 Manager of KG Telecom.; M.S., Computer Information System, Arizona State University, U.S.A.	None	None	None	None	None

## 2-6. Remuneration to Directors, Independent Directors, President, Executive Vice Presidents, Senior Vice Presidents and Vice Presidents in the last year.

### Remuneration to Directors and Independent Directors,

Title	Name	Remuneration to Directors				Professional Fee (D) ( Note 2)
		Compensation (A) The Company Consolidated	Pension Fund (B) The Company Consolidated	Directors' Remuneration (C) (Note 1) The Company Consolidated	Professional Fee (D) ( Note 2)	
Chairman	Douglas Hsu, Representative of Yuan Ding Investment Co., Ltd.					
Vice Chairman	Peter Hsu, Representative of Yuan Ding Investment Co., Ltd.					
Managing Director	Jan Nilsson, Representative of Yuan Ding Investment Co., Ltd.					
Director	Champion Lee, Representative of Yuan Ding Co., Ltd.	22,074	22,074	0	67,174	67,192
Director	Jeff Hsu, Representative of Yuan Ding Co., Ltd.					4,435
Director	Nobutaka Kurata, Representative of U-Ming Marine Transport Corp.					
Director	Bonnie Peng, Representative of Asia Investment Corp.					
Independent Director	Toon Lim, Representative of Ding Yuan International Investment Co., Ltd.					
Independent Director	Lawrence Juen-Yee LAU					
Independent Director	Tim Pan	0	0	0	6,900	6,900
Independent Director	Chung Laung Liu (Note 4)					486

1. Please describe the independent directors' remuneration policy, system, standard and structure, and the connection between amounts paid and factors such as duties and responsibilities undertaken, risks, and time contributed. The Company pays remuneration to directors in accordance with the Articles of Incorporation. After being resolved by the Remuneration Committee and the Board of Directors, the remuneration shall be reported in the annual shareholders' meeting pursuant to laws and regulations. Business execution expense consists mainly of travel allowance. In reference to the reimbursement standards of the high-tech industry, the expense is reimbursed upon a resolution of the Board of Directors. Remuneration paid to independent directors is a fixed amount with consideration to their time spent and responsibilities assumed for the position. Additional remuneration of a fixed amount is provided if the independent director serves concurrently as a committee chairman. If he/she is not a chairman but takes part in three committees, he/she is entitled to half of the additional remuneration. Business execution expenses are reimbursed based on actual spending.

2. Remuneration to Directors providing service to entities under the Company's most recent financial report (ex. serving as non-employee consultants), in addition to remuneration disclosed in the above table: None

(A+B+C+D) Percentage of net income (%) (Note 3)		Remuneration to Concurrent Employment						(A+B+C+E+D+F+G) Percentage of Net Income (%) (Note 3)		NT\$'000
The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	Remuneration to Employees		The Company	Consolidated	Other Remuneration from Investment Business and Mother Company except subsidiary
						(G)				
						The Company	Consolidated			
						Cash Amount	Stock Amount	Cash Amount	Stock Amount	
1.12%	1.12%	0	0	0	0	0	0	0	0	56,786
0.09%	0.09%	0	0	0	0	0	0	0	0	0

Note 1 : The remuneration from 2020 distribution of earnings is proposed amount, not actual payment amount yet.

Note 2 : Including salary, position compensation, bonus, transportation allowance, special disbursement, other allowance, accommodation allowance and company car, etc.

Note 3 : The net income refers to after-tax income in the recent year; if the Company adopts International Financial Report Standards, the net income is on the stand-alone basis.

Note 4 : Independent director Liu Chung Laung passed away on November 7, 2020, and was discharged abided by law.

## Escalation for Remuneration to Directors

Escalation for remuneration paid to individual directors of the Company (NTD) (Note 1)	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	All companies in the consolidated statement (H)	The Company	All Affiliated Companies (I)
Less than 1,000,000	None	None	None	None
1,000,000~2,000,000 (exclusive of 2,000,000)	Director- Bonnie Peng, Representative of Asia Investment Corp; Director- Toon Lim, Representative of Ding Yuan International Investment Co., Ltd.	Director- Bonnie Peng, Representative of Asia Investment Corp; Director- Toon Lim, Representative of Ding Yuan International Investment Co., Ltd;	Director- Bonnie Peng, Representative of Asia Investment Corp; Director- Toon Lim, Representative of Ding Yuan International Investment Co., Ltd;	Director- Bonnie Peng, Representative of Asia Investment Corp; Director- Toon Lim, Representative of Ding Yuan International Investment Co., Ltd;
2,000,000~3,500,000 (exclusive of 3,500,000)	Director-Jan Nilsson, Representative of Yuan Ding Investment Co., Ltd; Independent Director -Tim Pan; (Note 3); Director - Jeff Hsu, Representative of Yuan Ding Co., Ltd.; Independent Director –Lawrence Juen-Yee LAU	Director-Jan Nilsson, Representative of Yuan Ding Investment Co., Ltd; Independent Director -Tim Pan; (Note 3); Director - Jeff Hsu, Representative of Yuan Ding Co., Ltd.; Independent Director –Lawrence Juen-Yee LAU	Director-Jan Nilsson, Representative of Yuan Ding Investment Co., Ltd; Independent Director -Tim Pan; (Note 3); Director - Jeff Hsu, Representative of Yuan Ding Co., Ltd.; Independent Director –Lawrence Juen-Yee LAU	Director-Jan Nilsson, Representative of Yuan Ding Investment Co., Ltd; Independent Director -Tim Pan; (Note 3); Director - Jeff Hsu, Representative of Yuan Ding Co., Ltd.; Independent Director –Lawrence Juen-Yee LAU
3,500,000~5,000,000 (exclusive of 5,000,000)	Director-Champion Lee, Representative of Yuan Ding Co., Ltd.; Director- Nobutaka Kurata, Representative of U-Ming Marine Transport Corp.	Director-Champion Lee, Representative of Yuan Ding Co., Ltd.; Director- Nobutaka Kurata, Representative of U-Ming Marine Transport Corp.	Director-Champion Lee, Representative of Yuan Ding Co., Ltd.; Director- Nobutaka Kurata, Representative of U-Ming Marine Transport Corp.	Director- Nobutaka Kurata, Representative of U-Ming Marine Transport Corp.
5,000,000~10,000,000 (exclusive of 10,000,000)	None	None	None	Director-Champion Lee, Representative of Yuan Ding Co., Ltd.;
10,000,000~15,000,000 (exclusive of 15,000,000)	None	None	None	None
15,000,000~30,000,000 (exclusive of 30,000,000)	Director-Peter Hsu, Representative of Yuan Ding Investment Co., Ltd.	Director-Peter Hsu, Representative of Yuan Ding Investment Co., Ltd.	Director-Peter Hsu, Representative of Yuan Ding Investment Co., Ltd.	None
30,000,000~50,000,000 (exclusive of 50,000,000)	None	None	None	Director-Peter Hsu, Representative of Yuan Ding Investment Co., Ltd.
50,000,000~100,000,000 (exclusive of 50,000,000)	Director- Douglas Hsu, Representative of Yuan Ding Investment Co., Ltd.	Director- Douglas Hsu, Representative of Yuan Ding Investment Co., Ltd.	Director- Douglas Hsu, Representative of Yuan Ding Investment Co., Ltd.	Director- Douglas Hsu, Representative of Yuan Ding Investment Co., Ltd.
More than 100,000,000	None	None	None	None
Total	11	11	11	11

Note 1: The aforementioned remuneration for Institutional Representative is proposed amount of remuneration (not an actual amount).

Note 2: The order of each escalation is based on the last name of the representatives. Directors' names shall be listed individually (Institutional shareholders shall separate their names from their representatives) and general directors shall be listed separately from independent directors. The payment amounts shall be disclosed in an aggregate amount.

Note 3: Independent director Liu Chung Laung passed away on November 7, 2020, and was discharged abided by law.

## The percentage of remuneration paid to the Board of Directors over after tax net income in recent 2 years:

Year	The Company	All companies in the consolidated statement
2019	1.19%	1.19%
2020	1.21%	1.21%

### Remuneration Paid to President, Executive Vice Presidents , Senior Vice Presidents and Vice Presidents

NT\$'000

Title	Name	Salary (A)		Pension Fund (B) (Note 3)		Bonus and special allowance (C) (Note 4)		Bonus to employees from distribution of earnings (D) (Note 5)		(A+B+C+D) Percentage of net income after tax (%)		Remuneration from invested companies other than the Company's subsidiary	
		The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	The Company	Cash bonus	Stock bonus	Cash bonus	Stock bonus	
President	Chee Ching												
Executive VP	T.Y. Yin												
Executive VP	Maxwell Cheng												
Executive VP	Philip Tseng												
Executive VP	Herman Rao												
Executive VP	Eton Shu												
Executive VP	Sharon Lin (Note1)												
Sr. VP	Andy Tu (Note2)												
Sr. VP	Vivian Lee												
VP	Lopes Lu												
VP	Belinda Chen	100,257	100,257	2,268	2,268	19,384	19,384	36,823	0	36,823	0	1.90%	1.90%
VP	Jessie Teng												
VP	Jessica Sung												
VP	Roger Lin												
VP	Brian Chao												
VP	Eric Li												
VP	Mark Lee												
VP	James Lee												
VP	Andy Kuo												
VP	Eddie Kao												
VP	Bruce Yu												
VP	David Tsai												
VP	Charlene Lin												

Note 1 : Promoted on Aug. 01, 2020.

Note 2 : Promoted on Aug. 01, 2020.

Note 3 : The figures shown in the table include actual payment for pension fund and pension fund contribution in 2020.

Note 4 : Including bonus, special allowance, transportation allowance, special disbursement, accommodation allowance, company car and etc. The total expense for company car leasing is NT\$ 6,191 thousand. In addition, the compensation paid to the driver is NT\$ 742 thousand in total, which is excluded from above mentioned remuneration.

Note 5 : The remuneration from 2020 distribution of earnings is a proposed amount and not an actual payment amount yet.

## Escalation for remuneration to President, Executive Vice Presidents, Senior Vice Presidents and Vice Presidents

Escalation for remuneration to President, Executive Vice Presidents, Senior Vice Presidents and Vice Presidents	Name of President, Executive Vice Presidents, Senior Vice Presidents and Vice Presidents	The Company	All investment business companies
Less than 1,000,000	None	None	None
1,000,000~2,000,000 (exclusion of 2,000,000)	None	None	None
2,000,000~3,500,000 (exclusion of 3,500,000)	None	None	None
3,500,000~5,000,000 (exclusion of 5,000,000)	Bruce Yu, Lopes Lu, Mark Lee, James Lee, Roger Lin, Eddie Kao, Andy Kuo, Belinda Chen, Brian Chao	Bruce Yu, Lopes Lu, Mark Lee, James Lee, Roger Lin, Eddie Kao, Andy Kuo, Belinda Chen, Brian Chao	Bruce Yu, Lopes Lu, Mark Lee, James Lee, Roger Lin, Eddie Kao, Andy Kuo, Belinda Chen, Brian Chao
5,000,000~10,000,000 (exclusion of 10,000,000)	Jessica Sung, Eric Li, Charlene Lin, David Tsai, Jessie Teng, Vivian Lee, Andy Tu (Note 1), Eton Shu, Sharon Lin (Note 2), Philip Tseng, Maxwell Cheng	Jessica Sung, Eric Li, Charlene Lin, David Tsai, Jessie Teng, Vivian Lee, Andy Tu (Note 1), Eton Shu, Sharon Lin (Note 2), Philip Tseng, Maxwell Cheng	Jessica Sung, Eric Li, Charlene Lin, David Tsai, Jessie Teng, Vivian Lee, Andy Tu (Note 1), Eton Shu, Sharon Lin (Note 2), Philip Tseng, Maxwell Cheng
10,000,000~15,000,000 (exclusion of 15,000,000)	T.Y. Yin, Herman Rao	T.Y. Yin, Herman Rao	T.Y. Yin, Herman Rao
15,000,000~30,000,000 (exclusion of 30,000,000)	Chee Ching	Chee Ching	Chee Ching
30,000,000~50,000,000 (exclusion of 50,000,000)	None	None	None
50,000,000~100,000,000 (exclusion of 100,000,000)	None	None	None
More than 100,000,000	None	None	None
Total	23	23	23

\* Names of employees with the same position are in order of Chinese last name.

Note 1 : Promoted on Aug. 01, 2020

Note 2 : Promoted on Aug. 01, 2020

## The percentage of remuneration paid to President, Executive Vice Presidents, Senior Vice Presidents and Vice Presidents over net income after tax:

Year	The Company	All companies in the consolidated statement
2019	1.79%	1.79%
2020	1.90%	1.90%

**The remuneration policies, standards and packages of the Company's Directors, President, Executive Vice Presidents, Senior Vice Presidents and Vice Presidents (hereinafter referred to as managers), procedures for determining remuneration, the connection between Directors' and Managers' performance evaluation and remuneration, and the correlation with future risks:**

### (1) Remuneration policies, standards and packages:

#### 1. Directors:

Directors' compensation of the Company is based on the Company's Articles of Incorporation and shall be determined by the Remuneration Committee and the Board of Directors, then shall be reported to the Annual Shareholders' Meeting. Operating expenses paid to Directors are mainly for travel allowance; these are benchmarked against other high tech industry companies and approved by the Board of Directors.

#### 2. Managers:

There are three kinds of remuneration paid to the President, Executive Vice Presidents, Senior Vice Presidents and Vice Presidents (Managers): salary, bonuses and special allowances, and Employees' Compensation. As salary is compensation based on the Company Act, it is paid according to tasks performed, the general economic situation, and market standards. Travel allowances are a major component of bonuses, and special allowances are divided into three options offered: fixed amount allowance, rental cars, or allowance by mileage. Employees' compensation of the Company is based on the Company's Articles of Incorporation and shall be determined by the Remuneration Committee and the Board of Directors, then shall be reported to the Annual Shareholders' Meeting.

## (2) Procedures for determining remuneration:

### 1. Directors:

According to the Articles 26 of Incorporation of the company, if there is profit for the current year, the Company shall set aside not more than 1% of it as compensation for Directors. The Board of Directors shall also determine the ratio of distribution of Directors' compensation and amount and shall report to the Shareholders' Meeting. The compensation of the Company's Directors is distributed in accordance with the shareholding each one represents, and the effort each has contributed to the Company's affairs, which are carefully considered for the remuneration arrangement.

### 2. Managers:

According to the Articles 26 of Incorporation of the company, if there is profit for the current year, the Company shall set aside 1%-2% of it as compensation for employees, the Board of Directors shall also determine the ratio of distribution of Employees' compensation and amount and shall report to the Shareholders' Meeting. The Company's bonus regulations will determine the times, date and conditions of the compensation of employees.

## (3) Linkage between remuneration and their performance evaluation:

### 1. Directors:

Procedures for determining remuneration are in line with the Company's "Procedures for performance evaluation of Board of Directors Meeting". The overall evaluation results of the Company's board performance evaluation should be reported at the first quarter Board of Directors Meeting of next year. In the following matters to be discussed at the same Board of Directors Meeting, Directors' compensation is then determined. Furthermore, it is the responsibility of the Company's Remuneration Committee to formulate and periodically examine the performance review, remuneration policy, system, standards, and structure for Directors and managerial officers.

### 2. Managers:

The employees' compensation is according to company bonus regulations, which cover the achievement of company operational goal and individual annual target. Company goal includes financial (Ex: Achievement ratio of the company's revenue and income) and non-financial index (Ex: Customer Net Promoter Score). Individual annual target includes operational goal (Ex: Implement of the company's core values and Operation of the management ability) and corporate social responsibility (Ex: Participation of the sustainability). According to the result, the actual ratio of distribution of Employees' compensation and amount shall be determined at the first quarter of Remuneration Committee and the Board of Directors of next year, its amount is highly correlated with the operational performance of the Company.

## (4) Correlation with future risks:

### 1. Directors:

The remuneration is determined and adjusted in terms of criteria and structure, and is based not only on the historical operational performance but also on future risk factors. In addition, the Remuneration Committee of the Company will also periodically review and evaluate the salary and remuneration for Directors and submit suggestions to the Board of Directors in order to achieve a balance between immortal business and risk control.

### 2. Managers:

The remuneration is determined and flexibly adjusted in terms of multiple criteria; and its structure is based not only on industry standards and historical operational performance but also the actual operating situation and laws / regulations and amendments. It shall not guide the managerial officers to bring risk to the Company solely for higher remuneration.

In addition, the Remuneration Committee of the Company will evaluate the salary and remuneration for President, Executive Vice Presidents, Senior Vice Presidents and Vice Presidents periodically and submit suggestions to the Board of Directors in order to achieve the balance between immortal business and risk control.

**The comparison of the remuneration paid to Directors, President, Executive Vice Presidents, Senior Vice Presidents, and Vice Presidents for both the standalone and consolidated basis of the Company in recent 2 years:**

Remuneration paid to Directors, President, Executive Vice Presidents and Vice Presidents is 3.11% of the net income on both standalone and consolidated basis in 2020. The remuneration paid to Directors, President, Executive Vice Presidents and Vice Presidents for the standalone basis and consolidated basis in 2019 were 2.98% of the net income, separately.

**The company adopted succession planning for board members and key executives, and disclosed the operational status of such planning.**

- **Board Members**

**Succession planning**

The Company starts with a clear idea about the optimal board composition: the required knowledge, skills and experience; the percentage of the board that should be composed of independent directors; and the level of diversity, such as gender diversity. Additionally, the “Advisory Board” was set up as an important unit for Board members’ succession plan.

**Implementation status:**

Through the operation of Advisory Board meetings, at which participants discuss and exchange viewpoints and provide strategic advices, the Company is able to identify potential candidates for nomination as director. Also, the Company holds events such as forums, seminars, and workshops in an attempt to connect with potential candidates. Evaluation and assessments of candidates are made.

**Succession Schedule:**

The expiration of the current term Board of Directors

- **Key management of the Company**

**Succession plan:**

Starting from 2015, FET has implemented Annual Succession Plan Review mechanism. We will identify and review successors of key leadership positions (including the President and Executive Vice President positions). The action plan of the successor development is determined and implemented based on the review results.

**Implementation status:**

Starting from 2015, Head of each Division will have an annual succession plan review on the critical leadership positions in the unit. The Division Heads will discuss in details with President on the successor status and action plans. In addition to proactively develop and train internal successors, we also look for external talents depending on the succession plan status.

**Plan Schedule:**

From 2020 to the Annual Report being published, many important management positions (including: Vice President and Sr. Director) are new promoted, appointment or replacement. Please refer to item 5 of Article III Corporate Governance: President, Executive Vice Presidents, Senior Vice Presidents, Vice Presidents, Senior Directors and Department Heads for details.

**Remuneration to President, Executive Vice Presidents, Senior Vice Presidents, Vice Presidents and Senior Directors**

Unit: NT\$'000

	Title	Name	Stock bonus	Cash bonus (Note 13)	Total	Percentage of Net income after tax (%)
Managers	President	Ching Chee				
	Executive VP	T.Y. Yin				
	Executive VP	Maxwell Cheng				
	Executive VP	Philip Tseng				
	Executive VP	Herman Rao				
	Executive VP	Eton Shu				
	Executive VP	Sharon Lin ( Note 1)				
	Sr. VP	Andy Tu ( Note 2)				
	Sr. VP	Vivian Lee	0	55,832	55,832	0.67%
	VP	Eric Chu ( Note 3)				
Managers	VP	Lopes Lu				
	VP	Belinda Chen				
	VP	Jessie Teng				
	VP	Jessica Sung				
	VP	Roger Lin				
	VP	Andy Kuo ( Note 4)				
	VP	Brian Chao				

Title	Name	Stock bonus	Cash bonus (Note 13)	Total	Percentage of Net income after tax (%)
VP	Eric Li				
VP	Mark Lee				
VP	James Lee				
VP	Andy Kuo				
VP	Eddie Kao				
VP	Bruce Yu				
VP	Jason Kuo ( Note 5)				
VP	David Tsai				
VP	Charlene Lin				
Senior Director	C. J. Lee				
Senior Director of Sales	Adam Wong				
Senior Director	Peggy Peng ( Note 6)				
Senior Director of Sales	Maurice Tsai				
Senior Director	TK Han ( Note 7)				
Senior Director	Milly Lin				
Senior Director	Paul Yang ( Note 8)				
Senior Director	Joyce Chen				
Senior Director	Anson Tsai ( Note 9)				
Senior Director	Vivian Chiang				
Senior Director	Dave Lu				
Senior Director	James Yen				
Senior Director	Leon Li				
Senior Director	Julian Lin				
Senior Director	Kai Lin				
Senior Director	Barry Chang				
Senior Director	Linda Chang ( Note 10)				
Senior Director	Allan Lee				
Senior Director	Ann Chang				
Senior Director	Gary Lai				
Senior Director	Stacy Chang ( Note 11)				
Senior Director	Jason Chen				
Senior Director	Kevin Chang ( Note 12)				
Senior Director	Yaling Lang				
Senior Director	Iris Su				

Note 1 : Promoted on Aug.01, 2020.

Note 2 : Promoted on Aug.01, 2020.

Note 3 : Promoted on Feb. 01, 2021.

Note 4 : Promoted on Feb. 01, 2021.

Note 5 : Promoted on Feb. 01, 2021.

Note 6 : Promoted on Oct. 01, 2020.

Note 7 : Promoted on Oct. 01, 2020.

Note 8 : Promoted on Oct. 01, 2020.

Note 9 : Promoted on Oct. 01, 2020.

Note 10 : Promoted on Oct.01, 2020.

Note 11 : Promoted on Oct.01, 2020.

Note 12 : Promoted on Oct.01, 2020.

Note 13 : Remuneration of 2020 earnings distribution has not been resolved by the Shareholders' meeting yet, and it's a proposed amount.

### 3. Operation of Corporate Governance

#### 3-1. Operation of Board of Director:

(A) Holding 8 times (A) of the Board Meeting, and the attendance status of Board of Directors from last year up to the Annual Report being Published :

2021/04/30

Title	Name	Times of Attendance (B)	Times of by Attendance by Proxy (C)	Actual Percentage of Attendance (%) (B / A)	Percentage of Attendance (%) (Proxy included) ((B + C) / A)	Remark
Chairman	Douglas Hsu, Representative of Yuan Ding Investment Co., Ltd.	8	0	100	100	
Vice Chairman	Peter Hsu, Representative of Yuan Ding Investment Co., Ltd.	7	1	88	100	
Managing Director	Jan Nilsson, Representative of Yuan Ding Investment Co., Ltd.	7	1	88	100	
Independent Director	Lawrence Juen-Yee LAU	8	0	100	100	
Independent Director	Chung Laung Liu	5	1	83	100	The independent director passed away on November 7, 2020, and was discharged abided by law, shall present 6 times.
Independent Director	Tim Pan	7	1	88	100	
Director	Champion Lee, Representative of Yuan Ding Co., Ltd.	8	0	100	100	
Director	Jeff Hsu, Representative of Yuan Ding Co., Ltd.	6	2	75	100	
Director	Nobutaka Kurata, Representative of U-Ming Marine Transport Corp.	8	0	100	100	
Director	Bonnie Peng, Representative of Asia investment Corp.	8	0	100	100	
Director	Toon Lim, Representative of Ding Yuan International Investment Co., Ltd.	7	1	88	100	

#### Other matters of importance:

- If any of below listed-circumstances of operation of Board Meeting occurs, it's necessary to be disclosure, including dates of board meetings, sessions, the contents of motions, all independent opinions from Independent Directors and the Company's response to such Independent Directors' opinions :
  - The issues of Article 14-3 of the Securities and Exchange Act:  
This company already has an audit committee in place. For more detailed information, please refer to the audit committee's activities regarding Article 14-5 of the Securities and Exchange Act.
  - In addition to the above-mentioned matters, records or written board resolutions contain Independent Directors' counter advices along with qualified opinions: None.
- Any Directors avoidance of motions due to conflict of interests, including the Directors' names, the content of the motions and the causes for avoidance and voting: None.
- TWSE/TPEX-listed companies shall disclose information concerning the frequency, period, scope, methods, and contents of the Board's self (or peer) assessment and fill out Appendix II "Implementation of Board Assessment."
- In recent years, a number of actions have been made to improve the functions of the Board of Directors, including the establishment of the Audit Committee, and the strengthening of the disclosure of information evaluating these:
  - The Audit Committee was officially established when the 7<sup>th</sup> term of the Board of Directors were elected to the office in 2015 and was made up of the entire number of the Independent Directors. The Audit Committee meeting was held 6 times from last year up to the Annual Report being Published. Please refer to the execution status of the Audit Committee's participation in the Board Meetings for the details.
  - The Company's public disclosure of the information is quite transparent and immediate. It has set up both Chinese and English websites and appointed personnel to gather and disclose financial and business relevant information including information from the investor's conference. Furthermore, considering the convenience of information access for both foreign and domestic Shareholders, the Company discloses information in both Chinese and English on the Market Observation Post System and the Company website.

5. The attendance status of Independent Directors in 2020 and as of April 30, 2021 when the Annual Report is Published:

Independent Directors	9 <sup>th</sup> Meeting of the 8 <sup>th</sup> Term Board of Directors (2020.01.21)	10 <sup>th</sup> Meeting of the 8 <sup>th</sup> Term Board of Directors (2020.02.19)	11 <sup>th</sup> Meeting of the 8 <sup>th</sup> Term Board of Directors (2020.05.07)	12 <sup>th</sup> Meeting of the 8 <sup>th</sup> Term Board of Directors (2020.07.31)	13 <sup>th</sup> Meeting of the 8 <sup>th</sup> Term Board of Directors (2020.09.04)	14 <sup>th</sup> Meeting of the 8 <sup>th</sup> Term Board of Directors (2020.11.05)	15 <sup>th</sup> Meeting of the 8 <sup>th</sup> Term Board of Directors (2021.01.22)	16 <sup>th</sup> Meeting of the 8 <sup>th</sup> Term Board of Directors (2021.02.25)
Lawrence Juen-Yee LAU	V	V	V	V	V	V	V	V
Chung Laung Liu	V	V	V	V	V	*	Note 1	Note 1
Tim Pan	*	V	V	V	V	V	V	V

V : Attendance in person. ; \* : Attendance by proxy.

Note 1: The independent director Chung Laung Liu passed away on November 7, 2020, and was discharged abided by law.

## (B) Implementation of the Board and Each Functional Committee Assessment

Assessment Object and assessment Method	Assessment Frequency (Note 1)	Assessment Period (Note 2)	Assessment Scope (Note 3)	Assessment Method (Note 4)	Contents (Note 5)
Self-assessment of the Board and Board members	Annually	January 1, 2020 to December 31, 2020	Board members	Self-Evaluation of Performance of the Board members	<ol style="list-style-type: none"> <li>1. Familiarity with the goals and missions of the company</li> <li>2. Awareness of the duties of a director</li> <li>3. Participation in the operation of the Company</li> <li>4. Management of internal relationship and communication</li> <li>5. Professional development and training</li> <li>6. Internal Control</li> </ol>
			Board and Board members	Self-Evaluation of the Board's Procedure Unit	<ol style="list-style-type: none"> <li>1. Participation in the operation of the Company</li> <li>2. Improvement of Board decision making</li> <li>3. Composition and structure of the Board</li> <li>4. Election and continuing education of Directors</li> <li>5. Internal Control</li> </ol>
External-assessment of the Board and Board members:	Every 3 years	January 1, 2018 to December 31, 2018 (The next assessment will be executed in 2021)	Board members	The Company has appointed KPMG Advisory Services Co., Ltd., ("KPMG") in October 2018 to conduct an external evaluation of the Company's Board and the board members with the evaluation period of January 1st through December 31 <sup>st</sup> . Evaluation method: 1. KPMG has collected the Company's relevant information for review and analysis. 2. KPMG has provided two Questionnaires (Board performance self-evaluation questionnaire and Board member performance self-evaluation questionnaire) to all Board members. 3. KPMG has been provided with the Company's Board interviewee list and conducted one-on-one interviews, including Vice-Chairman, Director, Independent Director and Corporate Governance Officer. 4. KPMG has integrated the abovementioned results of data analysis, questionnaires survey and interviews, then summarized and analyzed the Company's Board and the board members' performance, and has issued and delivered the official performance evaluation report to the Company.	KPMG has provided Board performance evaluation questionnaires including following items: 1. Board member performance self-evaluation questionnaire: included 6 aspects, totaling 26 evaluation items. 2. Board performance self-evaluation questionnaire: included 9 aspects, totaling 90 evaluation items. The evaluation detail has been disclosed on the Company's website. The website address is as follows: <a href="https://corporate.fetnet.net/content/corp/en/CSR/CorporateGovernance/BODMeetingInfo">https://corporate.fetnet.net/content/corp/en/CSR/CorporateGovernance/BODMeetingInfo</a> .
Self-assessments of the Audit Committee	Annually	January 1, 2020 to December 31, 2020	Audit Committee and Audit Committee members	Self-Evaluation of the Audit Committee's Procedure Unit	<ol style="list-style-type: none"> <li>1. Participation in the company's operation</li> <li>2. Audit committee's understanding of their duties and responsibilities</li> <li>3. Improvement on the quality of the audit committee's decision making</li> </ol>

Assessment Object and assessment Method	Assessment Frequency (Note 1)	Assessment Period (Note 2)	Assessment Scope (Note 3)	Assessment Method (Note 4)	Contents (Note 5)
					4. Makeup and structure of the audit committee 5. Internal Control
Self-assessments of the Remuneration Committee	Annually	January 1, 2020 to December 31, 2020	Remuneration Committee and Remuneration Committee members	Self-Evaluation of the Remuneration Committee's Procedure Unit	Remuneration Committee members' level of participation, understanding of duties, quality of decisions, etc.
Self-assessments of the Risk Management Committee	Annually	January 1, 2020 to December 31, 2020	Risk Management Committee and Committee members	Self-Evaluation of the Risk Management Committee's Procedure Unit	Risk Management Committee members' level of participation, understanding of committee duties and responsibilities, quality of decisions, etc.

Note1: It refers to the frequency of Board assessments, e.g. annually.

Note2: It refers to the period covered by a Board assessment, e.g. assessment on Board performance between January 1 to December 31, 2020.

Note3: Assessment scope includes evaluations on the performance of the Board, individual directors, and functional committees.

Note4: Assessment method includes self-assessments of the Board and Board members, peer assessments, and assessments conducted by external professional agencies or experts or via other appropriate means.

Note 5: Based on the assessment scope, the contents shall include the following items at least:

- (5-1) Performance evaluation of the Board: It shall at least include the Board's participation in the Company's operation, quality of Board decisions, Board composition and structure, directors' election and continuing education, and internal control.
- (5-2) Performance evaluation of individual directors: It shall at least include directors' grasp on corporate goals and missions, understanding of director duties and responsibilities, level of participation in the Company's operation, management and communication on internal relationships, professionalism and continuing education of directors, and internal control.
- (5-3) Performance evaluation of the functional committees: It includes functional committees' level of participation in the Company's operation, understanding of committee duties and responsibilities, quality of committee decisions, committee composition, the election of members, and internal control.

### 3-2. Annual key task and status of operations of Audit Committee:

**Holding 6 times (A) of Audit Committee Meetings, the attendance status of Independent Directors from last year up to the Annual Report being published :**

2021/04/30

Title	Name	Times of Attendance (B)	Proxy	Actual Percentage of Attendance (%) (B/A)	Remark
Convener	Lawrence Juen-Yee LAU	6	0	100	
Member	Chung Laung Liu	4	1	80	The member passed away on November 7, 2020, and was discharged abided by law, shall present 5 times.
Member	Tim Pan	6	0	100	

#### Annual key operations of Audit Committee:

The Committee compose of two independent directors. The Audit Committee assists the Board in fulfilling its oversight of the quality and integrity of the accounting, auditing, reporting, and financial control practices of the Company.

Holding 6 times of Audit Committee Meetings from last year up to the Annual Report being published. The powers of the Committee are as follows:

1. The adoption of or amendments of the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
2. Assessment of the effectiveness of the internal control system.
3. The adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and providing endorsements or guarantees to others.
4. Matters in which a director is an interested party.
5. Asset transactions or derivatives trading of a material nature.
6. Loans of funds, endorsements, or provision of guarantees of a material nature.
7. The offering, issuance, or private placement of equity-type securities.
8. The hiring or dismissal of an external certified public accountant, or their compensation.
9. The appointment or discharge of a financial, accounting, or internal audit officer.
10. Annual financial reports.
11. Other material matters as required by this Corporation or by the competent authority.

#### • Audit Committee's Review Report

The Board of Directors has prepared the Company's 2020 Business Report, the Financial Statements and the Proposal for Profit Distribution. The CPAs of Deloitte & Touche, An-Hwei Lin and Yung-Hsiang Chao have audited the Financial Statements (including the

Stand-alone & the Consolidated Financial Reports) and issued the audit opinions. The Business Report, Financial Statements, and the Proposal for Profit Distribution have been reviewed and determined to be correct and accurate by the Audit Committee members of Far EasTone Telecommunications Co., Ltd.

#### • The evaluation of effectiveness of the internal control system

The evaluation of effectiveness of the internal control system design and implementation is performed in accordance with "Regulations Governing Establishment of Internal Control Systems by Public Companies" (the Regulations). The Regulations examine the following components throughout the internal control process: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Details could be referred to the Regulations. The Company management has assessed the effectiveness of the internal control system design and implementation based on the above Regulations. The Company management declares that the internal control system (including Subsidiary Governance) has effectively assured that the following objectives have been reasonably achieved during the assessment period:

1. Effectiveness and efficiency of business operations (including earnings, operating performance and the safeguard of company assets);
2. Reliability, timeliness, transparency, and regulatory compliance of reporting;
3. Compliance with applicable laws, regulations, and bylaws

#### • The hiring of Certified Public Accountant

Audit Committee assessment according to Standard of Ethics No.10, the assessment result of independence of Certified Public Accountant is in accordance with "The Norm of Professional Ethics for Certified Public Accountant". This proposal has been approved by the 12<sup>th</sup> meeting of the 2<sup>nd</sup> term Audit Committee and the 16th meeting of the eighth-term Board of Directors on February 25, 2021. An-Hwei Lin and Yung-Hsiang Chao of Deloitte & Touche and assessment according to Standard of Ethics No.10, the 2021 assessment result of independence of Certified Public Accountant is in accordance with "The Norm of Professional Ethics for Certified Public Accountant".

#### Other matters of importance:

1. If any of below listed-circumstances of operation of Audit Committee Meetings, it's necessary to be disclosed, including dates of Audit Committee meetings, sessions, the contents of motions, all independent opinions from Audit Committee members and the Company's response to Audit Committee's opinions :

##### 1.1 The issues of Article 14-5 of the Securities and Exchange Act

Dates & sessions of Board of Director	Contents and motions	Resolution:	The Company's response to Audit Committee's opinions:
The 10 <sup>th</sup> Meeting of the 8 <sup>th</sup> Term (February 19, 2020)	The disposal of equipment The internal audit update The 2019 annual financial statements and consolidated financial statements and other matters of the Company The distribution cash dividend from Retained Earnings and Capital Surplus of the Year 2019 The 2019 business report The Company's 2020 business plan and summary consolidated financial forecast The Declaration of Internal Control System	Ratified or approved by all attending Members without objection.	Ratified or approved by all attending Directors without objection.
The 11 <sup>th</sup> Meeting of the 8 <sup>th</sup> Term (May 7, 2020)	The disposal of equipment The internal audit update The amendments to the "Ethical Corporate Management Best Practice Principles" of the Company The subscription of the capital call with NT\$800M of "Yuanshi Digital Technology Co., Ltd."	Ratified or approved by all attending Members without objection.	Ratified or approved by all attending Directors without objection.
The 12 <sup>th</sup> Meeting of the 8 <sup>th</sup> Term (July 31, 2020)	The disposal of equipment The internal audit update The assignment of financial officer of the Company	Ratified or approved by all attending Members without objection.	Ratified or approved by all attending Directors without objection.
The 13 <sup>th</sup> Meeting of the 8 <sup>th</sup> Term (September 4, 2020)	The business cooperation plan between the Company and Asia Pacific Telecom Co., Ltd. The Company's subscription of the shares to be issued by Asia Pacific Telecom Co., Ltd. via private placement the Company's issuance of new shares in exchange for the part of Asia Pacific Telecom Co., Ltd. shares held by Hon Hai Precision Industry Co., Ltd.	Ratified or approved by all attending Members without objection.	Ratified or approved by all attending Directors without objection.
The 14 <sup>th</sup> Meeting of the 8th Term (November 5, 2020)	The disposal of equipment The business cooperation plan between the Company and Asia Pacific Telecom Co., Ltd. The internal audit update The 2021 Audit Plan The major Capital Expenditure budget for Q1 2021	Ratified or approved by all attending Members without objection.	Ratified or approved by all attending Directors without objection.

Dates & sessions of Board of Director	Contents and motions	Resolution:	The Company's response to Audit Committee's opinions:
	The amendments to the "Internal Control System" of the Company The acquisition of right-of-use assets for business use of the Company The original donation transfer from Yuan-Ze University to Far Eastern Memorial Foundation to proportionally support the construction expenditure of "International Conference Center Zone"		
The 16 <sup>th</sup> Meeting of the 8 <sup>th</sup> Term (February 25, 2021)	The disposal of equipment The internal audit update The 2020 annual financial statements and consolidated financial statements and other matters of the Company The distribution cash dividend from Retained Earnings and Capital Surplus of the Year 2020 The 2020 business report The Company's 2021 business plan and summary consolidated financial forecast New Century InfoComm Tech Co., Ltd (NCIC), the Company's major subsidiary, to sell Building located at No. 218, Ruiguang Road, Neihu District for asset activation Ericsson 5G equipment purchasing proposal The Declaration of Internal Control System	Ratified or approved by all attending Members without objection.	Ratified or approved by all attending Directors without objection.

1-2 Any resolutions approved by over two-thirds of the board directors but not approved by the Audit Committee : None.

2. Any Independent Director's avoidance of motions due to conflict of interest, including the Independent Directors' names, the contents of motions, the causes for avoidance and voting: None.
3. Communications among Independent Directors and the Company's Chief Auditor and CPA (Including significant issues, methods, and resolutions of discussion regarding the Company's financial and business status):
  - A. Communications between Independent Directors and the Chief Auditor: Audit Committee meeting is held quarterly, and meeting minutes is submitted to inform Directors, President, and the Company's top management of important discussions and resolutions. In 2020 and up to the annual report being published, there were 5 Audit Committee meetings in which the Chief Auditor reported and updated audit task progress and significant audit activities. Execution, reporting and tracking were based on Independent Directors' instruction. Additionally, monthly Internal Audit Update is submitted to Independent Directors from the Chief Auditor.
  - B. Communications between Independent Directors and CPA: In 2020 and up to the annual report being published, 5 related meetings were held. At the Auditing Committee meetings of Q1 2020 and Q1 2021, the CPA reported the audit results to three Independent Directors via separate session. The CPA was present at the rest of three Auditing Committee meetings.
  - C. Communication status listed below:

Communication outlines of independent directors with the chief auditor:

Date	Communication Outlines	Suggestions and Results
2020/02/19 Audit Committee Meeting	1. Chief auditor reported the Control Self-Assessment result of FET and its subsidiaries for the year of 2019. 2. Chief auditor reported the progress of internal audit for the fourth quarter of 2019. 3. Chief auditor reported the follow-up status of audit findings.	Without objection.
2020/05/07 Audit Committee Meeting	1. Chief auditor reported the progress of internal audit for the first quarter of 2020. 2. Chief auditor reported the follow-up status of audit findings.	Without objection.
2020/07/31 Audit Committee Meeting	1. Chief auditor reported the progress of internal audit for the second quarter of 2020. 2. Chief auditor reported the follow-up status of audit findings.	Without objection.
2020/11/05 Audit Committee Meeting	1. Chief auditor reported the progress of internal audit for the third quarter of 2020. 2. Chief auditor reported the follow-up status of audit findings.	Without objection.
2021/02/25 Audit Committee Meeting	1. Chief auditor reported the Control Self-Assessment result of FET and its subsidiaries for the year of 2020. 2. Chief auditor reported the progress of internal audit for the fourth quarter of 2020. 3. Chief auditor reported the follow-up status of audit findings.	Without objection.

Communication outlines of Independent Directors with CPA:

Date	Communication Focus	Suggestions and Results
2020/02/19 Audit Committee Meeting	<ol style="list-style-type: none"> <li>Explained the results of the financial statement and the key audit matters for 2019. (Separated meeting between Independent Director and CPA)</li> <li>Explained the impact on the Company from the change of investment tax regulation. (Separated meeting between Independent Director and CPA)</li> <li>Discuss and respond to attendee questions</li> </ol>	Without objection.
2020/05/07 Audit Committee Meeting	<ol style="list-style-type: none"> <li>Discuss and respond to attendee questions for the financial statement.</li> </ol>	Without objection.
2020/07/31 Audit Committee Meeting	<ol style="list-style-type: none"> <li>Discuss and respond to attendee questions for the financial statement.</li> </ol>	Without objection.
2020/11/05 Audit Committee Meeting	<ol style="list-style-type: none"> <li>Communicate the key audit matters for 2020.</li> <li>Discuss and respond to attendee questions for the financial statement</li> </ol>	Without objection.
2021/02/25 Audit Committee Meeting	<ol style="list-style-type: none"> <li>Explained the results of the financial statement for 2020. (Separated meeting between Independent Director and CPA)</li> <li>Explained the impact on the Company from the change of investment tax regulation. (Separated meeting between Independent Director and CPA)</li> <li>Discuss and respond to attendee questions.</li> </ol>	Without objection.

### 3-3. Implementation of Code of Ethical Conduct

Evaluation Criteria	Implementation Status		Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and Reasons
	Yes	No	
1. Establishment of Corporate Governance Policy and Implementation Measures	V		The "Ethical Corporate Management Best Practice Principles" and "Guidelines for the Adoption of Code of Ethical Conduct" have been approved and amended by the 3 <sup>rd</sup> meeting of the 7 <sup>th</sup> term of Board of Directors on July 30, 2015, and has been submitted to the 2016 FET Shareholders' Meeting.  The "Ethical Corporate Management Best Practice Principles" have been approved and amended by the 11 <sup>th</sup> meeting of the 8 <sup>th</sup> term of Board of Directors on May 7, 2020, and has been submitted to the 2020 FET Shareholders' Meeting.  Furthermore, The Company communicates the guidance of "Ethical Corporate Management Best Practice Principles" and "Guidelines for the Adoption of Code of Ethical Conduct" to the Board of Directors and company management at Board of Director meetings quarterly and 12 times a year to ensure their understanding of the guidelines.  The Company also requires new suppliers to sign "Code of Ethical Conduct for Far EasTone Supplier Chain Social Responsibility" within the commercial document data sheet provided to suppliers as a way of encouraging them to comply with the Company's "Ethical Corporate Management Best Practice Principles".  In 2020, in order to enhance ethical conduct for supplier chain, the Company's procurement revised the document of "Code of Ethical Conduct for Far EasTone Supplier Chain Social Responsibility" & also added in the "punitive damage" clause, Total 521 vendors have signed his revised document.  Procurement is also going to implement above document into e-Procurement system. After completion of implementation in 2021, it will be mandatory for all vendors to sign document on line once a year. The vendors without signing the document will be prohibited from any transaction.  The Company has established the "Far EasTone Telecom Ethical Management Best Practice Principles." Its formulation and amendments were approved by the Board of Directors, reported to the shareholders' general meeting, and disclosed on the Company's website and annual report.  It clearly states that the Board of Directors, executive management, and employees shall comply with laws and regulations during execution of business operations that the Board and managers shall commit to proactively implement it. Far EastTone's Corporate Human Resources Department is the unit responsible for encouraging ethical management, reported regulatory compliance, promotion, education training and handling declaration matters to the Board of Directors every year. The following reporting at the 14th meeting of the 8th Board on November 5, 2020
I-1 Does the Company establish its ethical corporate management policy that is approved by the Board and clearly states measure and plans to prevent unethical conduct and state its implementation results on its official website or in its annual report? Do regulations and documents disclosed by the Company clearly state the ethical corporate management policy, its implementation measures, and the commitment of the Board and management team to actively implement these policies?			Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies.

Evaluation Criteria			Implementation Status Illustration	Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and Reasons
	Yes	No		
1-2 Does the Company establish assessment mechanisms for the risk of unethical conducts to periodically analyze and evaluate operating activities which have high risk of unethical conducts, and formulate preventive measures accordingly to cover conducts listed in the subparagraphs of Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" at least?	V		The "Ethical Corporate Management Best Practice Principles" and "Guidelines for the Adoption of Codes of Ethical Conduct" have been approved by the Board of Directors and been submitted to the Shareholders' meeting. These regulations stipulate that board members, the Company's directors, managers, employees, and any personnel taking decisions on behalf of the Company may not, directly or indirectly, offer, promise, demand or accept any form of dishonest benefit while conducting their work. This includes bribes, commissions and expenses; they must also not provide or accept any dishonest benefit to or from customers, agents, contractors, suppliers, government officials or other stakeholders through any means. Anyone discovering dishonest behavior on the part of the other party in business dealings must immediately cease these dealings and list the party as one with which they refuse any further dealing	
1-3 Does the Company's measures for the prevention of unethical conducts explicitly state relevant operating procedures, guidelines, punishment for violation, and the complaint system, and are thoroughly implemented? Moreover, does the Company periodically review and amend the said measures?	V		In order to fully implement a policy of ethical management and actively prevent unethical conduct, the Company has established the "Procedures for Ethical Management and Guidelines for Conduct" and "Ethical Management Violation Reporting Policy," which clearly specifies measures to prevent unethical conduct, operating procedures, conduct guidelines, disciplinary and reporting systems for violations. The Company has implemented the measures and regularly reviews relevant policies for amendments.	
<b>2. Implementation of Code of Business Conduct</b>	V		In order to fully implement "Ethical Corporate Management Best Practice Principles", the Company requires that all suppliers sign "Code of Ethical Conduct for Fareastone Supplier Chain Social Responsibility". The clause of "Ethical Corporate Management Best Practice" is also added to each purchase order as an appendix. This is to encourage all suppliers to abide by it. If any dishonest behavior is found, the contract must rescind or terminate at any time and the party must be recorded as one with whom any further dealings will be ceased. All new suppliers are required to submit corporate credit report or no bouncing check report for verification. Only those suppliers without credit issue are eligible for Far EasTone suppliers.	Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies.
2-1 Does the Company evaluate counterparties' ethical records and specific "Ethical clauses" in business contracts?				
2-2 Does the Company establish a dedicated unit is subordinate to Board for the stipulation, supervision, and execution of ethical corporate management policy and preventive measures, and detail the unit's operations and execution status? Also, does it report the unit's ethical corporate management policy and preventive measures on unethical conduct as well as the latter's supervision and execution status to the Board regularly (on an annual basis at least)?	V		Far EasTone's Human Resources Office is the unit responsible for encouraging ethical management. Chief Human Resources officer is in charge of supervision. Its major responsibilities and implementation situation: policies reported regulatory compliance, promotion, education training and handling declaration matters, etc. It reports the status of its implementation to the Board of Directors every year. No major material violation of trustworthy management policies were reported in 2020. The long-term performance of FET's Code of Ethical Conduct was reported on the 14 <sup>th</sup> board meeting of the 8th session on November 5, 2020. The Internal Audit will report contravening matters to the Board of Directors.	
2-3 Does the Company promulgate policies for preventing conflicts of interests and does it offer channels for reporting conflicts of interests?	V		To comply with the Code of Ethics and Business Conduct, the company has enacted the "Code of Business Ethics", employees receiving gifts, benefit, or discounts must initiatively submit a declaration. A Far EasTone Employee Notice has been drawn-up, for employees to fill out and submit when they suspect a conflict of interest between themselves and the Company. In August 2017, we made a full announcement to employees, re-inforced important principles of business conduct, "Letter of Declaration", and "Application form for employees receiving gifts, benefit, or discounts". All the information can be found at Intranet/Forms and Policies/Code of conduct category. We also launched the e-approval flow for these declaration forms in order to re-inforce the concept and enhance the execution in September, 2020.	

Evaluation Criteria			Implementation Status	Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies” and Reasons
	Yes	No	Illustration	
2-4 Does the Company establish efficient accounting systems and internal control systems to thoroughly implement ethical corporate management, and have the internal audit unit formulating audit plans based on the assessment of unethical conduct risk to audit the compliance status of the preventive measures accordingly? Or does the Company appoint CPAs to perform the audits?	V		<p>The Company has set up rigorous accounting systems and a dedicated accounting department. Financial statements are audited (or reviewed) by a CPA, and are announced and uploaded in compliance with legal requirements to ensure accuracy and transparency of financial information.</p> <p>FET has established the Internal Audit Division and related internal audit systems. It reviews and revises these systems periodically to ensure their effectiveness, so as to enforce the Regulations Governing Establishment of Internal Control Systems by Public Companies and the Ethical Corporate Management Best Practice Principles. In addition, the Internal Audit Division establishes and implements the annual internal audit plan based on risk assessment and reports the audit outcomes to the chairman, directors, president, and relevant authorities so as to enforce the code of Business Conduct.</p>	
2-5 Does the Company regularly hold internal and external training on the “Code of Business Conduct”?	V		<p>In order to fulfill the “Ethical Corporate Management Best Practice Principles” and “Guidelines for the Adoption of Codes of Ethical Conduct”, the Company undertakes educational communications of principles for employees on a regular basis. It also promotes the concept of business conduct in daily operations to all employees.</p> <p>Furthermore, the Company communicates the guidance of “Ethical Corporate Management Best Practice Principles” and “Guidelines for the Adoption of Code of Ethical Conduct” to the Board of Directors and company management at Board of Director meetings quarterly to ensure their understanding of the guidelines.</p> <p>The Company also requires new suppliers to sign “Code of Conduct for Far EasTone Supplier Chain Social Responsibility” within the commercial document data sheet provided to suppliers as a way of encouraging them to comply with the Company’s “Ethical Corporate Management Best Practice Principles”.</p> <p>In 2020, Procurement also conducted the training course for “Code of Conduct for FarEasOne Supplier Chain Social Responsibility” and “Ethical Corporate Management Best Practice Principles” at Supplier Conference which had total 103 suppliers attending.</p> <p>The execution status of company’s Code of Ethical Conduct was reported on the 14th board meeting of the 8th Board of Directors meeting on November 5, 2020. We hosted “the ethical management and the code of business ethics “training course for all employees for a total of 5,920 participants and ran for a total of 2,814 hours.</p>	
<b>3. Operation of Internal/External Reporting Mechanism</b>	V		<p>Far EasTone has established “Ethical Management Violation Reporting Policy”. Anyone can use the Company mailboxes or publicized channels for reporting and for appeals.</p> <p>The following reporting channels for internal and external use:</p> <ol style="list-style-type: none"> <li>Internal personnel can use reporting channels to report as follows: Whistle_blower@fareastone.com.tw</li> <li>External personnel can use reporting channels to report as follows: Ombudsman@fareastone.com.tw</li> <li>Far Eastern Group Purchasing Website ECOME: <a href="http://www.ecome.com.tw/A00BG/ABG_Connection.aspx">http://www.ecome.com.tw/A00BG/ABG_Connection.aspx</a></li> <li>Opinions for Internal Audit e-mail: ia@fareastone.com.tw</li> </ol> <p>The Company shall terminate the employment contracts of employees with serious violation of ethical conduct pursuant to relevant laws and regulations or the Company work rules</p> <p>The Company’s suppliers whoever involving dishonest behavior on the part of the other party in business dealings must immediately cease.</p> <p>The contract between FET and the supplier would be terminated and the supplier must be recorded as one with whom any further dealings will be ceased.</p> <p>Upon receipt of the reporting, professional personnel are assigned to immediately launch an investigation, as well as to handle and reply to cases.</p> <p>The name and identity of the complainant and the investigation process are kept confidential, and all matters reported in this way are verified through independent channels in order to protect the complainant.</p>	Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies.
3-1 Does the Company establish reporting and rewarding mechanisms, establish convenient channels and procedures for any violation, and assign appropriate specialists to investigate any reported cases?	V			
3-2 Does the Company establish standard investigation procedures, measures to be taken upon completion of the investigation, and relevant confidentiality mechanisms for the cases reported?	V		<p>Internally, the Internal Audit Division clearly stated the investigation of cases accepted and specification of procedural norms in Far EasTone’s “Regulations of Whistle-blowing Management” that matters reported should be completely confidential to protect the individual making the report.</p> <p>Externally, the Internal Audit Division treats any complaint in a confidential and sensitive manner. Upon receipt of the complaint from external personnel, professional personnel will be immediately assigned to launch an investigation. The name and identity of the complainant and the investigation process are</p>	

Evaluation Criteria			Implementation Status	Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies” and Reasons
	Yes	No		
			kept confidential, and all matters reported in this way are verified through independent channels in order to protect the complainant.	
3-3 Does the Company take measures to protect whistleblowers from inappropriate treatment?	V		<p>Internally, the Internal Audit Division clearly stated the investigation of cases accepted and specification of procedural norms in Far EasTone's "Regulations of Whistle-blowing Management" that matters reported should be completely confidential to protect the individual making the report.</p> <p>Externally, the Internal Audit Division treats any complaint in a confidential and sensitive manner. Upon receipt of the complaint from external personnel, professional personnel are immediately assigned to launch an investigation. The name and identity of the complainant and the investigation process are kept confidential, and all matters reported in this way are verified through independent channels in order to protect the complainant from any form of improper treatment.</p>	Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies.
<b>4. Improvements on Information Disclosure</b> Does the Company disclose information related to the “Code of Ethics” through its website and MOPS (Market Observation Post System)?	V		<p>Regarding of the “Ethical Corporate Management Best Practice Principles” and “Guidelines for the Adoption of Codes of Ethical Conduct”, please refer to Far EasTone’s company website for details.  <a href="https://corporate.fetnet.net/content/corp/en/CSR/CorporateGovernance/RegulationRule.html">https://corporate.fetnet.net/content/corp/en/CSR/CorporateGovernance/RegulationRule.html</a></p> <p>The “Ethical Corporate Management Best Practice Principles” and “Guidelines for the Adoption of Codes of Ethical Conduct” are disclosed on “Market Observation Post System” as well.</p>	
<b>5. If the Company have established our own guidelines for the “Code of Business Conduct” according to Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies, please state the discrepancies (if any) between actual operation and policy:</b> There are no discrepancies.				
<b>6. Other important information revealing the Company’s ethical operations:</b>				
<ul style="list-style-type: none"> <li>➤ The “Code of Procurement Conduct” is shown on each purchasing order to ensure supplier’s compliance: “FET employees or FET suppliers shall abide a high-standard of ethics. Suppliers bribing the Company’s employees or FET employees asking for bribes from suppliers would be filed the legal prosecution. Please follow the code in detail, as set out, as well as in its spirit”.</li> <li>➤ We also make the following announcement on our procurement system to provide suppliers with a clear petition channel: Suppliers with doubts about any harm to their rights and interests in the process of a procurement project may write to the website of the Far Eastern Group Procurement for petition.</li> <li>➤ In each order, the procurement would state that the suppliers affirm that the content of the order is neither a copy nor a counterfeit, and that it is not in violation of a third party’s intellectual property rights or other rights. This is done to enhance FET’s Ethical Corporate Management.</li> </ul>				

### 3-4.Implementation of Corporate Social Responsibility and the Corporate Governance

Implementation of “Corporate Social Responsibility” and Deviations from “Corporate Social Responsibility” Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons:

Evaluation Criteria			Implementation Status	Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies” and Reasons
	Yes	No		
1. Does the Company, based on the principle of materiality, carry out risk assessments on environmental, social, and corporate governance issues associated with its operation and formulate relevant risk management policies or strategies?	V		<p>In order to implement risk management, the Company refers to the framework of the international standard "ISO 31000 Risk Management – Principles and Guidelines" and formulates “Risk Management Policy”(“The Policy”) in accordance with the P-D-C-A model. The Policy has been approved by the board of directors as the guiding principle for all divisions to follow. Every year, all divisions conduct regular risk assessments based on the materiality principle, with consideration of economic, environmental and social aspects of corporate governance issues that have significant impact on customers, investors and other stakeholders, and formulate risk management strategies and plans.</p> <p>More details about risk assessment, please refers to Appendix 1</p>	Compliant with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.
<b>2 .Corporate social responsibilities</b> 2-1 Does the Company set up a full- (or part-) time unit for the promotion of corporate social responsibility and have the Board authorizing senior management to handle and report regularly to the Board on its operation?	V		<p>FET has set up Corporate Sustainability Responsibility department. The FET CSR committee holds a meeting quarterly and each committee member proposes to discuss in view of the related domain. At the end of 2015, the board of directors resolved to incorporate CSR topics as part of the meeting agenda. Starting from 2017, the Company adopted Go Prosperous, Go Innovative, Go Caring, Go Inclusive and Go Eco, for sustainable development in the future. Members in the “CSR Committee” came from various departments to ensure interdepartmental communication, coordination, and resource usage. The group supervises projects, focuses on execution and work schedules, and pushes for results. In addition, implementation results on yearly basis are presented at regular intervals to the board of directors.</p>	

Evaluation Criteria	Implementation Status		Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies” and Reasons
	Yes	No	
2-2 Does the Company periodically disclose its specific plans and implementation results of corporate social responsibility at its corporate website and in the annual report?	V		The specific execution plan and implantation result are disclosed on the company website periodically <a href="https://corporate.fetnet.net/content/corp/en/CSR/CSRManagement/SustainableDevelopment.html">https://corporate.fetnet.net/content/corp/en/CSR/CSRManagement/SustainableDevelopment.html</a>
2-3 Does the company establish policies which duly reflect its operational performance or achievements on employee compensation? And implementation results of corporate social responsibility at its corporate website and in the annual report?	V		The articles of incorporation of the Company is stipulates “if there is profit for the current year, the Company shall set aside 1%~2% of it as compensation for employees. The employees’ compensation is according to company bonus regulations, which cover the achievement of company operational goal and individual annual target. The article 26 is disclosed on the FET official website at: <a href="https://corporate.fetnet.net/content/corp/en/CSR/CorporateGovernance/RegulationRule.html">https://corporate.fetnet.net/content/corp/en/CSR/CorporateGovernance/RegulationRule.html</a>
3. Environmental issues 3-1 Does the Company establish appropriate environmental management systems based on its industrial characteristics?	V		FET uses energy management systems (ISO50001) and environment management systems (ISO 14001) to set environmental and energy performance indicators consistent with the characteristics of the telecommunications industry and as part of its continued efforts to improve the energy and resource efficiency. At the same time, FET has also introduced greenhouse gas inventories (ISO 14064-1) systematic management of the negative impacts from energy use on the environment, and draft the “FET Environment and Energy Policy” and “Policy Statement on the Management of Greenhouse Gases.” These guide the management of various environmental impacts to improve energy conservation and energy efficiency at different stages of the telecommunications industry service life cycle, thereby seeking to mitigate and adapt to climate change.
3-2 Does the Company devote to improving the utilization rate of various resources and usage of recyclable materials to minimize its impact on the environment?	V		<p>Based on the “Green Network Construction Long-Term Plan”, we have been enforcing energy saving and carbon reduction throughout our operations network on an ongoing basis that to minimize its impact on the environment.</p> <p>The outcomes in 2020 included:</p> <ol style="list-style-type: none"> <li>There are 19.67 mega kwh of electricity saved, and 10,408 tons of CO2 reduced, equal to the annual carbon absorption of 28 Daan Forest Park.</li> <li>Deploy high efficiency base station and power supply equipment, remove extra radio frequency units, and dismantle or shut down old telecom equipment.</li> <li>Total 1,211 base stations have been improved with 7.27 mega kwh of electricity saved and 174 inverter air-conditioner have been installed that has 0.07 mega kwh of electricity saved. There are 200 small weather-proof shelters have been installed, along with high-performance cooling fans that reduce power consumption of air conditioners.</li> <li>Because of the effective energy management and power using efficiency improvement, electricity consumption was reduced 70 mega kwh and 357 tons of GHG emissions compared to 2020.</li> <li>Our commitments in environment and energy management through integration of telecom core technology won us 5 awards in 2020 <ul style="list-style-type: none"> <li>“Energy Management Leadership Award_Energy Insight Award” from Clean Energy Ministers, United Nations</li> <li>2020 Taipei Energy Conservation Leadership Award – Excellent, A team” from Taipei City Government</li> <li>“2020 Taipei Energy Conservation Leadership Award – Outstanding, B team” from Taipei City Government</li> <li>“Climate Change Management Excellence Award” from SGS</li> <li>“Sustainability Resilience Award” from BSI</li> </ul> </li> </ol> <p>Major focuses for energy saving and carbon reduction in 2021:</p> <ol style="list-style-type: none"> <li>Continue to deploy 150 small weather-proof shelters with high-performance cooling fans.</li> <li>Install another 200 fan cooling system in existing shelter type base stations to reduce power consumption.</li> <li>Install solar capacity to 21.6 Kw</li> <li>To strengthen the energy management mechanism, set up energy performance goals and regularly review and adjust the set-up goals.</li> <li>FET remains committed to environment and energy management with support from its core technology in telecommunications.</li> </ol>

Evaluation Criteria	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies” and Reasons																
	Yes	No	Illustration																	
3-3 Does the Company achieve ISO 14001 and ISO50001 or other similar verification of Environment or Energy Monitoring System?	V		<p>The Company has established an Online Environment Monitoring System, to routinely measure environmental quality, such as temperature, humidity, illumination, indoor CO<sub>2</sub> concentration, hydrogen concentration in battery chambers, etc.</p> <p>The Company obtained the ISO50001 (Energy Management System), ISO14001 (Environmental Management System), and ISO14064-1 (Greenhouse Gas Inventory) verification in March and April 2021.</p> <table border="1"> <thead> <tr> <th></th> <th>ISO50001</th> <th>ISO14001</th> <th>ISO14064-1</th> </tr> </thead> <tbody> <tr> <td>Organization</td> <td>BSI</td> <td>BSI</td> <td>BSI</td> </tr> <tr> <td>Valid period</td> <td>2021/2/23 - 2024/2/23</td> <td>2020/5/7 - 2023/5/6</td> <td>On year (Note)</td> </tr> <tr> <td>Certified Date</td> <td>2021/1</td> <td>2021/3</td> <td>2021/4</td> </tr> </tbody> </table> <p>Note: ISO14064-1 is conducted every year to inventory greenhouse gas emissions throughout the previous year. The Company obtained the ISO14064-1 verification in April 2021.</p>		ISO50001	ISO14001	ISO14064-1	Organization	BSI	BSI	BSI	Valid period	2021/2/23 - 2024/2/23	2020/5/7 - 2023/5/6	On year (Note)	Certified Date	2021/1	2021/3	2021/4	
	ISO50001	ISO14001	ISO14064-1																	
Organization	BSI	BSI	BSI																	
Valid period	2021/2/23 - 2024/2/23	2020/5/7 - 2023/5/6	On year (Note)																	
Certified Date	2021/1	2021/3	2021/4																	
3-4 Does the Company evaluate current and future potential risks and opportunities imposed by climate changes on corporations and adopt response measures associated with climate issues?	V		<p>FET continues to focus on and actively respond to climate change and energy-related issues. Combined with the company's core business, this involves promoting environmental and energy strategies, such as introducing science-based carbon emissions reduction targets and introducing Recommendations of Task Force on Climate-Related Financial Disclosures (TCFD) to guide and identify key climate risks, while simultaneously fulfilling the environmental responsibility of the telecommunications industry with responsible products and quality communications infrastructure.</p>																	
3-5 Does the Company compile statistics on its greenhouse gas (GHG) emission, water consumption and waste volume in the past two years, and formulate policies for energy efficiency, carbon reduction, GHG reduction, water conservation or management of other wastes?	V		<p>FarEasTone Telecommunication (FET) is well aware of the risks and opportunities our enterprise operations may bring on the environment and energy consumption. Therefore, we have established an Energy and Environmental Management System to provide useful resources from the perspective of the telecommunication life cycle. We collaborate with business partners, suppliers and contractors, continuing to improve energy efficiency, promote pollution prevention, decrease greenhouse gas emissions, and continually improve energy performance to mitigate and adapt to climate change. For more details about environment and energy policy, please visit our website: <a href="https://corporate.fetnet.net/content/corp/en/CSR/EnvironmentalSustainability/EcoCSR.html">https://corporate.fetnet.net/content/corp/en/CSR/EnvironmentalSustainability/EcoCSR.html</a></p> <p>The relevant environmental statistics are as follows</p> <p>Annual greenhouse gas emissions (tonnes of CO<sub>2</sub> equivalent, ISO14064-1: 2018 Category 1 + Category 2)</p> <ul style="list-style-type: none"> <li>Y2020: 249,598.465</li> <li>Y2019: 247,861.36</li> </ul> <p>Water consumption (degrees)</p> <ul style="list-style-type: none"> <li>Y2020: 261,578</li> <li>Y2019: 263,525</li> </ul> <p>Waste (tonnes)</p> <ul style="list-style-type: none"> <li>Y2020: 226.5</li> <li>Y2019: 241.38</li> </ul>	Compliant with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.																
<b>4. Social issues</b>																				
4-1 Does the company formulate management policies and procedures which are in accordance with the relevant internationally-recognized principles and human rights policies based on International Bill of Human Rights and management plans at its corporate website and in the annual report?	V		<p>The Company has complied with all relevant labor regulations with regards to employees. And has also convened labor-management meetings to ensure that any additional or changed affairs that affect employees' rights would be made only when both parties go through the sufficient and full communication. The Company has also set up dedicated channels for employees to file complaints as a way of safeguarding their rights.</p> <p>FET is devoted to protect the employees' basic human rights, follow relevant labor laws and regulations, and support and voluntarily comply with international human rights treaties, including the Universal Declaration of Human Rights (UDHR), the United Nations Global Compact (UNG), the United Nations Guiding Principles on Business and Human Rights and the International Labor Organization Declaration on Fundamental Principles and Rights at Work. We would stop any acts that infringe upon or violate human rights and conduct internal investigations, such as due diligence and risk assessments, in accordance with the guidelines and principles of the aforementioned laws and regulations. We aim to enhance the human rights awareness of our employees and stakeholders.</p> <p>and Technology Safety and Health Management". In 2020, there is total number of 56 training courses were conducted for 22,724</p>																	

Evaluation Criteria	Implementation Status		Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies” and Reasons
	Yes	No	
4-2 Does the Company establish and adopt reasonable employee welfare measures (e.g. bonuses and salaries, leaves, and other benefits), and have employee bonuses and salaries adequately reflect its operation performance or results?	V		<p>FET conducts educational training on issues related to human rights, including training course of “Education of Labor Safety, Information employees, with a total of 15,817 employee-training hours built up. For details please visit FET website: <a href="https://corporate.fetnet.net/content/corp/en/CSR/Engagement/WelfareAndArchivement.html">https://corporate.fetnet.net/content/corp/en/CSR/Engagement/WelfareAndArchivement.html</a></p> <p>The Company has established and adopted reasonable employee welfare measures (e.g. bonuses and salaries, leaves, and other benefits) and have employee bonuses and salaries adequately reflect its operation performance as bellows.</p> <p><b>Superior to Mandated Benefits</b></p> <ul style="list-style-type: none"> <li>Employees have multiple options for biennial health assessments.</li> <li>Five days of paid sick leaves.</li> <li>Paternity leaves and leaves for pregnancy checkups which are superior to what is required under the Labor Standards Act.</li> <li>Paid maternity leaves for miscarriage, excluded from sick leaves.</li> <li>A day of “health leave” once the health promotional activity has met the target.</li> <li>Two days of paid volunteer work leaves annually, encouraging employees to participate in company-planned public welfare activities.</li> </ul> <p><b>Employee Benefits</b></p> <ul style="list-style-type: none"> <li>Employee group insurance scheme: Including term life insurance, accident insurance, accidental medical cover, hospital expenses, cancer, etc.</li> <li>Paid sick leave: Five days of paid sick leaves annually on top of regulatory requirements.</li> <li>Pension: Retirement policy is formulated in compliance with the Labor Standards Act to provide post-employment benefits to employees.</li> <li>Mobile phone and monthly bill subsidies.</li> <li>Working from Home scheme: Depending on the work nature, employees can apply for working from home upon management approval.</li> <li>Remote Working: For works which require long working hours outside offices, e.g. sales personnel and system maintenance engineers, flexible working place and location are allowed.</li> <li>Free parking for employees in the main office area.</li> </ul> <p>For details please visit FET website: <a href="https://corporate.fetnet.net/content/corp/en/CSR/Engagement/WelfareAndArchivement.html">https://corporate.fetnet.net/content/corp/en/CSR/Engagement/WelfareAndArchivement.html</a></p> <p>For specific details and implementation of the Company's retirement system, please refer to Chapter V. Operational Highlights/5. Labor Relations/ (2) Retirement of the annual report.</p>
4-3 Does the Company provide a safe and healthy working environment for employees and implement health and safety education regularly?	V		<p>To ensure the safety and health of personnel as well as prevent occupational injuries, the Company has established a 「Labor Safety and Health Office」 (OSH) to formulate, plan, promote, and monitor occupational safety and health related affairs, meanwhile, Labor Safety and Health Committee is built up and meets quarterly to deliberate, coordinate, and advocate occupational safety and health related affairs. Education and training on workplace health and safety should be carried out, oversight and supervisory mechanisms should be established, risk and harm awareness should be improved, and engineering and environmental safety checks should be implemented. Work environment monitoring should be carried out to maintain workplace air quality, to enhance employee knowledge of OSH and achieve a zero accident workplace. The Company's premises have medical rooms, we hired full-time nurses to organize fixed intervals staff health check-ups, health activities should be offered. Attended by qualified medical staffs to provide basic workplace accident assistance. They also offer health consultation services, annual CPR training, major disease-oriented screening and seminars on staying healthy. All offices are equipped with first aid kits and nursery rooms, in addition to massage services by visually impaired massage therapists and various employee assistance solutions to maintain employees' physical and mental health.</p>

Evaluation Criteria	Implementation Status		Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies” and Reasons
	Yes	No	
4-4 Does the Company establish efficient career development and training plans for employees?	V		The Company has established a career development structure and linked it to the Company's core competency measures, using this as the basis for a management mechanism to develop all kinds of opportunities for personnel. The career hierarchy structure is dual-track, incorporating both management skills and professional tracks, and divided into six grades based on the company's short and mid-term strategic direction and operations. It simultaneously maintains consistency of rank across departments and encourages employees to develop cross-functional experience.
4-5 Does the Company comply with relevant laws and regulations and international standards where customer health, safety, and privacy, as well as marketing and labeling of products and services, are concerned and formulate relevant policies and complaint procedures to protect consumers' rights?	V		The Company engages in active, detailed disclosure and communication for all rate plans and services by varied channels such as website and stores and is in compliance with relevant telecommunication laws and regulations.
4-6 Does the Company establish supplier management policies requesting suppliers to comply with regulations associated with environmental protection, occupational safety, and health or labor rights, and provide their implementation results?	V		FET views supplier management as one element of corporate risk management, drafting “FET Supply Chain Management Policy” as a basis for the management of suppliers. The company also introduced “Supplier Corporate Social Responsibility Guidelines,” including various environmental, society and corporate governance (ESG) requirements in its supplier specifications. Please refer to detail in FET 2020 IR report.  FET has conducted risk evaluation through the supplier sustainability self-assessment survey since 2017. The evaluation covers nineteen indicators within the five major aspects of sustainability governance, supplier management, environmental management, labor rights and social impact. Once the suppliers have completed the survey, FET would verify the authenticity of suppliers' data through document review. A total of 303 assessments were completed in 2020 which accounted for 94% of the annual purchases. The evaluation identified 10 high-risk suppliers this year and the risks mostly concentrated on confidentiality agreements and protection of intellectual property rights. For those high-risk suppliers, FET has established related improvement plans and kept tracking the results. As of Jan. 2021, 9 suppliers have presented their improvements have been confirmed by FET to meet the progress. The improvement rate is 90%. FET will conduct on-site inspections on high-risk suppliers in 2021 in order to coach the suppliers to better fulfill their corporate social responsibility.
4-7 Does the company disclose stakeholder identities, issues concerned, communication channels and response methods?	V		FET values the importance of communication and partnership with its stakeholders. The CSR Committee meets quarterly and provides unscheduled presentations yearly regarding relevant decisions and company performance to the Board of Directors. With the President as the moderator and senior management members as the convener of each task force, the Committee presents the action plan of the year and the result of communication with stakeholders. FET's CSR committee would apply the AA1000SES proposal principle to identify 9 categories of stakeholders' relationship map, which is based on the stakeholders' long-term dependence, influence, degree of concern, responsibility, and ability to provide a multi-dimensional perspective of assessment. At the same time, FET would also ensure the different appeals and expectations of stakeholder. FET set up CSR questionnaires for its stakeholders, which specialized in communications channels on its official website, to obtain more feedback on improved stakeholder communications.
4-8 Does the company disclose employees' work environment and personal safety measures and their implementation?	V		The protection measures & implementation of employees' personal safety are as follows:  To ensure the safety and health of employee as well as prevent occupational injuries, a Safety and Health section has been set up on the Intranet, providing related policy, information, training material, Employee health management is now an important component of our business strategy.  For more details, please visit:

Evaluation Criteria			Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies" and Reasons								
	Yes	No	Illustration									
5. Does the Company refer to international standards or guidance on report preparation when compiling its reports for the disclosure of non-financial data, such as the corporate social responsibility report? Does the said report have assurance or assurance opinion from a third-party certification agency?			<p><a href="https://corporate.fetnet.net/content/corp/en/CSR/Engagement/WelfareAndArchivement.html">https://corporate.fetnet.net/content/corp/en/CSR/Engagement/WelfareAndArchivement.html</a></p> <p>FET has set up the "Occupational Health and Safety Committee" (OHS Committee) as well as dedicated labor safety and health units to make improvements to the working environment and ensure work safety. Occupational Health and Safety Committee holds a meeting quarterly. Its responsibility is to oversee the formulation of the occupational disaster prevention plan and the self-inspection plan; discuss, examine, and analyze related occupational disasters and review OHS improvements. Total 213 items of working environment and construction security were also completed; the improvement rate for irregular items reached 100% and thus guaranteed the prevention of occupational disaster and hazard in 2020.</p> <p>The frequency of checking operation in Occupational Health and Safety as bellows:</p> <table border="1"> <tr> <td>Checking operation in Occupational Health and Safety</td> <td></td> </tr> <tr> <td>1. Occupational Health and Safety office check workplace</td> <td>More than 16 times a month</td> </tr> <tr> <td>2. Management by wandering around check retail</td> <td>More than 1 times a week</td> </tr> <tr> <td>3. Cell site safety check</td> <td>More than 2 times a month</td> </tr> </table> <p>FET obtained "ISO 45001:2018 and CNS 15506:2011 Taiwan Occupational Safety and Health Management System (TOSHMS)" certifications with a validity of three years in March 2019 from British Standards Institution (BSI), an international standards organization which offers certification services. The Company continued to pass BSI reviews and audits and maintained the validity of TOSHMS in 2020.</p> <p>According to government Regulations and Fire Act, all FET's workplaces have established appropriate fire-fighting systems and executed regular equipment maintenance declarations, as well as the fire prevention management. We will also implement disaster prevention education every six month to enhance disaster resilience and personnel awareness.</p> <p>Some areas have multiple protective measures in each office and MSC/IDC. They are controlled through the access control system. All personnel need authorization to access and real-time records are maintained for reference. We also have the "Access Control Management Methods" which explicitly specify the movement of personnel in the work place to maintain the security of premises and personnel.</p> <p>According to FET physical security management protocols, all areas are set up with different clearances covered by access control, surveillance and alarm systems. The mechanism has been certified of ISO27001 each year since 2014.</p>	Checking operation in Occupational Health and Safety		1. Occupational Health and Safety office check workplace	More than 16 times a month	2. Management by wandering around check retail	More than 1 times a week	3. Cell site safety check	More than 2 times a month	Compliant with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.
Checking operation in Occupational Health and Safety												
1. Occupational Health and Safety office check workplace	More than 16 times a month											
2. Management by wandering around check retail	More than 1 times a week											
3. Cell site safety check	More than 2 times a month											
6. If you have established your own guidelines for Corporate Social Responsibility according to the Corporate Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies, please state the discrepancies (if any) between actual operation and the guidelines: FET's "Corporate Social Responsibility Policy" has been implemented gradually.	V		<p>FET's Integrated Report is prepared based on the International IR Framework published by the International Integrated Reporting Council and the GRI Standards published by the Global Reporting Initiative (GRI) as well as the disclosure principles of core options. This Report was verified by SGS Taiwan, an independent third-party certification institution, as being in accordance with GRI Standards and AA1000 (Account Ability 1000) Type II High Level, and meeting the requirements of International IR Framework contents.</p>									
7. Please state any other important information that would facilitate better understanding of your current status in fulfilling corporate social responsibility (i.e. the Company's system, measures or status of implementation on environmental protection, community participation, contribution to society, social services, charity, consumer rights, human rights, safety and health and so forth):			<p>FET applies its corporate sustainability pillar of Go Prosperous, Go Innovative, Go Caring, Go Inclusive and Go Eco, to integrate sustainable development strategy and core of operations; concretely implement corporate social responsibility. Please visit <a href="https://corporate.fetnet.net/content/corp/en/CSR/CSRManagement/SustainableDevelopment.html">https://corporate.fetnet.net/content/corp/en/CSR/CSRManagement/SustainableDevelopment.html</a></p> <p>FET's most predominant 2020 CSR performance, which set it apart from its peers, are as follows:</p>									

➤ **Highlight No. 1: To expand the influence of sustainability, FET led the “2020 Sustainability Pioneer Team”**

In order to expand our sustainability influence, FET took the initiative in the industry and called on suppliers to form the "2020 Sustainability Pioneer Team," aiming to support organizations lacking adequate resources with different core specialties of each supplier for environmental sustainability. The first project involved support from 26 companies within the supply chain to assist the Binmao Junior High School in Taimali Township, Taitung County. Construction centered on the idea of environmental sustainability. Lighting facilities which saved electricity consumption by 60% as well as weather-resistant materials were used to repair the basketball court at the campus for students and thus had better energy-saving performance.

FET proactively enhanced strategic partnership with suppliers and continued to promote CSR awareness to upstream and downstream companies. We carried out communications concerning the three major sustainability aspects of environmental, social and governance (ESG) as the core value for co-prosperity. In addition to the establishment of "2020 Sustainability Pioneer Team," FET also conducted ESG evaluations and on-site audits by founding the supplier ESG evaluation mechanism, hoping to exert our influence and raise the awareness of industry chain sustainability

➤ **Highlight No. 2: Remote diagnosis and treatment to spread love far and realize the vision “medical care free of remote regions”**

In 2020, FET rolled out Taiwan's first 5G remote diagnosis and treatment model in Taitung County to realize the vision of “medical care free of remote regions” by eliminating physical distance with internet, and nearly 2,000 people have been benefited by the project by the end of the year. This service employed FET's private 5G network. It not only ensured information security as well as patients' personal information and privacy, but also facilitated the introduction of artificial intelligence analysis and interpretation, accelerating doctors' treatment processes. FET continued to expand the application and offered the first 5G diabetes continuous remote medical care service of Taiwan in New Taipei City. In the future, FET plans to extend the services to communities and home care with the development of remote diagnosis and treatment for “Home Medical Care.” Patients who are physically challenged or disabled would be able to have accesses to medical services; the frequency of hospital visits can be reduced, and the stress and social costs on caregivers who are often the younger generations can also be mitigated. 750 elders at Fengbin Township, Hualien county are wearing “NB-IoT smart bracelets” currently launched, which build a caring network covering 15 sites in Fengbin Township via the FET cloud-based health care management platform.

➤ **Highlight No. 3: Revolutionize education and spread love far - Digital awareness: Preventing electronics addiction**

FET has long been committed to enhancing the digital literacy of students. By 2020, we extended our focus from Big Data, AI and IoT to the topic of mental health, and incorporated the theme of “electronics addiction” and collaborated with Pley school and PaGamO in developing a series of courses and games to teach students the right ways of using internet.

FET and Pley school organized 17 free courses on “Preventing Electronics Addiction,” which aroused students' leaning passions via interactive games. Parent-child conflicts caused by improper uses of electronics were also addressed during the courses, and guidance was provided to parents and students on how to solve the issue. FET and PaGamO adopted the form of persistent afterschool program on digital learning, gradually building the influence on students. This time, with on-line gaming tournaments, we incorporated digital literacy, e.g., the new technology in Big Data, AI and IoT and information of electronics addition, into online games. Students are motivated to learn through fun online territory games.

➤ **Highlight No. 4: FET was once again nominated as a component stock of Dow Jones Sustainability World Index, scoring full points in six criteria**

In 2020, FET achieved outstanding results where Dow Jones Sustainability Index (DJSI) is concerned. We were nominated as a component stock of “DJSI World” for two consecutive years and listed as a component stock of “DJSI Emerging Markets” for five consecutive years. FET scored full points in six of the 24 DJSI criteria, including Customer Relationship Management, Network Reliability, Environmental Reporting, Social Reporting, Occupational Health and Safety, and Stakeholder Engagement. This demonstrated yet again that FET's remarkable performance in sustainability has been well-recognized worldwide.

By participating in DJSI, FET reviews the sustainable development goals in operation annually, continuously improves to align with the global sustainability trend, and persistently advance our capacity in 5G Big Data, AI and IoT as well as cloud for 5G vertical application in hope that the new economy will drive operational growth. At the same time, we integrate these core technologies and collaborate with partners such as suppliers, employees and customers to fulfill our corporate sustainability responsibilities.

➤ **Highlight No. 5: FET's smart streetlights generated benefits worth hundreds of millions of dollars and won High Distinction in the Lighting Golden Quality Award**

FET won High Distinction for outdoor lighting facilities at the 2020 Lighting Golden Quality Award for the project of “Full-scale Adoption of Energy-saving (Smart) Streetlights and AI Lighting System at Taoyuan City” in 2020. Since 2019, FET has worked with LITEON and Taoyuan City Government to launch the smart streetlight project. The environmental, economic and social benefits generated are approximately NT\$180 million per year.

FET is responsible for the construction and subsequent maintenance and operation of streetlights in the North District of Taoyuan City, and assists the municipal government with streetlight deployment within the entire city using real-time remote monitoring and automated error reporting system. By replacing traditional streetlights with smart ones, power demand can be effectively reduced, thereby cutting down carbon and air pollutant emissions, which mitigate climate change and air pollution problems. Furthermore, the electricity costs saved by this project every year can be used on other infrastructure in the city to create economic benefits. In terms of social aspect, the effectively enhanced lighting and functions such as real-time remote monitoring and abnormality detection and warning can reduce the occurrences of traffic accidents.

#### **8. The specific plans for implementing corporate social responsibility (CSR) and its effectiveness in 2020:**

FET's CSR mostly focuses on three aspects: environmental sustainability, digital inclusion, and social participation.

Specific implementation plans and performance in 2020 are as follows:

1. During the severe COVID-19 pandemic in 2020, FET leveraged on its ICT core competency to assist with the cloud service and network structures of the government's eMask Ordering System as a hidden figure behind the mask national team. We also helped the government track the electronic footprints of people under self-quarantine with a precision rate exceeding 99%. In response to students' home learning needs during the pandemic, FET donated 10,000 prepaid cards for underprivileged students to study online at home, allowing their education to continue during the self-health management periods.
2. FET strived to bridge the digital divide by strengthening the broadband infrastructure at remote areas and carrying out urban-rural developments, and its network coverage rate has been as high as 96%. On the other hand, communication quality and location at mountainous environment are essential during mountain rescues; to improve the rescue quality, FET cooperated with the Yushan National Park Headquarters to conduct comprehensive signal measurement and optimization. Since 2015, FET has been cooperating with eight Forest District Offices and the Shei-Pa National Park Headquarters on improving the majority of popular trails in Taiwan. Over thousands of engineering personnel were mobilized and more than 600 mobile coverage signs have been set up for climbers to orientate.
3. In recognition of its sustainability performance, FET was awarded the "Telecommunication Services - Industry Mover" by RobecoSAM in both 2019 and 2020, becoming the only telecommunication provider in the world to receive the award. It was also nominated as a component stock of "DJSI World" Index twice, ranking the fourth in the global telecommunication industry.
4. In 2019, FET used the climate change risk matrix pursuant to the Task Force on Climate-related Financial Disclosures (TCFD) to identify and prioritize relevant risks. In 2020, FET conducted quantitative assessments on the financial impact of our greatest physical risk factor, "the increasing frequency of severe typhoons." The assessments concluded that "loss on equipment and assets due to strong wind" was the main potential loss, so the financial risk caused by typhoons has been transferred through insurances to minimize the loss.
5. FET continued with the first 5G remote diagnosis and treatment forward-looking program in Taiwan: FET collaborated with three major medical centers, i.e., Far Eastern Memorial Hospital, Hualien Tzu Chi Hospital and Kaohsiung Medical University Chung-Ho Memorial Hospital, in launching the first domestic 5G remote diagnosis and treatment forward-looking program. In 2020, FET rolled out Taiwan's first 5G remote diagnosis and treatment facility in Taitung County and offered the first 5G diabetes continuous remote medical care service of Taiwan in New Taipei City.
6. FET partnered with PaGamO to establish environmental education and digital learning database, which improved the education quality in remote areas through game-based learning. We also collaborated with a social enterprise, Pley School, to offer free seminars or learning activities concerning electronics addiction prevention.
7. CSR event - "Care for Family. Spread Love Far." FET has worked with the Child Welfare League Foundation (CWLF) to raise funds in all FET stores in Taiwan since 2005, and over NT\$43 million was raised during the past 14 years. In 2020, we partnered with Taiwan Fund for Children and Families for the first time and held charity sales at stores, helping disadvantaged kids to go to school.
8. FET has enhanced supply chain management and development mechanism to promote the sustainable development of the entire industry supply chain. Our green procurement exceeded NT\$300 million with local procurement accounted for 96.1% of total purchases.
9. FET closely follows the latest industry developments both at home and abroad, and actively participates in telecommunications and CSR associations with an annual spending of nearly NT\$10 million to raise corporate competitiveness and contribute to the progress of the industry as a whole.
10. FET takes the lead and calls on supply chain partners to form the "2020 Sustainability Pioneer Team," aiming to help the disadvantaged groups with core specialties of FET and suppliers. In 2020, over NT\$1 million was spent on repairing the basketball court of Binmao Junior High School in Taimali Township, Taitung County.

## Appendix 1: Risk Assessment of Major Issues

Major Issue	Assessment Item	Risk management policy
Environment	Failed climate action	<p>The Environmental and Energy Management Committee, a dedicated unit in this regard, sets greenhouse gas management targets, regularly reviews the performance achieved, pays attention to the development of laws and regulations, and drafts response plans in real time.</p> <ul style="list-style-type: none"> <li>Define carbon reduction targets and timeline: FET aims to reduce the total emissions of Scopes 1 and 2 greenhouse gases by 20.3% by 2030 from 2016 and reduce the total emissions of Scope 3 by 17.2% compared with that in 2016.</li> <li>Optimize energy use efficiency and management mechanism: FET works to optimize energy management control system, introduce high-efficiency conversion power equipment, replace old equipment, to improve energy use efficiency, while actively cultivating talents for low-carbon technology transformation.</li> <li>Develop new renewable energy business and set renewable energy consumption targets: FET has developed a new renewable energy business (Prime EcoPower Co., Ltd.) since 2018, and included the construction of new server rooms adjacent to the renewable energy direct supply area into the assessment. The renewable energy consumption target is that the installation capacity will reach 1,081KWP by 2025, and the installation capacity of renewable energy will be increased year by year thereafter, including the purchase of additional renewable energy certificates, increasing the production capacity based on the certificates held, and planning of building solar base stations in the future.</li> </ul>
	Extreme weather events	<ul style="list-style-type: none"> <li>Strengthen the wind resistance of base stations: FET will prioritize the inspection and enhancement of the wind resistance of the equipment at the existing base stations in vulnerable areas; the new base stations will be designed to be able to withstand force 17 winds so as to minimize the damage caused by strong winds.</li> <li>Strengthen the disaster resistance of base stations: FET will strengthen the structure of the existing base stations, improve the construction techniques of the disaster-resistant base stations, and carry out the flood pressure test on a regular basis.</li> <li>Strengthen the continuous management of base station operations: FET will arrange backup power for base stations and establish mobile base station and temporary base station deployment capabilities to quickly respond after a strong typhoon occurs.</li> <li>Include climatic conditions in the assessment for construction of new server rooms: FET will include the areas with relatively low average temperature and low suspended salt damage in the assessment.</li> <li>Transfer financial losses from climate risks through insurance.</li> </ul>
Technology	Ineffective cyber security measures	<ul style="list-style-type: none"> <li>Continue to strengthen policy and regulations as well as information security monitoring and protection mechanisms.</li> <li>Plan and execute critical service and business continuity drills on a regular basis.</li> <li>Strengthen the operation of emergency response organization and mechanisms, timely respond to various incidents, and control relevant risks.</li> <li>Continue to pass the international standard certification of ISO27001 for information security and BS10012 for personal data protection.</li> <li>Strengthen information security education, training, and awareness-raising activities for all employees.</li> <li>Require suppliers to have safety inspection certificates for software and hardware design and development, to reduce supply chain risks.</li> </ul>
	Negative impact of technological innovation (talents)	<ul style="list-style-type: none"> <li>In 2018, FET planned ahead and recruited 5G talents. Through the development of recruitment channels, enhance relations with schools, and participation in government recruitment events, it has actively expanded its team and striven for transition to smart cloud. Focusing on training internal employees, alongside external recruitment, FET has worked to achieve the target of increasing the number of talents in the fields of "big data, AI, and IoT" and new economic areas to more than 30% of the total by 2022.</li> <li>For high-level leaders, FET will develop a retention and cultivation program to create a team of succession talents.</li> <li>FET will provide exclusive digital transformation training courses for different departments based on their different needs.</li> </ul>

## Implementation of Corporate Governance and Deviations from "Corporate Governance Best-Practice Principles for TWSE/GTSM listed Companies"

Item	Implementation Status		Deviations from "Corporate Governance Best-Practice Principles for TWSE / GTSM Listed Companies" and Reasons
	Yes	No	
1. Does the Company stipulate and disclose "Corporate Governance Principle" based on "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies"?	V		<p>FET has formulated "Corporate Governance Best Practice Principles" in accordance with the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies", and the principles have been approved by Board of Directors. There have been no deviations from these principles up to now.</p> <p>FET discloses its "Corporate Governance Best Practice Principles" not only on its corporate website but also at Market Observation Post System (MOPS). Please visit:</p> <p><a href="https://corporate.fetnet.net/content/corp/en/CSR/CorporateGovernance/RegulationRule.html">https://corporate.fetnet.net/content/corp/en/CSR/CorporateGovernance/RegulationRule.html</a></p> <p><a href="http://mops.twse.com.tw/mops/web/t167sb01">http://mops.twse.com.tw/mops/web/t167sb01</a></p>
2. Ownership Structure and Shareholders' Equity	V		FET has formulated "Corporate Governance Best Practice Principles", in which "Protection of Shareholders rights and interests" has been included and executed. The Company's spokesperson and the contracted stock agency, Oriental Securities Co., Ltd., are responsible for shareholders' suggestions and inquiries. If it's legal relevant, Legal and Regulatory Department would be involved to handle.
2-1 Does the Company establish internal operating procedure to handle suggestions, doubts, disputes and legal issues from shareholders, and act in accordance with the procedure?	V		
2-2 Does the Company identify major shareholders and/ or their ultimate controlling parties?	V		The Finance & Facility Services Division of the Company is responsible for collecting the updated information on major shareholders and/or their ultimate controlling parties. This information is disclosed /registered in according with the "TWSE Listed Companies Information Reporting Rule".
2-3 Does the Company set up and operated risk control mechanisms and firewalls between the Company and its affiliated companies?	V		The Company and its affiliated companies are all independent entities in respect of their financial and business operations and have established "Related Party Transactions Regulation" which has been approved by the Board Meeting. Risk control mechanism and firewall have been properly established as well.
2-4 Does the Company establish internal guidelines to prohibit insider trading?	V		The Company has established "Procedures for Handling Internal Material Information" and "Guidelines for the Adoption of Codes of Ethical Conduct" to prohibit any insiders taking advantage of inside information for stock trading. Besides, the Company regularly advocates regulations to prevent "Insider Trading" on a monthly basis.
3. Structure and Duties of the Board of Directors	V		<p>The Company has established "FET Corporate Governance Best-Practices Principles" in which "Enhancing the Function of Board of Directors" has been included and properly executed.</p> <p>Gender: In accordance with the rationale of amendment to Article 20 of "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies", the Company pays more attention to gender equality and implements it. There is a female director in current term Board of Directors.</p> <p>Nationality: The Company would like to explore every opportunity from a global perspective. Members with nationality diversity do count for the board composition. Board members' background diversified from United States, Japan, Singapore, Sweden, and Hong Kong (China) to Taiwan in nationalities.</p> <p>Industry experience: In telecommunication industry, members of the Board with varied professional fields play an important part in market competition. The members of the FET Board, being experts from Accounting, Telecommunication, Finance, Economics, assist to facilitate the Company's decision making and strategic planning with their proficiency and proactive views.</p> <p>Performance evaluation of Board of Directors is conducted every year on a regular basis to verify the diversity and competency of the Board.</p> <p>The implementation of the diversity of board members is disclosed in our company's annual report. (Corporate Governance &gt; Information of Directors &gt; Diversity of Board Members)</p> <p>The results of these evaluations been shown on the company's official website. Please visit</p> <p><a href="https://corporate.fetnet.net/content/corp/en/CSR/CorporateGovernance/BODMeetingInfo.html">https://corporate.fetnet.net/content/corp/en/CSR/CorporateGovernance/BODMeetingInfo.html</a></p>

Item	Implementation Status		Deviations from "Corporate Governance Best-Practice Principles for TWSE / GTSM Listed Companies" and Reasons
	Yes	No	
3-2 Other than the Remuneration Committee and Audit Committee established pursuant to laws, does the Company voluntarily set up another functional committee where the number of members is three or above, the majority of members are independent directors, and at least one member has the expertise required by the committee? Please disclose such committee composition, duties and responsibilities, and operations.	V		<p>The Company approved to restructure the Risk Management Committee at the third meeting of the eighth-term Board of Directors on November 5, 2018. The Committee members shall be appointed by resolution of the board of directors. It shall have at least three members and more than half of them shall be independent directors. All of the independent directors, Lawrence Juen-Yee LAU, Tim Pan and Chung Laung Liu (Note 1), are the committee members. This is done in order to implement enterprise risk management from a more comprehensive perspective that encompasses the scopes of financial risk, strategic and operational risks, information security risk, and environmental and energy risks, through the operation of different levels of organization and responsibilities.</p> <p>All members are equipped with the professional skills required by the Risk Management Committee. For details, please refer to the "Diversity of Board Members Chart" in the Corporate Governance section and Annex 1.</p> <p>The duties of the Committee are as follows:</p> <ul style="list-style-type: none"> <li>(1) Review risk policies and framework, risk appetite, or tolerance level.</li> <li>(2) Review management reports on major risk issues.</li> <li>(3) Make timely reports to the Board.</li> </ul> <p>The Committee shall convene at least twice a year, and may call a meeting when necessary.</p> <p>For the Committee member list and implementation status, please refer to the Company's website:  <a href="https://corporate.fetnet.net/content/corp/en/CSR/CorporateGovernance/Operation.html">https://corporate.fetnet.net/content/corp/en/CSR/CorporateGovernance/Operation.html</a></p> <p>Note 1: Mr. Liu Chung Laung, Independent Director, was discharged on November 7, 2020. The Board of Directors has approved Ms. Bonnie Peng, Director, as the new member of the Risk Management Committee on January 22, 2021.</p>
3-3 Does the Company establish regulations and methods for the Board's performance evaluation and conduct the evaluation annually with results reported to the Board and used as reference material for individual Directors' remuneration and reelection nomination?	V		<p>The Company has established "Procedures for Performance Evaluation of Board of Directors", and have been approved by the Board. The procedures stipulate that the Board shall conduct a self-evaluation regarding its year-round performance at the end of each year. The evaluation covers the overall operation of the Board as well as the performances of individual Board members and three function committee. The Company establish regulations and methods for the Board's performance evaluation and conduct the evaluation annually with results reported to the Board on February 25, 2021, and used as reference material for 2020 individual Directors' remuneration and reelection nomination in 2021.</p> <p>Results and improvement measures of the latest Board performance evaluation are as follows:</p> <p>The Company's improvement project in 2018 was to "engage a professional and independent institution to conduct an external performance evaluation on the Board", in which the Company engaged KPMG's Risk Consulting Service Department to complete the external evaluation as scheduled.</p> <p>In 2019, the Company's proposed improvement project is "to have appropriate employment instructions for new directors."</p> <p>The overall evaluation result was assessed as good, and has been reported in the fifth meeting of the eighth-term Board of Directors on February 20, 2019. The Company has finished the orientation for new Japanese directors in 2019, and has been reported in the tenth meeting of the eighth-term Board of Directors on February 19, 2020.</p> <p>In 2020, the overall evaluation result was assessed as good, and has been reported in the 16th meeting of the eighth-term Board of Directors on February 25, 2021.</p> <p>The evaluation result has been disclosed on the Company's website. The website address is as follows:  <a href="https://corporate.fetnet.net/content/corp/en/CSR/CorporateGovernance/BODMeetingInfo.html">https://corporate.fetnet.net/content/corp/en/CSR/CorporateGovernance/BODMeetingInfo.html</a></p>

Item	Implementation Status		Deviations from "Corporate Governance Best-Practice Principles for TWSE / GTSM Listed Companies" and Reasons
	Yes	No	
3-4 Have the Company's regulations or procedures for evaluating the performance of the Board of Directors approved by the Board? Do they clearly stipulate that external evaluation will be conducted at least once every three years, as also according to the deadline stipulated in the regulations? Does the company share the implementation status and results of these evaluations on its official website or in its annual report?	V		<p>The Company has established "Procedures for Performance Evaluation of Board of Directors", and have been approved by the Board. The Rules stipulate that an external evaluation regarding the Board's performance shall be conducted every three years. The evaluation covers the overall operation of the Board and the performance of individual Board members.</p> <p>In October 2018, the Company engaged KPMG's Risk Consulting Service Department (hereinafter referred to as KPMG) to perform the 2018 external evaluation regarding the Board's performance, and a report was received in January 2019. The overall evaluation result was assessed as falling between good and excellent. The evaluation result has been reported to Board of Directors on February 20, 2019. The Company will apply KPMG's improvement recommendations as a reference for continuous enhancement of Board effectiveness and Board member functions.</p> <p>The evaluation result has been disclosed on the Company's website. The website address is as follows:  <a href="https://corporate.fetnet.net/content/corp/en/CSR/CorporateGovernance/BODMeetingInfo.html">https://corporate.fetnet.net/content/corp/en/CSR/CorporateGovernance/BODMeetingInfo.html</a></p> <p>The Company next evaluation will be executed in Q4, 2021 and the result shall be reported to the most recent Board of Directors.</p>
3-5 Does the board regularly (at least once a year) evaluate the independence of the Company's appointed CPA and disclose the assessment procedure clearly?	V		<p>The Company has set up the "Guidance of Certified Public Accountant Performance Assessment". The accounting department is responsible for evaluating the independence of the CPA appointed by the Company annually and submitting the results of evaluations to the Board of Directors. The results have been approved by the 10th meeting of the 8th term Board of Directors on Feb. 19, 2020, and the 16<sup>th</sup> meeting of the 8th term Board of Directors on Feb. 25, 2021, respectively.</p> <p>(Confirmation of Independence" and "Assessment Result of Expertise and Eligibility of Certified Public Accountant" from Accounting firm are included ) The reviewing guidance to evaluate the independence of the CPA as follows:</p> <ul style="list-style-type: none"> <li>1. Regularly obtain a Confirmation of Independence from CPA.</li> <li>2. A CPA does not assume the Company's external auditor for 7 consecutive years.</li> </ul> <p>All currently appointed CPAs meet the requirements of independence.</p> <p>Annex 2: Assessment table of expertise and eligibility of Certified Public Accountant.</p> <p>Annex 3: Assessment table of independence of Certified Public Accountant.</p>
4. Does the Company deploy competent and adequate number of corporate governance personnel and appoint a corporate governance supervisor to handle matters associated with corporate governance (including but not limited to the provision of data required by directors to carry out their duties, legal compliance assistance to directors, preparation of Board and shareholders' meetings in accordance with laws, and compilation of Board and shareholders meeting minutes)? Please state their scope of duties and continuing education.	V		<p>The Company deployed a suitable number of corporate governance personnel, there are total five people including corporate governance supervisor in corporate governance.</p> <p>Senior Vice president of Legal &amp; Procurement, Vivian Lee, is FET's Corporate Governance Officer.</p> <p>Functional description:</p> <ol style="list-style-type: none"> <li>1. Handling matters relating to board of directors, audit committee, and shareholders meetings as prescribed by law and assisting the Company in compliance with laws and regulations governing such meetings.</li> <li>2. Producing minutes of board of directors, audit committee, and shareholders meetings.</li> <li>3. Furnishing information required for business execution by Board directors.</li> <li>4. To assist Directors to furnishing information of corporate governance courses, and take the courses.</li> <li>5. To assist Directors in compliance with laws, and furnish the latest laws and regulations related to corporate governance to Directors regularly.</li> </ol> <p>According to "Procedures for Performance Evaluation of the Board of Directors", the outcomes of the 2020 Performance Evaluation of the Board of Directors has reported and approved at the 16<sup>th</sup> meeting of the 8<sup>th</sup> term Board of Directors on February 25, 2021.</p> <p>Information concerning the operation and execution of the corporate governance unit is disclosed on the corporate website. The address is as follows:  <a href="https://corporate.fetnet.net/content/corp/en/CSR/CorporateGovernance/Operation.html">https://corporate.fetnet.net/content/corp/en/CSR/CorporateGovernance/Operation.html</a></p>

Item	Implementation Status		Deviations from "Corporate Governance Best-Practice Principles for TWSE / GTSM Listed Companies" and Reasons
	Yes	No	
			Training status of the Corporate Governance office in 2020: Total 12 training hours has been completed. The training status of Corporate Governance officer, please refer to Three: Corporate Governance (6) the training status (2)Managers
5. Does the Company build up communication channels with interest-conflicting parties (including but not limited to shareholders, employees, customers and suppliers), delineate a specific area on the Company website, and properly respond to important issues regarding CSR?	V		In addition to a formal spokesperson mechanism, the Company has set up adequate connection for suggestions from stakeholders, such as e-mail on the Company website ( ir@fareastone.com.tw), or could be communicated via retail stores, our customer service center which also provides a 24-hour online service (Mobile Direct Line on 123), FET mobile circle and e-mail (ecare@fareastone.com.tw). Shareholders shall contract the stock agency, Oriental Securities Co., Ltd. for any comments and suggestions.
6. Does the Company assign professional Share Transfer Agent to handle shareholders' Meeting?	V		The Company has appointed "Oriental Securities Corporation" as stock agency to assist shareholders' meeting affairs.
7. Information Disclosure 7-1 Does the Company set up a website to disclose financial, operational and corporate governance information?	V		The Company website: <a href="http://www.fareastone.com.tw">http://www.fareastone.com.tw</a> The Company discloses real-time financial, operational and corporate governance information on company's website.
7-2 Does the Company adopt any other disclosure channels? (e.g. English website; designated personnel in charge of company information collection and disclosure; implementation of a spokesperson policy; disclose process of institutional investors' meetings information on company website, etc.)	V		The Company has established an English website. A special personnel has been assigned to manage the gathering and disclosure of financial and business relevant information and taking the minutes of institutional investors meetings.
7-3 Does the Company complete the announcement and filing of the annual financial report within two months after the end of the fiscal year, and of financial reports for the first three quarters as well as the monthly revenue before the deadline?	V		The Company filed its quarterly and annual financial reports of the year 2020 on May 26, 2020, August 6, 2020, November 11, 2020, and March 4, 2021, respectively. The Company has publicly disclosed and filed its annual financial report within two months after the end of the fiscal year, and publicly disclosed and filed its financial reports of the first three quarters before the prescribed deadlines.

8. Does the Company establish intellectual property management plans linked to its operational goals and disclose the implementation results at its corporate website or annual report as well as report to the Board at least once every year?

**Strategy for Intellectual Property:** The Company's goals are focusing on accelerating the 5G service commercialization and monetization, refocusing business growth opportunities in Telecom core, and innovating and leading in New Economy services with excellence. . Based on the Company's goals and development status, the business divisions, with legal unit's assistant, cooperate with patent or trademark office to implement the procedure including evaluation, retrieval for potential patent or trademark, filing the application and the maintenance.

**Management System for Intellectual Property:** The Company has made regulations such as "Application and Maintenance standard operating procedures for Patent" and "Application and Maintenance standard operating procedures for trademark". Legal unit is responsible to manage, follow and track each steps, in order to ensure the quality of the application, increase the probability of obtaining the patent or trademark, the following maintenance, and control the relevant cost. These will also become references for future applications. To be in line with the digital transformation direction of the Company, and to optimize the efficiency of application, management and preservation procedure, the Company embarked on the e IPR system in 2020. The e-Patent system launched on February, 2021, the e-trademark system is under developing. The Company also signed a non-disclosure agreement with each employee to regulate that all the work completed by that employee within the scope of employment shall irrevocably transfer all the right including but not limited to copyright or related intellectual property right to the Company.

**Possible risks and countermeasures:** For promoting business and service, the Company has plenty need on commercial design and advertising which would need to grant company's trademark to other company. Besides that, the Company will also have to purchase the software programming, and hardware or software for the required system establishment. Thus, the Company has set up a standard clause for contracts which involve intellectual property right, and the context will include the rights and obligations of the relevant copyright, patent, trademark and other intellectual property right, and licensing to third party or

obtaining third party's authorization (if needed) and the violation effects. By this way, the Company could achieve ex ante and ex post risk management. The Company also launched trademark usage guidelines on official website on February, 2021.

List of Intellectual Property 2021/3/31

Intellectual Property right (Included domestic and foreign)		Number
Patent	Valid and effect	73
	Under Application	34
trademark	Valid and effect	342
	Under Application	47

Reporting to the Board: Implementation status is reported to the Board regularly (at least once a year). It was reported in the 14th meeting of the 8th-term Board on November 5, 2020.

Annex 1: Members of Risk Management Committee and professional skills/background information

Role & Responsibilities	Name	Professional background and skill
Convener	Independent Director : Tim Pan	Possess expertise in information technology and the skills of business management, crisis and risk management, leadership and decision-making.
Committee Member	Independent Director : Lawrence Juen-Yee LAU	Possess expertise in economics, finance and accounting, and the skills of business management, crisis and risk management, leadership and decision-making.
Committee Member	Independent Director : Chung Laung Liu (Note)	Possess expertise in information technology and the skills of business management, crisis and risk management, leadership and decision-making.
Committee Member	Director : Bonnie Peng	Possess expertise in the Journalism Communication and the skills of business management, crisis and risk management, leadership and decision-making.

Note: Independent Director Liu Chung Laung passed away on November 7, 2020, and was discharged abided by law.

Annex 2. Assessment table of expertise and eligibility of Certified Public Accountant

Expertise and Eligibility of Certified Public Accountant			
Item	Description	Yes (Normal)	No (Abnormal)
1	Whether certificated with the license of Certified Public Accountant to perform auditing.	V	
2	Whether never reprimanded by authority and Certified Public Accountant organization nor penalized accordance with article 37-3 of Securities and Exchange Act.	V	
3	Whether equipped with industry knowledge.	V	
4	Whether perform auditing of financial statements accordance with Generally Accepted Auditing Principles and Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants.	V	
5	Whether never presume the position of Certified Public Accountant to conduct malignant commercial competition.	V	

Annex 3. Assessment table of independence of Certified Public Accountant

Independence			
Item	Description	Result	Independence Y/N
1	Whether Certified Public Accountant has direct or significant indirect financial interests with the Company.	No	Y
2	Whether or not Certified Public Accountant has any financing or guarantees of conduct with the Company or the directors of the Company.	No	Y
3	Whether Certified Public Accountant has a close business relationship and potential employment relationship with the Company.	No	Y
4	Whether Certified Public Accountant or members of their audit team had any positions in the Company as directors, managers or significant influence on the audit during the audit period.	No	Y
5	Whether Certified Public Accountant has any non-audit services to the Company which may directly affect the audit work.	No	Y
6	Whether Certified Public Accountant has an intermediary to issue shares or other securities of the Company.	No	Y
7	Whether Certified Public Accountant has acted as the Company's defender or on behalf of the Company to coordinate conflicts with other third parties.	No	Y
8	Whether Certified Public Accountant has a kinship with the directors, managers of the Company or persons who have a significant influence on the audit work	No	Y

**(9) If there's any material information that helps to explain the implementation of corporate governance (i.e. included but not limited to employee rights and interests, employee care, investor relations, supplier relations, stakeholders' rights, Board Directors' training status, implementation status of both risk management policy and risk measurement criteria, implementation status of customer policy, the status of purchase of liability insurance for all Board of Directors and of reporting to the board of members:**

#### **9-1 Employee rights and interests:**

It has been handled according to the Labor Standards Act and the Personnel Regulations of FET and FET's subsidiaries.

#### **9-2 Employee Care:**

The Company always values communication with its employees. The current communication channels include:

##### **Communication Channel**

Lantern Legend Meeting	On a quarterly basis, or more frequently where necessary, meetings are held where constructive suggestions which promote organizational harmony, demonstrate core values, and enhance corporate competitiveness, may be raised. This is a joint effort to build a better future for FET.
Employee Conference	Annual employee conference is held for Chairman to communicate previous year's performance and market competitive outlook, helping employees to prime for future challenges. Employees of seniority or outstanding performance will also be applauded at the meeting.
United Employee Welfare Committee Meeting	On a quarterly basis, or more frequently where necessary, the "United Employee Welfare Committee" holds meetings where employee activities are planned out as a way of promoting employee welfare.
Town Hall Communication Conference	The President and executive management team jointly host quarterly town hall meetings to share company's financial and business updates, as well as address topics of employee concerns. The meeting also promotes bilateral communication by allowing participants to raise questions and the President and executives to reply on a real-time basis using digital applications.
Employee Survey	Employee surveys are conducted on a regular basis in order to gain a deeper understanding of employee and workplace sentiment for the purpose of continuous organizational improvement.

##### **Electronic Communication Channel**

Intranet Hot News	Set up bulletin boards on intranet to share important information and news.
e-Newsletter	Publish articles of various topics and new trends as well as internal award via knowledge center of intranet as a way of encouraging learning and sharing within the organization.
e-News	e-News conveys important company and industry news, timely and quickly sharing important information on the intranet.
e-Express	e-Express provides real-time and relevant updates to employees.
Human Resource Announcement	Announce major events or information for immediate actions and attention.
FET Breaking News	It is released every Friday covering events happened during the week. The content ranges from interesting and must-know internal activities, introduction of departments, projects, to employee concerns, helping employees to better understand the Company and the brand spirit.
e-Offer	Provide employees offers on the internal web page to increase the exposure of important messages.
Employee Suggestions	Welcome all creative proposals which benefit our operations from employees through the intranet.
Employees' suggestion for FET product/ Service	Set up a forum community in FET EMMA (Enterprise Mobility Messaging Assistant) to encourage colleagues to share suggestions on products and value-added services, and arrange two-way communication between the editor-in-chief engage in two-way communication.
I Want to Complain	Employees may seek assistance through the opinion box for cases where queries to responsible units or supervisors do not receive any response.
"Whistleblower" mailbox	Employees could report the violation of Business Conduct via mailbox.

**Internal Communication Meeting :** Held regularly, or more frequently where necessary, this is also an important channel to communicate directly and build a good relationship with employees.

#### **9-3 Investor Relations:**

High quality investor relations are built on effective communication. Our company has established an "Investor Relations Division" (IR) responsible for communicating with institutional investors and shareholders, and between management and external investors. Through two-way communication, IR also serves as a bridge for providing market intelligence to internal corporate management to develop long term strategies. Additionally, to ensure information transparency, quarterly investor conferences, so that investors' questions and suggestions can be addressed. An email dedicated to investor service has also been established as a way of facilitating responsive and effective communication with institutional investors and shareholders.

#### **9-4 Supplier Relations:**

We regard supplier management as an important part of corporate sustainable risk management. Therefore, in 2014 we issued the Supplier Corporate Social Responsibility Guideline. This guideline formally includes the environmental, social and governance (ESG) requirements for members of our supply chain, and is incorporated into the Company's procurement management. Suppliers are also required to sign a Declaration of Business Ethics. To maintain accuracy of the supplier information and effective trading activity, the accounts of vendors that it has not dealt with for more than three years will be freeze. When transactions resume, a credit

report, proof of no bounced checks, and the Self-Declaration must be re-sent to ensure that the supplier credit and CSR information is up to date.

Considering that major issues faced by local suppliers focus on environment, health and safety aspects, all contracts explicitly require suppliers to conform to environment, health and safety legislations, such as the "Air Pollution Control Act", "Noise Control Act", "Waste Disposal Act", "Occupational Health and Safety Act", and other relevant laws. Appropriate prevention and control measures must also be taken. Suppliers must sign the "Contractor Declaration on Occupational Safety, Health and Environmental Protection" and the "Contractor Statement on Environmental Hazards in the Workplace", as well as read through the "Contractor Occupational Health and Safety Management Guidelines". Under the "Regulations for Labor Health and Safety Organization Management and Inspection", contractors are expected to carry out all OSH management and disaster-prevention tasks in order to avoid damaging the health and safety of employees through improper practices. FET conducts regular supplier evaluations to ensure that they conform to the relevant rules and provide high quality telecom services that benefit environment, society and customers.

In 2020, FET also completed its ESG risk evaluation for 303 suppliers, which accounted for 94% of the Company's annual procurement amount. There were 10 suppliers identified as high-risk and FET has taken improvement measures. It focused on their confidentiality agreements and the IPR protection aspect. There were 9 suppliers which has completed their improvement by Jan. 2021.

In order to enhance supply chain ESG risk management, those suppliers which participate any procurement case over NT\$15M shall be passed ESG risk evaluation starting from 2020.

#### **9-5 Rights of Interest-conflicting Parties:**

In order to provide investors with transparent and timely information, financial, operational and corporate governance related information can be obtained on the Far EasTone corporate website for investors' reference. Furthermore, concerning the convenience of data accessibility for both foreign and domestic investors, information is provided in Chinese and English on company website.

#### **9-6 Board Directors training status:**

According to the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies" of the Taiwan Stock Exchange Corporation, all directors of the Company complete continuing professional education courses regularly.

##### **A. Directors:**

Title	Name	Study Date	Sponsoring Organization	Course Name	Training Hours	Accumulated Training Hours
Chairman	Douglas Hsu	2020/07/22	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3	6
		2020/12/09	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3	
Director	Champion Lee	2020/07/22	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3	6
		2020/12/09	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3	
Vice Chairman	Peter Hsu	2020/07/22	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3	9
		2020/07/31	Taiwan Corporate Governance Association	Business Management Risks and Corporate Governance	3	
		2020/12/09	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3	
Managing Director	Jan Nilsson	2020/07/31	Taiwan Corporate Governance Association	Business Management Risks and Corporate Governance	3	6
		2020/11/05	Taiwan Corporate Governance Association	Intellectual Property Management and Corporate Governance	3	
Director	Jeff Hsu	2020/07/22	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3	6
		2020/07/31	Taiwan Corporate Governance Association	Business Management Risks and Corporate Governance	3	
Director	Bonnie Peng	2020/08/25	Taiwan Corporate Governance Association	Director and Supervisor responsibility for financial statement fraud	3	6
		2020/10/23	Taiwan Corporate Governance Association	Challenges and Countermeasures of Information Security	3	
Director	Toon Lim	2020/07/31	Taiwan Corporate Governance Association	Business Management Risks and Corporate Governance	3	6
		2020/11/05	Taiwan Corporate Governance Association	Intellectual Property Management and Corporate Governance	3	
Director	Nobutaka Kurata	2020/07/31	Taiwan Corporate Governance Association	Business Management Risks and Corporate Governance	3	6
		2020/11/05	Taiwan Corporate Governance Association	Intellectual Property Management and Corporate Governance	3	
Independent Director	Lawrence Juen-Yee LAU	2020/07/31	Taiwan Corporate Governance Association	Business Management Risks and Corporate Governance	3	6
		2020/11/05	Taiwan Corporate Governance Association	Intellectual Property Management and Corporate Governance	3	

Title	Name	Study Date	Sponsoring Organization	Course Name	Training Hours	Accumulated Training Hours
Independent Director	Chung Laung Liu (Note 1)	2020/04/28	Taiwan Corporate Governance Association	Coping strategies for company changes	3	
		2020/09/08	Securities and Futures Institute	The legal responsibility and risk control of the false financial reports of directors and supervisors	3	9
		2020/09/08	Securities and Futures Institute	5G key technologies and application opportunities	3	
Independent Director	Tim Pan	2020/07/31	Taiwan Corporate Governance Association	Business Management Risks and Corporate Governance	3	
		2020/11/05	Taiwan Corporate Governance Association	Intellectual Property Management and Corporate Governance	3	6

Note: Except for the above mentioned education status, the Company would semi-annually inform all directors of updated Corporate Governance related regulations.

Note 1: Independent director Liu Chung Laung passed away on November 7, 2020, and was discharged abided by law.

## B. Executive Management

Title	Name	Study Date	Sponsoring Organization	Course Name	Training Hours	Accumulated Training Hours
President	Chee Ching	2020/07/22	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3	
		2020/12/09	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3	6
Corporate Governance Officer	Vivian Lee	2020/04/28	Taiwan Corporate Governance Association	Driving Force for Corporate Governance: Operating Practices for Corporate Governance Staff	3	
		2020/07/22	Taiwan Academy of Banking and Finance	Workshop for the Operational Practice for Board and Supervisor's Meeting and Related Corporate Governance Issues	3	
		2020/07/31	Taiwan Corporate Governance Association	Business Management Risks and Corporate Governance	3	12
		2020/11/05	Taiwan Corporate Governance Association	Intellectual Property and Corporate Governance	3	

\* Except for the above mentioned education status, the Company would monthly inform all management of updated Corporate Governance related regulations.

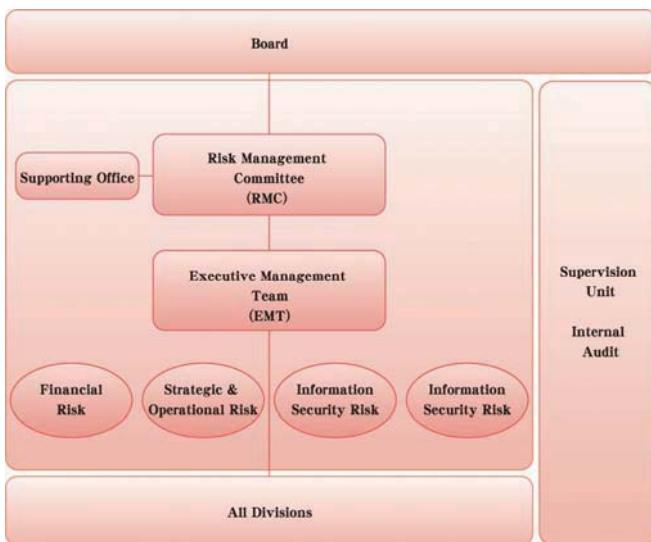
## 9-7 The composition, responsibilities, and operations of the Company's Risk Management Committee:

The Company has formulated “Risk Management Policy and Procedure” approved by the Board, which disclose the scope, the organizational structure, and the operations of risk management, and report to the Board at least once a year.

The telecommunications industry is highly driven by the development of internet technology, and its operations are becoming ever more complex and dynamic. The impacts of intense competition in the industry, changes in consumer behavior, restrictions imposed by national laws and regulations and natural disasters caused by climate change all require systematic prevention and management mechanisms, so as to appropriately evaluate the risks and opportunities that they present.

To safeguard company assets, reduce business impact, maximize business gains, and ensure the sustainability of the Company, FET further amended its Risk Management Policy, restructured risk management organization, upgraded the Risk Management Committee (RMC) level and got approval by the Board of Directors in 2018. The RMC members are appointed by the Board of Directors and composed of independent directors. The RMC meets at least twice a year to review the management reports of major risks. The RMC aims to implement enterprise risk management from a more comprehensive perspective that encompasses scopes including financial risk, strategic and operational risk, information security risk, and environment and energy risk. This is done through the design and operation of multi-layer organizations and management mechanisms, including: (1) all divisions; (2) the Executive Management Team (EMT); (3) the RMC; and (4) the Board of Directors and Internal Audit. It features the flexibility of risk management and supervision as well as risk response, to better control risks in a rapidly changing business environment while achieving the Company's strategic goals.

The Company's security risk management structure has been established; policies and specific management plans are as listed below:



Organization	Responsibility
Highest decision-making and supervision	Board of Directors : <ul style="list-style-type: none"> <li>Approve risk management policies and framework.</li> <li>Supervise the effective operation of the risk management mechanism.</li> </ul> Internal Audit : <ul style="list-style-type: none"> <li>Perform Audit.</li> <li>Report audit results to the Board of Directors.</li> </ul>
Third-layer management	Risk Management Committee <ul style="list-style-type: none"> <li>Review risk policies and framework, risk appetite, or tolerance level.</li> <li>Review management reports on major risk issues.</li> <li>Make timely reports to the Board.</li> </ul>
Second-layer management	Executive Management Team <ul style="list-style-type: none"> <li>Develop risk policies and framework; set risk tolerance and goals.</li> <li>Implement Board of Directors decisions, allocate resources effectively, and manage the overall risks.</li> <li>Establish risk management culture.</li> </ul>
First-layer management	All Divisions <ul style="list-style-type: none"> <li>Responsible for the identification, evaluation, management, and reporting of daily risks and taking necessary countermeasures.</li> <li>Monitor risk situations, ensure the effective implementation of control procedures, and make timely reports of risk information to comply with relevant laws, regulations, and corporate policies.</li> <li>Facilitate and promote relevant policies and regulations.</li> </ul>

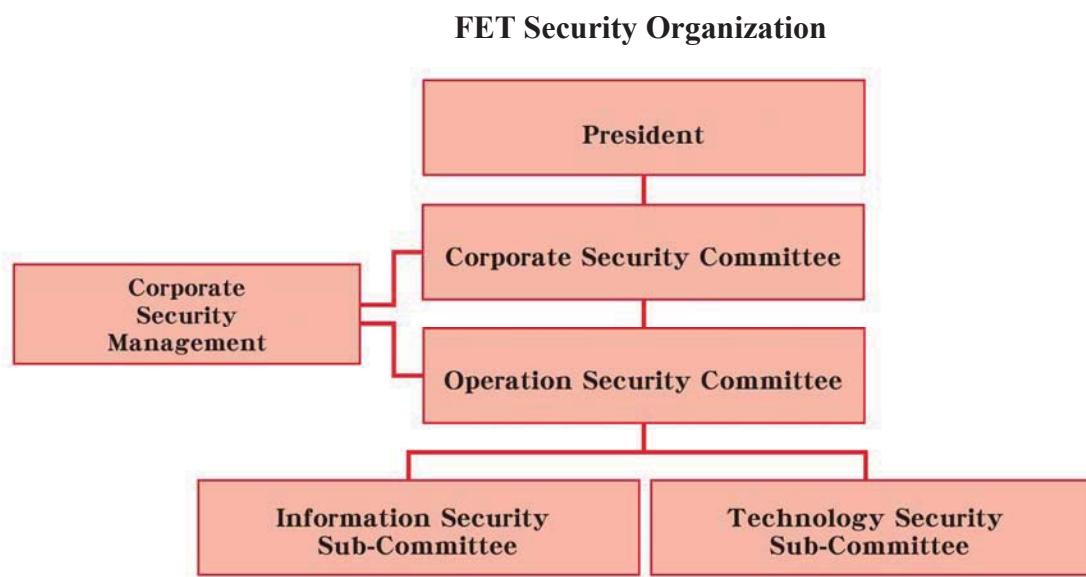
In addition to the above organizations, if there's risk event, the relevant units shall immediately set up contingency management teams to respond promptly to various risk conditions and communicate with relevant internal and external stakeholders, to ensure compliance with laws and regulations and to minimize potential losses and impacts.

Implementation status: The Internal Audit reported its audit on the Risk Management Committee during the second quarter of 2020 in the 12th meeting of the 8th-term Board on July 31, 2020.

The Company has established an information security risk management framework, information security policies, and solid management mechanisms, as described below:

To demonstrate its emphasis on and commitment to information security and customer privacy, FET has set forth its vision of information security: "treasuring customer trust, protecting customer information, winning the trust of customers, and maintaining sustainable services." Following these principles, it has established its corporate security organization. In addition, FET has developed security policies and frameworks that include operational information security, technical security, physical security, and personnel security management, with consideration given to government regulations, personal data protection, and risk and crisis management. The relevant policies and regulations are regularly reviewed and revised according to internal and external requirements. In addition, FET has also set up an information security section on an intranet website to constantly enhance the security awareness of all employees. Every year, FET conducts security risk assessments annually to identify high-risk issues such as cyberattacks, and incorporates these assessments into annual plans by taking such countermeasures as risk avoidance, risk reduction, risk transfer, etc., to manage relevant risks.

The Corporate Security Organization and responsibilities are as follows:



The Corporate Security Organization consists of the representatives of business units, who are responsible to implement security management within the business unit based on their duties, so as to ensure the management and maintenance of company-wide information security.

Organization	Responsibility
Corporate Security Committee	Establish corporate security policies and governance framework, approve security plans and resource budgets, and oversee the Company's overall security risks; the Committee also has a Chief Information Security Officer (CISO) who is responsible for promoting and supervising the Company's information security and personal information security related matters.
Operation Security Committee	Establish corporate security objectives; manage the planning, establishment, implementation and review of security-related policies and regulations; and plan resources and response plans based on risk projects.
Corporate Security Department	Assist in the formulation of security policies; responsible for policy and awareness promotion and security committee operations.
Information Security Sub-Committee	Responsible for the planning, execution, management and reporting of divisional related security plans; ensure compliance with management regulations and solid management.
Technology Security Sub-Committee	Review and evaluate information security risks in the technology domain and establish appropriate control measures to ensure the protection of information assets and a sound information security environment.

In 2020, FET has held four meetings of Corporate Security Committee meetings and seven meetings of Operation Security Committee. The major discussion topics including security policy review and revision, global major risks and trend analysis, relevant regulation review such as Cyber Security Management Act, high-risk issues identification, the response strategies and reinforcement plans. For high-risk issues, it is also timely reported to the board members in the Risk Management Committee.

To continuously improve overall operational security, FET's relevant divisions had completed a number of projects, including risk management and security awareness promotion of all employees, enhancement of cyber-attack protection, physical security management, information security testing, and the drills of business continuity plans, etc. In addition to strengthening management, FET continues to conduct international standard verification through external third-party organizations. Up to 2020, FET has passed ISO 27001 information security management certification for 16 consecutive years, passed ISO 20000 service management certification for 12 consecutive years, passed BS10012 personal data management certification for 8 consecutive years, and passed CSA STAR cloud security certification for 7 consecutive years. FET also passed ISO 27017 cloud service information security certification and ISO 27018 cloud personal information protection certification for 2 consecutive years; those demonstrate the results of FET's efforts in information security and personal data management.

#### 9-8 Implementation of Customer Policies:

FET holds to a vision that “FET Connects and Enriches Life”, striving to provide ever better customer service. The FET store and customer service center have established service and quality management mechanisms, using customer satisfaction surveys that seek to understand customers' experiences and feedback. In addition, meetings and inspections are regularly held to review service quality, with the aim to ensure that customers consistently receive a high quality of service.

The FET market research team tracks satisfaction levels of various products and services via regular customer surveys, and implements projects to understand customer behavior, with the aim to provide consumers a thoughtful service and keep increasing our customer loyalty.

### **9-9 Purchase of liability insurance for all Board of Directors and reporting to the board:**

The Company's Directors provide professional and objective opinions from their varied professional fields, facilitating the decision making in the best interest of the Company and shareholders. To protect Directors from individual liability and financial loss brought by third party lawsuits, while conducting Directors' duties, the Company purchased liability insurance for all Directors after the Board was re-elected in June 2015. The insurance coverage is US\$10 million; latest insured period from June 18, 2020 to June 18, 2021. It will be reported to the recent term (Q3) of Board of directors meeting after renewal of insurance policy in accordance with "Corporate Governance Best Practice Principles".

### **9-10 For those staffs who work to create transparency in the Company's financial affairs, relevant licenses and certification obtained from professional authorities are shown:**

Name of Certification	Department	Number of People
R.O.C. CPA	Finance & Facility Services, Internal Audit	3
U.S.A. CPA	Finance & Facility Services, Internal Audit	2
Certified Internal Auditor	Internal Audit	3
Certified Information System Auditor	Internal Audit	2
ISO 27001 Lead Auditor	Finance & Facility Services, Internal Audit, Information Technology, Network & Technology, Omni Channel Management	68
ISO 9001 Lead Auditor	Finance & Facility Services, Internal Audit, Information Technology	4
BS 10012 Lead Auditor	Information Technology, Omni Channel Management, Internal Audit	10
Debt-Collection Personnel's proficiency test held by Taiwan Academy of Banking and Finance	Finance & Facility Services	139
Stock Personnel's Proficiency Test held by Securities and Futures Institute	Finance & Facility Services	3
Bond Personnel's Proficiency Test held by Securities and Futures Institute	Finance & Facility Services	1
Corporate governance Test held by Securities and Futures Institute	Finance & Facility Services	1

### **(10) Base on the result of "Corporate governance Evaluation" announced by TWSE (Taiwan Stock Exchange Corporation) in a recent year to illustrate the status of matters have been already improved and priority measures to reinforce matters haven't been improved:**

The Company has implemented in 2020 include: the convener of the Audit Committee shall attend the annual general meeting. The Company has notified all directors of the date of the 2020 annual general meeting and Chairman Douglas Hsu, Audit Committee's convener Lawrence Juen-Yee LAU, Independent Director Chung Laung Liu, Tim Pan, Director Peter Hsu, Jan Nilsson, Champion Lee, Jeff Hsu, Bonnie Peng and Toon Lim has attended the 2020 annual general meeting.

### **(11) If the Company has established the Corporate Governance Principles and the related regulations, it shall disclose the inquiry method:**

"Corporate Governance Best Practice Principles" has been established and approved by Board of Directors. That has been uploaded to MOPS (Market Observation Post System) and company website with Chinese and English versions to facilitate shareholders' inquiries. For details. Please visit [http://mops.twse.com.tw/mops/web/t100sb04\\_1](http://mops.twse.com.tw/mops/web/t100sb04_1) and <https://corporate.fetnet.net/content/corp/en/CSR/CorporateGovernance/RegulationRule.html>.

### **(12) Other information relating to corporate governance:**

#### **12-1 Execution of policies to protect consumers or customers:**

Providing secured and trustworthy telecommunications services to customers is FET's responsibilities, which is also crucial to maintain customers' relationship and enhance their confidence in FET. To show the importance it attaches to and commitment to information security, FET is continually improving its information management system. Moreover, FET continuously receives international standard certification for business processes. It shows not only a high degree of self-management, but also great commitment to information security and customer information protection.

#### **12-2 Employees behavior and Code of Ethics:**

It is necessary for each employee to sign the "Code of Ethics and Business Conduct" and "Non-disclosure Agreement" and declare his/her agreement to comply with the "Work Rules" in his/her "Employment Contract". The said documents will be kept in the employees' files and disclosed on the Company's intranet to be available to all employees. The contents of the documents are briefed as following:

- Code of Ethics and Business Conduct, including: (1) to avoid activities for personal gains; (2) the responsibility for making good use of Company resources; (3) confidentiality of the Company's information; (4) the fair transaction; (5) compliance of the rules and regulations; (6) prevent the conflicts of interests; (7) the responsibility for ensuring the Company's use of gifts and premiums complies with the commercial customs, laws and code of ethics.

- Non-disclosure Agreement, including (1) definition of confidential information; (2) assignment of rights; (3) non-disclosure obligation; (4) legal effect for breach of the agreement and obligation thereof; (5) effect upon termination of the employment relationship; (6) successors and assignment of rights; (7) governing law and jurisdiction.
- Employment Contract, including (1) date of hire; (2) salary; (3) bonus; (4) benefit; (5) special leave; (6) insurance; (7) transfer; (8) work hours; (9) health examination; (10) code of management.
- Work Rules passed by the Labor-Management Conference and sent for approval to the Taipei City Department of Labor. This includes (1) employment, severance and resignation; (2) wage and bonus; (3) work hours, rest, vacation and leave; (4) retirement; (5) performance appraisal and reward/punishment; (6) compensation and pension for occupation disaster; (7) benefit measures and health and safety.

**(13) The Company has established the “Internal Material Information Disclosure Procedure” and proceeded to promote as follows:**

1. The “Internal Material Information Disclosure Procedure” would be provided to Directors at least once a year when holding board meetings.
2. The “Internal Material Information Disclosure Procedure” would be provided to new insiders when they signed “Manager’s Declaration”.
3. The Company promotes not only the “Internal Material Information Disclosure Procedure”, but also the “Insider Trading” related information posted on TWSE (Taiwan Stock Exchange Corporation) website with the e-mail for the declaration of shareholding variation to remind insiders every month.
4. The Company’s insiders and employees are required to sign the “Confidential Agreement” when joining the Company and the latest guidance regarding “Internal Material Information Disclosure Procedure” to employees was posted on the intranet on April 14, 2021.

### 3-5. The Composition, Duties, and Operation of the Remuneration Committee:

#### (A) Information of the Remuneration Committee Members

Role	Condition	With work experience for more than 5 years and the following professional qualification requirements			Conform to Independent (Note1)										No. of Public companies in which he/she serves as Remuneration Committee Member	Remark	
		An instructor or higher up in a department of commerce, law, finance, accounting, or other academic department related to company business in a public or private junior college, college, university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a professional capacity that is necessary for company business	Having work experience in the area of commerce, law, finance, or accounting, or otherwise necessary	1	2	3	4	5	6	7	8	9	10			
Name																	
Independent Director	Lawrence Juen-Yee LAU	V														0	
Independent Director	Chung Laung Liu (Note3)	V														2	
Independent Director	Tim Pan (Note 4)						V									0	
others	Edward Y. Way		V		V		V	V	V	V	V	V	V	V	V	3	

Note1: “V” indicates qualified Directors during the two years before being elected or during the term of the appointment.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates. (This requirement does not apply where the independent director serving concurrently in the Company and its' parent company or subsidiaries, or subsidiaries of the same parent company, is set up in accordance with the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” or local laws.)
- (3) Not a nature-person shareholder who holds shares, together with those held by the person's spouse or minor children, or under others' names, in an aggregate amount of one percent or more of the Company's total outstanding shares or ranks among the Company's top ten shareholders.
- (4) Not a spouse, relative within the second degree of kinship, or lineal blood relative within the third degree of kinship of manager under (1) or personnel under (2) and (3).
- (5) Not a director, supervisor, or employee of an institutional shareholder that directly holds five percent or more of the Company's total outstanding shares, ranks among the Company's top five shareholders, or appoints representatives to be the Company's directors or supervisors pursuant to Paragraph 1 or 2, Article 27 of the Company Act. (This requirement does not apply where the independent director serving concurrently in the Company and its' parent company or subsidiaries, or subsidiaries of the same parent company, is set up in accordance with the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” or local laws.)
- (6) Not a director, supervisor, or employee of a company which owns the Company's majority of directorships or voting rights. (This requirement does not apply where the independent director serving concurrently in the Company and its' parent company or subsidiaries, or subsidiaries of the same parent company, is set up in accordance with the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” or local laws.)
- (7) Not a director, supervisor or employee of a company or institution whose chairman, the president, or an officer of equivalent position is the same person as or a spouse to the Company's chairman, the president, or an officer of equivalent position. (This requirement does not apply where the independent director serving concurrently in the Company and its' parent company or subsidiaries, or subsidiaries of the same parent company, is set up in accordance with the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” or local laws.)
- (8) Not a director, supervisor, or manager, nor a shareholder with five percent or more of shareholding of a specific company or institution which has financial or business dealings with the Company. (This requirement does not apply where the specific company or institution owns twenty percent or

- more but less than fifty percent of the Company's outstanding shares, and the independent director serving concurrently in the Company and its' parent company or subsidiaries, or subsidiaries of the same parent company, is set up in accordance with the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" or local laws.)
- (9) Not a professional, or an owner, partner, director, supervisor, or manager and the spouse thereof of a sole proprietorship, partnership, company, or institution that provides auditing services or renders commercial, legal, financial, or accounting services with an accumulated compensation exceeding half a million New Taiwan Dollars in the past two years to the Company or any of its affiliate. However, this restriction does not apply to members of the remuneration committee, public tender offer review committee, or special committee for merger/acquisition who exercise powers pursuant to laws and regulations in association with the Securities and Exchange Act or the Business Mergers and Acquisitions Act.
- (10) Not affected by the circumstances as listed in the subparagraphs of Article 30 of the Company Act.

Note 2: The scope of responsibilities of the Company's Remuneration Committee

- (1) Formulate and periodically examine the performance review, remuneration policy, system, standards, and structure for directors and managerial officers.
- (2) Periodically evaluate and formulate the remuneration of directors and managerial officers.

Note 3: Independent director Liu Chung Laung passed away on November 7, 2020, and was discharged abided by law.

Note 4: Who was on board on January 22, 2021.

## (B) Operation of the Remuneration Committee

**1. There are currently three members on the Remuneration Committee.**

**2. The current term of office is from August 1, 2018 until June 13, 2021. Remuneration Committee meetings have been held 3 times (A), with the attendance status listed below:**

Title	Name	Times of Attendance (B)	Times of Attendance by Proxy	Actual Percentage of Attendance (%) (B/A)	Remark
Convener	Lawrence Juen-Yee LAU	3	0	100%	This is the member of the 4 <sup>th</sup> term of the Remuneration Committee of the Company, who was elected again on Aug 1, 2018, shall present 3 times.
Committee member	Chung Laung Liu	2	0	100%	This is the member of the 4 <sup>th</sup> term of the Remuneration Committee of the Company, who was elected on August 1, 2018, shall present 2 times. (The member passed away on Nov 7, 2020, and was discharged abided by law).
Committee member	Tim Pan	1	0	100%	This is the member of the 4 <sup>th</sup> term of the Remuneration Committee of the Company, who was elected on Jan 22, 2021 shall present 1 time.
Committee member	Edward Y. Way	3	0	100%	This is the member of the 4 <sup>th</sup> term of the Remuneration Committee of the Company, who was elected again on August 1, 2018, shall present 3 times.

Instances where discussion and results of resolution of the remuneration committee and the response to members' opinion:

Remuneration Committee	Mater to be discussed	Resolution
The 5 <sup>th</sup> meeting of the 4 <sup>th</sup> term 2020.02.18	To discuss and approve the 2019 directors' and employees' compensation of the Company	Approved by all attending members without objection.
The 6 <sup>th</sup> meeting of the 4 <sup>th</sup> term 2020.05.06	The Introduction of Performance Incentive Plan for Non-Sales (PIPNS) in 2020.	Noted by all attending members.
The 7 <sup>th</sup> meeting of the 4 <sup>th</sup> term 2021.02.24	To discuss and approve the 2020 directors' and employees' compensation of the Company	Approved by all attending members without objection.

### Other matters of importance:

1. In instances where recommendations of the Remuneration Committee faced objections by the Board of Directors, or were subject to qualified opinions, then the date(s) of meetings, sessions, and contents of motions shall be specified, as shall be the Board resolutions and actions taken concerning the Committee's opinions. (E.g., if the remuneration level resolved to in the Board meeting exceeds the one recommended by the Committee, the difference and reasons for the difference shall be specified.): None.
2. In instances where resolutions of the remuneration committee were objected to by members, or subject to qualified opinion and recorded or declared in writing (where date of meetings, sessions, contents of motions, all members' opinion and the response to members' opinion are specified): None.
3. Does the Company's Remuneration Committee regularly at least present twice a year review performance evaluations of directors and managers, and information such as the remuneration policies, systems, standards, and structures?

**The Committee member of remuneration committee at least present twice a year, with the attendance status listed below:**

Title	Name	First of 4th (2018.11.04)	Second of 4th (2019.02.19)	Third of 4th (2019.04.25)	Forth of 4th (2019.08.01)	Fifth of 4th (2020.02.18)	Sixth of 4th (2020.05.06)	Seventh of 4th (2021.02.24)
Convener	Lawrence Juen-Yee LAU	V	V	V	*	V	V	V
Committee member	Chung Laung Liu	V	V	V	V	V	V	
Committee member	Tim Pan							V
Committee member	Edward Y. Way	V	V	V	V	V	V	V

Note : V means attendance in person \* means attendance by proxy

Members of the Remuneration Committee would regularly discuss the performance assessments of directors and managerial officers as well as the policy, system, standard and structure of compensation during the committee meetings. Please refer to the "Discussion items and resolutions of the Remuneration Committee meetings and actions taken by the Company regarding members' opinions" for details.

### 3-6. Implementation of Internal Control System

#### (1) The declaration of internal control system

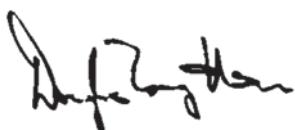
**Far EasTone Telecommunications Co., Ltd.**  
**The Declaration of Internal Control System**

Date: February 25, 2021

Based on the self-examination results of the internal control system for the year ended December 31, 2020, Far Eastone Telecommunications Co., Ltd. (The Company) therefore declares the following:

- I. The Company's board of directors and management understand their responsibilities of developing, implementing and maintaining the internal control system and such a system has been well established. The purpose of establishing the internal control system is to reasonably assure the following objectives:
  - 1. Effectiveness and efficiency of business operations (including earnings, operating performance and the safeguard of company assets);
  - 2. Reliability, timeliness, transparency, and regulatory compliance of reporting;
  - 3. Compliance with applicable laws, regulations, and bylaws.
- II. The internal control system has its inherent limitations, no matter how well designed, effective internal control system can only provide reasonable assurance on the foresaid three objectives. Moreover, the effectiveness of internal control system may vary with changes in the environment. However, the Company management develops self-monitoring mechanism to detect deficiency and take corrective actions.
- III. The evaluation of effectiveness of the internal control system design and implementation is performed in accordance with "Regulations Governing Establishment of Internal Control Systems by Public Companies" (the Regulations). The Regulations examine the following components throughout the internal control process: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Details could be referred to the Regulations.
- IV. The Company management has assessed the effectiveness of the internal control system design and implementation based on the above Regulations.
- V. The Company management declares that the internal control system (including Subsidiary Governance) has effectively assured that the following objectives have been reasonably achieved during the assessment period:
  - 1. Effectiveness and efficiency of business operations (including earnings, operating performance and the safeguard of company assets);
  - 2. Reliability, timeliness, transparency, and regulatory compliance of reporting;
  - 3. Compliance with applicable laws, regulations, and bylaws.
- VI. This Declaration is a significant item in the Parent Company (Far Eastern New Century Corporation) annual report and prospectus available to the general public. If it contains false information or omits any material contents, the company is in violation of Articles 20, Articles 32, Articles 171 and Articles 174 set forth in the ROC Securities and Exchange Law.
- VII. The Declaration of Internal Control System has been approved by the Company's board of directors on February 25, 2021.

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



Douglas Hsu  
Chairman



Chee Ching  
President

**(2) The special audit of the Company's internal control systems conducted by CPA retained by the company:**  
None.

**3-7. Any penalties for violations of regulations or the company's internal control systems by the personal, major defects and the status of corrections in the internal control systems from last year up to the Annual Report being published:** None.

**3-8. From last year up to the Annual Report being published, major resolution and execution status of Shareholder's Meetings and Board Meetings**

#### **(1) Major Resolutions and Execution status of Shareholders' Meetings**

Date	Resolutions of Shareholders' Meeting	Execution
June 19, 2020	<p>Resolutions in the Annual Shareholders' Meeting of Year 2020</p> <p><b>Matters to be reported</b></p> <ul style="list-style-type: none"> <li>1. Business report of Year 2019.</li> <li>2. Financial report of Year 2019.</li> <li>3. The 2019 Audit Committee's review report.</li> <li>4. The 2019 directors' and employees' compensation.</li> <li>5. The issuance of corporate bonds for the 2019.</li> <li>6. To report the "Ethical Corporate Management Best Practice Principles"</li> </ul> <p><b>Matters to be approved</b></p> <ul style="list-style-type: none"> <li>1. Approval of the Year 2019 closing report (Including business report).</li> <li>2. Approval of the proposal regarding Year 2019 earnings distribution.</li> </ul> <p><b>Matters to be discussed</b></p> <ul style="list-style-type: none"> <li>1. Approval of the Cash distribution from Capital Surplus.</li> <li>2. Approval of the amendment to "Articles of Incorporation" of the Company.</li> <li>3. Approval of the amendment to "Regulations Governing Shareholders' Meetings" of the Company</li> <li>4. Approval of the non-competition restriction on directors in accordance with Article 209 of the Company Law</li> </ul>	<p>July 20, 2020 was fixed as the record date of ex-cash dividends, and cash dividends were paid on August 7, 2020. (Cash dividend per share is NT\$3.209)</p> <p>July 20, 2020 was fixed as the record date of ex-cash dividends, and cash dividends were paid on August 7, 2020. (Cash dividend per share is NT\$0.041)</p> <p>The Company has released the amended Procedure on the official website on July 8, 2020 and proceeded accordingly.</p> <p>The Company has released the amended Procedure on the official website and the Market Observation Post System on July 8, 2020 and proceeded accordingly.</p>

#### **(2) Major Resolutions of Board Meetings**

Date	Resolutions of the Board Meetings
January 21, 2020	<ul style="list-style-type: none"> <li>(1) Approval of the loan agreements to be executed with financial institutions.</li> <li>(1) Approval of the 2019 directors' and employees' compensation of the Company.</li> <li>(2) Approval of the 2019 annual financial statements and consolidated financial statements and other matters of the Company.</li> <li>(3) Approval to distribute cash dividend from retained earnings of 2019.</li> <li>(4) Approval of the 2019 business report of the Company.</li> <li>(5) Approval of the release of the non-competition restriction on directors in accordance with Article 209 of the Company Act.</li> </ul>
February 19, 2020	<ul style="list-style-type: none"> <li>(6) Approval of the dates and agenda of the Company's 2020 Annual Shareholders' Meeting.</li> <li>(7) Approval of the Company's 2020 business plan and summary consolidated financial forecast.</li> <li>(8) Approval of the Declaration of Internal Control System of the Company.</li> <li>(9) Approval of the release of recent dual employments and competition restriction on accounting officer of the Company.</li> </ul>

Date	Resolutions of the Board Meetings
May 7, 2020	(1) Approval of the amendments to the “Articles of Incorporation” and other related regulations of the Company. (2) Approval of the additions to the agenda of the 2020 Annual Shareholders’ Meeting. (3) Approval of the release of recent dual employments and non-competition restriction on managerial officers of the Company. (4) Approval of the loan agreements to be executed with financial institutions. (5) Approval of the subscription of the capital call with NT\$800M of “Yuanshi Digital Technology Co., Ltd.”
July 31, 2020	(1) Approval of the assignment of chief financial officer of the Company.
September 4, 2020	(1) Approval of the business cooperation plan between the Company and Asia Pacific Telecom Co., Ltd. (“APTC”). (2) Approval of the Company’s subscription of the shares to be issued by APTC via private placement. (3) Approval of the Company’s issuance of new shares in exchange for the part of APTC shares held by Hon Hai Precision Industry Co., Ltd.
November 5, 2020	(1) Approval of the cooperation plan between the Company and Asia Pacific Telecom Co., Ltd. (“APTC”). (2) Approval of the 2021 Audit Plan. (3) Approval of the major Capital Expenditure budget for Q1 2021. (4) Approval of the amendments to the “Internal Control System” of the Company. (5) Approval of the loan agreements to be executed with financial institutions. (6) Approval of the release of recent dual employments and competition restriction on managerial officers of the Company. (7) Approval of the acquisition of right-of-use assets for business use of the Company. (8) Approval of the original donation transfer from Yuan-Ze University to Far Eastern Memorial Foundation to proportionally support the construction expenditure of “International Conference Center Zone”.
January 22, 2021	(1) Approval of the appointment of the Remuneration Committee Member of the Company. (2) Approval of the appointment of the Risk Management Committee Member of the Company. (3) Approval of the amendments to the “Corporate Governance Best Principles” of the Company.
February 25, 2021	(1) Approval of the 2020 directors’ and employees’ compensation of the Company. (2) Approval of the 2020 annual financial statements and consolidated financial statements and other matters of the Company. (3) Approval to distribute cash dividend retained earnings and capital surplus of 2020. (4) Approval of the 2020 business report of the Company. (5) Approval of the re-election of the Board of Directors of the Company. (6) Approval of the dates and agenda of the Company’s 2021 Annual Shareholders’ Meeting. (7) Approval of the Year 2021 business plan and consolidated financial forecast. (8) Approval New Century InfoComm Tech Co., Ltd (NCIC), the Company’s major subsidiary, for asset activation to sell Building located at 218, Ruiguang Road, Neihu District, Taipei. (9) Approval of the Ericsson 5G equipment purchasing proposal. (10)Approval of the Declaration of Internal Control System of the Company.

**3-9. From last year up to the Annual Report being published, dissenting comments on major Board Resolutions from Board Directors:** None.

**3-10. From last year up to the Annual Report being published, the resignation/dismissal situation of the Officers ( Including Chairman, President, Accounting Manager, Financial Manager, Internal Auditor Manager, Corporate Governance officer and R&D Manager ):**

Title	Name	Effective Date	Date of Termination	Reasons of Resignation or Termination
Financial Manager	Sherman Lee	2018.02.23	2020.07.31	Resignation

#### 4. Certified Public Accountant (CPA) Professional Fee Information

##### 4-1. Information of CPA

				2020/12/31
Accounting Firm	Name of CPA		Audit Period	Note
Deloitte & Touche	An-Hwei Lin	Yung-Hsiang Chao	2020.01.01 ~ 2020.12.31	

##### 4-2. Professional Fees of CPA

###### 4-2-1.

Amount (NTD)	Item	Audit Fees	Non-audit Fees	Total	
				V	V
1 Less than 2,000					
2 2,000 ~ 4,000 (inclusive of 2,000)					
3 4,000 ~ 6,000 (inclusive of 4,000)					
4 6,000~ 8,000 (inclusive of 6,000)					
5 8,000 ~ 10,000 (inclusive of 8,000)		V			
6 More than 10,000 (inclusive of 10,000)					V

###### 4-2-2

									2020/12/31; Unit: NT\$'000
Accounting Firm	Name of CPA	Audit Fees	Non-audit Fees					Audit Period	Note
			System Design	Registration	Human Resources	Other	Total		
Deloitte & Touche	An-Hwei Lin Yung-Hsiang Chao	\$9,170	None	None	None	\$1,790	\$10,960	2020.01.01 ~ 2020.12.31	Non-audit Fees are for other service fee

4-3. If the audit fees of the year in which the company changes CPA firm is lower than that of the prior year, specify the amount of audit fee before and after, and the reason: Not applicable.

4-4. If the audit fee dropped year on year by more than 10%, specify the amount, percentage, and reason for the reduction: Not applicable.

## 5. Change of Certified Public Accountant (CPA)

### 5-1. Regarding the former CPA:

Date of change	February 2020		
Cause and explanation	Due to the internal adjustments within Deloitte & Touche, the original CPA, Cheng-Hung Kuo, was changed to CPA, Yung-Hsiang Chao.		
Specify whether appointer or CPA terminates or rejects the appointment	Concerned party Circumstance Terminate the appointment voluntarily Reject (refuse to accept) the appointment	CPA V	Appointer
The comments and causes for issue of the audit report other than unqualified opinions within the latest two years		No	
Disagreement with the publisher	Yes Accounting principles or practices Disclosure of financial statement Audit scope or procedure Others	V	No Please specify it.
Other information to be disclosed (to be disclosed according to Article 10.6.1.4 to 10.6.1.7 of the Principles)		No	

### 5-2 Regarding the succeeding CPA:

Name of office	Deloitte & Touche
Name of CPA	CPA Yung-Hsiang, Chao
Date of appointment	Approved by Board meeting in February 2020
Consultation results and opinions that CPA might issue prior the engagement on accounting treatments or principles with respect to certain transactions and financial reports	Not applicable
Succeeding CPA's written opinion of disagreement toward the former CPA	Not applicable

### 5-3. The former CPA's response to the issues referred to Article 10.6.1 and Article 10.6.2.3 of the Regulations Governing Information to be Published in Annual Reports of Public Companies: Not applicable.

## 6. The Company's Chairman, President and Managers Responsible for Finance or Accounting Who Have Held a Post in Company's Audit Firm or its Affiliations in the Last Year

None.

**7. Shares Transferred by Directors, Management and Major Shareholders from last year up to the Annual Report being Published**

**7-1. Shareholding Variation:**

Title	Name	2020		2021/01/01 ~ 2021/04/25	
		Shares Increased (Decreased)	Pledged Shares Increased (Decreased)	Shares Increased (Decreased)	Pledged Shares Increased (Decreased)
Chairman	Douglas Hsu, Representative of Yuan Ding Investment Co., Ltd. (Note 1)	0 *0	0 *0	0 *0	0 *0
Vice Chairman	Peter Hsu, Representative of Yuan Ding Investment Co., Ltd. (Note 1)	0 *0	0 *0	0 *0	0 *0
Managing Director	Jan Nilsson, Representative of Yuan Ding Investment Co., Ltd. (Note 1)	0 *0	0 *0	0 *0	0 *0
Independent Director	Lawrence Juen-Yee LAU	0	0	0	0
Independent Director	Tim Pan	0	0	0	0
Director	Champion Lee, Representative of Yuan Ding Co., Ltd.	0 *0	0 *0	0 *0	0 *0
Director	Jeff Hsu, Representative of Yuan Ding Co., Ltd.	0 *0	0 *0	0 *0	0 *0
Director	Nobutaka Kurata, Representative of U-Ming Marine Transport Corp.	0 *0	0 *0	0 *0	0 *0
Director	Bonnie Peng, Representative of Representative of Asia investment Corp.	0 *0	0 *0	0 *0	0 *0
Director	Toon Lim, Representative of Ding Yuan International Investment Co., Ltd.	0 *0	0 *0	0 *0	0 *0
President	Ching Chee	0	0	0	0
Executive VP	T.Y. Yin	0	0	0	0
Executive VP	Maxwell Cheng	0	0	0	0
Executive VP	Philip Tseng	0	0	0	0
Executive VP	Herman Rao	0	0	0	0
Executive VP	Eton Shu	0	0	0	0
Executive VP	Sharon Lin ( Note 2)	0	0	0	0
Sr. VP	Andy Tu ( Note 3)	0	0	0	0
Sr. VP	Vivian Lee	0	0	0	0
VP	Eric Chu ( Note 4)	0	0	0	0
VP	Lopes Lu	0	0	0	0
VP	Belinda Chen	0	0	0	0
VP	Jessie Teng	0	0	0	0
VP	Jessica Sung	0	0	0	0
VP	Roger Lin	0	0	0	0
VP	Andy Kuo ( Note 5)	0	0	0	0
VP	Brian Chao	0	0	0	0
VP	Eric Li	0	0	0	0
VP	Mark Lee	0	0	0	0
VP	James Lee	0	0	0	0
VP	Andy Kuo	0	0	0	0
VP	Eddie Kao	0	0	0	0
VP	Bruce Yu	0	0	0	0
VP	Jason Kuo ( Note 6)	0	0	0	0
VP	David Tsai	0	0	0	0
VP	Charlene Lin	0	0	0	0
Senior Director	C. J. Lee	(837)	0	0	0
Senior Director of Sales	Adam Wong	0	0	0	0
Senior Director	Peggy Peng ( Note 7)	0	0	0	0
Senior Director of Sales	Maurice Tsai	0	0	0	0
Senior Director	TK Han ( Note 8)	0	0	0	0
Senior Director	Milly Lin	0	0	0	0

Title	Name	2020		2021/01/01 ~ 2021/04/25	
		Shares Increased (Decreased)	Pledged Shares Increased (Decreased)	Shares Increased (Decreased)	Pledged Shares Increased (Decreased)
Senior Director	Paul Yang ( Note 9)	0	0	0	0
Senior Director	Joyce Chen	0	0	0	0
Senior Director	Anson Tsai ( Note 10)	0	0	0	0
Senior Director	Vivian Chiang	0	0	0	0
Senior Director	Dave Lu	0	0	0	0
Senior Director	James Yen	0	0	0	0
Senior Director	Leon Li	0	0	0	0
Senior Director	Julian Lin	0	0	0	0
Senior Director	Kai Lin	0	0	0	0
Senior Director	Barry Chang	0	0	0	0
Senior Director	Linda Chang ( Note 11)	0	0	0	0
Senior Director	Allan Lee	0	0	0	0
Senior Director	Ann Chang	0	0	0	0
Senior Director	Gary Lai	0	0	0	0
Senior Director	Stacy Chang ( Note 12)	0	0	0	0
Senior Director	Jason Chen	0	0	0	0
Senior Director	Kevin Chang ( Note 13)	0	0	0	0
Senior Director	Yaling Lang	0	0	0	0
Senior Director	Iris Su	0	0	0	0

\*Number of shares held and shareholding percentage of the individual representative.

Note 1: Who are the major shareholders that hold over 10% share.

Note 2 : Promoted on Aug.01, 2020.

Note 3 : Promoted on Aug.01, 2020.

Note 4 : Promoted on Feb.01, 2021.

Note 5 : Promoted on Feb. 01, 2021.

Note 6 : Promoted on Feb. 01, 2021.

Note 7 : Promoted on Oct. 01, 2020.

Note 8 : Promoted on Oct. 01, 2020.

Note 9 : Promoted on Oct. 01, 2020.

Note 10 : Promoted on Oct.01, 2020.

Note 11 : Promoted on Oct.01, 2020.

Note 12 : Promoted on Oct.01, 2020.

Note 13 : Promoted on Oct. 01, 2020.

**7-2.Shareholding Transferred:** None. Due to the counter party is not a related party.

**7-3.Shareholding Pledged:** None. Due to the counter party is not a related party.

## 8. Relationship between Top Ten Shareholders defined as Related Parties, Spouse or a Relative within Two Degrees

Name	Current Shareholding		Spouse & Minor Children's Shareholding		Shareholding in Name of Others		Name, relationship of top ten shareholders are Spouses of within 2 degrees of consanguinity to each other		Note
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Yuan Ding Investment Co., Ltd.	1,066,657,614	32.73	N/A	N/A	0	0.00	An Ho Garment Co., Ltd.	Same ultimate parent company	None
Chairman & Representative: Douglas Hsu	0	0.00	0	0.00	0	0.00	Peter Hsu	Brother	None
Representative: Peter Hsu	0	0.00	0	0.00	0	0.00	Douglas Hsu	Brother	None
Representative: Jan Nilsson	0	0.00	0	0.00	0	0.00	None	None	None
Shin Kong Life Insurance Co., Ltd.	269,871,000	8.28	N/A	N/A	0	0.00	None	None	None
Chairman: Tung-Chin Wu	0	0.00	0	0.00	0	0.00	None	None	None
Cathay Life Insurance Co., Ltd.	232,185,230	7.13	N/A	N/A	0	0.00	None	None	None
Chairman: Tiao-Kuei Huang	0	0.00	0	0.00	0	0.00	None	None	None
NTT DOCOMO Inc.	153,543,573	4.71	N/A	N/A	0	0.00	None	None	None
Chairman: Kazuhiro Yoshizawa	0	0.00	0	0.00	0	0.00	None	None	None
Yuan Tong Investment Co., Ltd.	100,237,031	3.08	N/A	N/A	0	0.00	Yuan Ding Investment Co., Ltd.	Same ultimate parent company	None
Chairman: David Wang	0	0.00	0	0.00	0	0.00	None	None	None
Taiwan Post Co., Ltd.	86,879,696	2.67	N/A	N/A	0	0.00	None	None	None
Chairman: Hong-Mo Wu	0	0.00	0	0.00	0	0.00	None	None	None
Nan Shan Life Insurance Co., Ltd.	47,195,354	1.45	N/A	N/A	0	0.00	None	None	None
Chairman: Tang Chen	0	0.00	0	0.00	0	0.00	None	None	None
An Ho Garment Co., Ltd.	40,817,592	1.25	N/A	N/A	0	0.00	Yuan Ding Investment Co., Ltd.	Same ultimate parent company	None
Chairman: Alan Tsai	0	0.00	0	0.00	0	0.00	Yuan Tong Investment Co., Ltd.	Same ultimate parent company	None
Fubon Life Insurance Co., Ltd.	40,395,696	1.24	N/A	N/A	0	0.00	None	None	None
Chairman: Richard M. Tsai	0	0.00	0	0.00	0	0.00	None	None	None
Taiwan Life Insurance Co., Ltd.	36,574,000	1.12	N/A	N/A	0	0.00	None	None	None
Chairman: Su-Kuo Huang	0	0.00	0	0.00	0	0.00	None	None	None

Information Sources: Market Observation Post System, Commerce Industrial Services Portal and company's website.

## 9. Comprehensive Shareholding Information Relating to Company, Directors, Management, and Companies Affiliated through Direct and Indirect Investment

2021/03/31; Unit: share; %

Affiliated Company (Note 1)	Investment of Far EasTone		Directors, Managements and Direct or Indirect Investment of the Affiliated company		Consolidated Investment	
	Shares	%	Shares	%	Shares	%
New Century InfoComm Tech Co., Ltd.	2,100,000,000	100.00	-	-	2,100,000,000	100.00
FarEastern Electronic Toll Collection Co., Ltd.	118,250,967	39.42	44,796,239	14.93	163,047,206	54.35
Yuanshi Digital Technology Co., Ltd.	107,004,329	96.18	2,248,299	2.02	109,252,628	98.20
ARCOA Communication Co., Ltd.	82,762,221	61.63	-	-	82,762,221	61.63
KGEx.com Co., Ltd.	68,897,234	99.99	-	-	68,897,234	99.99
Yuan Hsin Digital Payment Co., Ltd.	16,451,538	21.98	10,967,692	14.66	27,419,230	36.64
Yuan Bao Fintech Co., Ltd.	6,000,000	100.00	-	-	6,000,000	100.00
Ding Ding Integrated Marketing Service Co., Ltd.	5,446,644	15.00	23,602,125	65.00	29,048,769	80.00
Yuan Cing Co., Ltd.	2,000,000	100.00	-	-	2,000,000	100.00
Far Eastone Property Insurance Agency Co., Ltd.	500,000	100.00	-	-	500,000	100.00
Far Eastern Info Service (Holding) Ltd.	1,200	100.00	-	-	1,200	100.00
DataExpress Infotech Co., Ltd.	-	-	13,895,664	70.00	13,895,664	70.00
New Diligent Co., Ltd.	-	-	54,000,000	100.00	54,000,000	100.00
Information Security Service Digital United Inc.	-	-	10,249,047	100.00	10,249,047	100.00
Digital United (Cayman) Ltd.	-	-	10,320,000	100.00	10,320,000	100.00
Prime EcoPower Co., Ltd.	-	-	16,000,000	100.00	16,000,000	100.00
Drive Catalyst SPC-SP Tranche One	-	-	4,000	25.00	4,000	25.00
Drive Catalyst SPC-SP Tranche Three	-	-	4,000	25.00	4,000	25.00
Sino Lead Enterprise Limited	-	-	30,000	100.00	30,000	100.00
Nextlink Technology Co., Ltd.	-	-	3,430,000	70.00	3,430,000	70.00
Microfusion Technology Co., Ltd.	-	-	2,600,000	100.00	2,600,000	100.00
FarEastern New Diligent Company Ltd.	-	-	-	100.00*	-	100.00*
New Diligent Hong Kong Company Ltd.	-	-	-	100.00*	-	100.00*
Home Master Technology Ltd.	-	-	-	100.00*	-	100.00*
Digital United Information Technology Co., Ltd. (Shanghai)	-	-	-	100.00*	-	100.00*
Nextlink (HK) Technology Co., Ltd.	-	-	-	100.00*	-	100.00*
Nextlink (Shanghai) Technology Co., Ltd.	-	-	-	100.00*	-	100.00*
Microfusion (HK) Technology Co., Ltd.	-	-	-	100.00*	-	100.00*

\*The ratio is based on the proportion of investor company's contributions to the registered capital.

Note 1: Investment accounted for using equity-method.

## IV Fund Raising Status

1. Capital and Shares
  2. Issuance of Corporate Bonds
  3. Preferred Shares
  4. Issuance of Overseas Depository Receipt
  5. Employee Stock Options
  6. Employee Restricted Stock Options
  7. Shares Issued for Merges or Acquisitions
  8. Fund Utilization Plans and Status

## 1. Capital and Shares

### 1-1 History of Capitalization

2021/04/25

Year. Month	Par Value (NT\$)	Authorized Capital		Shares Outstanding		Source of Capital	Remarks	
		Shares ('000)	Amount (NT\$'000)	Shares ('000)	Amount (NT\$'000)		Non-Monetary Capital Expansion	Effective Date & Cert. No.
2008.01	10	4,200,000	42,000,000	3,258,501	32,585,008	Capital reduction of NT\$7,745,326 thousand	None	(Note 1)

Note 1: 2008.1.22 MOEA Ruling Ref.No.09701015390

#### Current Capital Sources :

Unit:NT\$'000

Source of Capital	Initial capital	Capital increase through cash paid-in	Capitalization of earnings	Capitalization of additional paid-in capital	Others (Including ECB Conversion & Acquisition of the issue of new shares )	Total
Amount	9,000,000	4,112,570	12,926,063	4,331,098	2,215,277	32,585,008
Percentage of Capital (%)	27.62	12.62	39.67	13.29	6.80	100

2021/04/25; Unit:'000 Shares

Type of Stock	Authorized Capital			Note
	Shares Outstanding	Un-issued	Total	
Common Shares	3,258,501	941,499	4,200,000	Listed stock

Note : According to Article 179 of the Company Act, a shareholder shall have one voting power in respect of each share in his/her/its possession.

### 1-2 Information for Shelf Registration: Not Applicable.

### 1-3 Shareholder Structure

2021/04/25

Shareholder Structure Quantity	Government Institutions	Financial Institutions	Other Institutional Shareholders	Individual Shareholders	Foreign Institutions and Individual Shareholders	Total
Numbers	6	60	185	58,139	664	59,054
Shares	102,101,811	829,033,710	1,449,356,022	265,216,930	612,792,337	3,258,500,810
Shareholding ratio (%)	3.13%	25.44%	44.48%	8.14%	18.81%	100%

Note: According to the official letter No.0990002770 of Financial Supervisory Commission ("FSC") on January 15, 2010, the Telecommunications Enterprise was the prohibited investment industry. The individuals, juristic persons, organizations, other institutions from Mainland China can't invest in the Company, hence the percentages of ownership of China investors is "0".

#### 1-4 Share Distribution-Common Stock

2021/04/25

Level	Number of shareholders	Shares	%
1 - 999	7,322	1,757,516	0.05%
1,000 - 5,000	41,085	83,464,076	2.56%
5,001 - 10,000	5,534	44,034,732	1.35%
10,001 - 15,000	1,608	20,798,051	0.64%
15,001 - 20,000	1,031	19,158,246	0.59%
20,001 - 30,000	828	21,136,437	0.65%
30,001 - 50,000	622	24,896,505	0.76%
50,001 - 100,000	446	31,793,761	0.98%
100,001 - 200,000	193	27,677,661	0.85%
200,001 - 400,000	109	30,755,304	0.94%
400,001 - 600,000	57	27,620,695	0.85%
600,001 - 800,000	30	20,431,790	0.63%
800,001 - 1,000,000	19	17,130,128	0.53%
1,000,001 and above	170	2,887,845,908	88.62%
Total	59,054	3,258,500,810	100.00%

Note: The Company has not yet issued any preferred shares until April 25, 2021.

#### 1-5 Top 10 Major Shareholders

2021/04/25

Major Shareholders	Shares	Shares	%
Yuan Ding Investment Co., Ltd.		1,066,657,614	32.73
Shin Kong Life Insurance Co., Ltd.		269,871,000	8.28
Cathay Life Insurance Co., Ltd.		232,185,230	7.13
NTT DOCOMO INC.		153,543,573	4.71
Yuan Tung Investment Co., Ltd.		100,237,031	3.08
Taiwan Post Co., Ltd.		86,879,696	2.67
Nan Shan Life Insurance Co., Ltd.		47,195,354	1.45
An Ho Garment Co., Ltd.		40,817,592	1.25
Fubon Life Insurance Co., Ltd.		40,395,696	1.24
Taiwan Life Insurance Co., Ltd.		36,574,000	1.12

## 1-6 Share Price, Net Value, Earnings, Dividends and Related Information in Last 2 years

Unit: NT\$; shares

Item	Year	2019	2020	2021 (as of March 31)
Share price (Note 1)	High	79.00	72.60	64.30
	Low	70.80	58.20	59.80
	Average	73.76	64.22	61.69
Book Value per share	Before distribution	21.41	20.66	21.22
	After distribution	18.16	(Note 2)	(Note 2)
Earnings per share	Weighted-average outstanding shares	3,258,500,810	3,258,500,810	3,258,500,810
	Earnings per share Before adjustment	2.68	2.56	0.56
	Earnings per share After adjustment (Note3)	2.68	2.56	0.56
Dividend per share	Cash dividend	3.25 (Note 7)	3.25 (Note 8)	Not Applicable
	Stock dividend Distribution of surplus	0	0	Not Applicable
	Stock dividend Additional Paid-In Capital	0	0	Not Applicable
Return on Investment	Accumulated un-distributed dividend	0	0	Not Applicable
	Price/Earnings Ratio (Note 4)	27.52	25.08	Not Applicable
	Price/Dividend Ratio (Note 5)	22.70	19.76	Not Applicable
	Cash dividend yield (Note 6)	4.41%	5.06%	Not Applicable

Note 1: High/Low means the highest/lowest share price for the period and average share price is calculated based on transaction amount and volume for the period.

Note 2: Earnings distribution shall be resolved by Shareholders' Meeting in the subsequent year.

Note 3: Earnings per share after stock dividend is distributed.

Note 4: Price/Earnings Ratio = Average closing share price of the period/Earnings per share.

Note 5: Price/Dividend Ratio = Average closing share price of the period/Cash dividend per share.

Note 6: Cash dividend yield = Cash dividend per share/average closing share price of the year.

Note 7: The cash dividend of year 2019 distribution NT\$3.25 per share was based on 3,258,500,810 shares.

Note 8: The cash dividend of year 2020 has not been approved by the Shareholder's Meeting.

## 1-7 Dividend Policy

### 1-7-1 Dividend Policies under the Articles of Incorporation

The dividend payout ratio each fiscal year shall be no less than fifty percent (50%) of the final surplus, which is the sum of the after-tax profit of the fiscal year to withhold previous loss, if any, legal reserve and special reserve as required by law; while cash dividend declared by the Corporation shall be no less than fifty percent (50%) of the total dividends distributed that year; provided, however, depending on whether the Corporation has any financial structure improvement or major capital expenditure plans in the year, the earnings unallocated and accumulated in the preceding year may be distributed, and the payout ratio and percentage of cash dividend may be raised or lowered by a resolution adopted at the shareholders' meeting.

With pay-out dividends over past three years, the dividend payout ratios from 2018-2020 were 130%, 121% and 127% respectively. All dividend payout ratios are all in accordance with the Articles of Incorporation of FET that outline that the cash dividend declared by the Company shall be no less than fifty percent (50%) of the total dividends distributed that year. Please see the below table for details:

Year	EPS after income tax (A)	Cash Dividend from retained earnings (B)	Cash Dividend from the capital surplus-additional paid-in capital-share issuance in excess of par value (C)	Total of the Cash Dividend (B+C=D)	Payout Ratio(D/A)	Unit: NT/share
						Cash Payout Ratio(D/A) (B+C)/D
2018	2.88	3.75	0	3.75	130%	100%
2019	2.68	3.209	0.041	3.25	121%	100%
2020	2.56	2.234	1.016	3.25	127%	100%

\*FET didn't distribute any stock dividend in recent three years.

### 1-7-2 Dividend Allocation proposed to be approved at the Annual Shareholders' meeting

The 2020 profit allocation resolved by the Board of Directors on February 25, 2021 will be proposed to the 2021 Annual Shareholders' Meeting as follows: Distribute profits of NT\$7,279,490,809 in the form of shareholder dividends, NT\$ 2.234 per share. From the capital surplus from business combination of NT\$ 3,310,636,823 will be distributed at NT\$1.016 per share, giving a total cash dividend of NT\$3.25 per share held in 2020.

### 1-8 Impact of Stock Dividend Distribution on Business Performance, EPS and Return on Investment:

FET did not distribute any stock dividend, thus it's not applicable.

### 1-9 Employees and Directors' Remuneration

#### 1-9-1 Description regarding compensation for employees and Directors in the Articles of Incorporation:

The standard is set according to Articles of Incorporation of the Company: "If there is profit for the current year, the Company shall set aside 1%-2% of it as compensation for employees and, shall set aside not more than 1% of it as compensation for Directors. If there is accumulated loss on the books of the Company, portion of the profit equaling the loss shall first be set aside to cover the latter.

#### 1-9-2 The accounting treatment for the differences between actual and accrued amount of remuneration for employees and Directors:

Prior to the release date of annual financial reports, material differences between the accruals and the amount resolved by the Board of Directors are adjusted in the current (financial reporting) year. After the release of annual financial reports, if the actual amount differ from the amount resolved by the Board of Directors, the differences will be recorded and adjusted in the following (financial reporting) year as changes in accounting estimate.

#### 1-9-3 Status of remuneration distribution to the Board of Directors:

- (1) The differences between employees and Directors' remuneration distributed from the 2020 earnings by cash resolved by the Board of Directors on February 25, 2021, and the accrued amount in the year the remunerations were recognized as expenses are as follows:

Unit: NT\$'000				
Amount	Item	Bonuses for Employees	Remuneration to Directors	Treatment of Discrepancy
Accrued Amount (A)		\$205,762	\$74,074	
Proposed Distribution (B)		\$205,762	\$74,074	None
Variance (B) - (A)		\$0	\$0	

- (2) Proposed employee's remuneration by shares as percentages of net income and total employee remuneration: It is revolved to be distributed by cash, hence it is not applicable.

#### 1-9-4 Remuneration to employees and Directors of Year 2019:

The difference between cash remuneration actual distributed to employees and Directors from the 2019 earnings, which has been resolved by the Board of Directors on February 19, 2020, and the accrued remuneration amount recognized as expenses in 2019 are as follows:

Unit: NT\$'000				
Amount	Item	Remuneration to Employees	Remuneration to Directors	Treatment of Discrepancy
Recognized Accrued Amount (A)		\$213,933	\$77,016	
Actual Distribution (B)		\$213,933	\$77,016	None
Variance (B) - (A)		\$0	\$0	

### 1-10 Shares buyback by the Company: None.



## 2. Issuance of Corporate Bonds

### 2-1 Information of unretired corporate bonds and unissued corporate bonds for which an issuance is currently under preparation and impact on shareholders' equity should be disclosed in compliance with Article 248 of the Company Act:

Until the Annual Report being published, the Company has issued corporate bonds with total outstanding amount NT\$33.8 billion, terms and impacts on shareholders' equity disclosed as below. The Company's subsidiaries currently do not issue corporate bond.

Issuance	2016 Domestic 1 <sup>st</sup> Unsecured Corporate Bond	2017 Domestic 1 <sup>st</sup> Unsecured Corporate Bond	2017 Domestic 2 <sup>nd</sup> Unsecured Corporate Bond	2017 Domestic 3 <sup>rd</sup> Unsecured Corporate Bond
Issue Date	2017/01/05	2017/04/26	2017/09/04	2017/12/20
Denomination	NT\$10,000,000	NT\$10,000,000	NT\$10,000,000	NT\$10,000,000
Issue Price	At par value	At par value	At par value	At par value
Total Amount	NT\$5,200,000,000	NT\$4,500,000,000	NT\$2,000,000,000	NT\$3,000,000,000 (A Issue: NT\$1,500,000,000) (B Issue: NT\$1,500,000,000)
Coupon	1.17%	1.17%	1.17%	A Issue: 0.95% B Issue: 1.09%
Tenor and Maturity Date	5 years Maturity: 2022/01/05	5 years Maturity: 2022/04/26	7 years Maturity: 2024/09/04	A Issue: 5.5 years Maturity: 2023/06/20 B Issue: 7 years Maturity: 2024/12/20
Guarantor	None	None	None	None
Trustee	Mega International Commercial Bank, Trust Department	Chinatrust Commercial Bank	Taishin International Bank	Chinatrust Commercial Bank
Underwriter	KGI Securities	Yuanta Securities	KGI Securities	KGI Securities
Legal Counsel	Lee and Li Attorney Grace Wang	Lee and Li Attorney Grace Wang	Lee and Li Attorney Grace Wang	Lee and Li Attorney Grace Wang
Auditor	Deloitte & Touche CPA, An-Hwei Lin	Deloitte & Touche CPA, An-Hwei Lin	Deloitte & Touche CPA, An-Hwei Lin	Deloitte & Touche CPA, An-Hwei Lin
Credit rating agency, rating date, bond ratings	Taiwan Ratings Corp. twAA- (2016/01/14)	Taiwan Ratings Corp. twAA- (2017/02/17)	Taiwan Ratings Corp. twAA- (2017/02/17)	Taiwan Ratings Corp. twAA- (2017/02/17)
Repayment	Bullet repayment	Bullet repayment	Bullet repayment	Bullet repayment
Outstanding Balance	NT\$5,200,000,000	NT\$4,500,000,000	NT\$2,000,000,000	NT\$3,000,000,000
Redemption or Early Repayment Clause	None			
Covenants	None			
Other rights of Bond holders	Amount of converted or exchanged into common shares, ADRs or other securities Rules governing issuance or conversion (Exchanged or subscription)	Not applicable		
Dilution Effect and other adverse effects on existing shareholders	No			
Custodian of exchanged securities	Not applicable			

2021/04/30

2018 Domestic 1 <sup>st</sup> Unsecured Corporate Bond	2019 Domestic 1 <sup>st</sup> Unsecured Corporate Bond	2019 Domestic 2 <sup>nd</sup> Unsecured Corporate Bond	2020 Domestic 1 <sup>st</sup> Unsecured Corporate Bond	2020 Domestic 2 <sup>nd</sup> Unsecured Corporate Bond
2018/05/07	2019/06/25	2019/12/20	2020/03/16	2020/06/02
NT\$10,000,000	NT\$10,000,000	NT\$10,000,000	NT\$10,000,000	NT\$10,000,000
At par value	At par value	At par value	At par value	At par value
NT\$5,000,000,000 (A Issue: NT\$1,500,000,000) (B Issue: NT\$3,500,000,000)	NT\$5,000,000,000 (A Issue: NT\$3,200,000,000) (B Issue: NT\$1,800,000,000)	NT\$3,100,000,000 (A Issue: NT\$2,600,000,000) (B Issue: NT\$500,000,000)	NT\$5,000,000,000 (A Issue: NT\$1,500,000,000) (B Issue: NT\$2,500,000,000) (C Issue: NT\$1,000,000,000)	NT\$1,000,000,000
A Issue:0.85% B Issue:1.01%	A Issue:0.75% B Issue:0.81%	A Issue:0.80% B Issue:0.85%	A Issue:0.67% B Issue:0.70% C Issue:0.77%	0.73%
A Issue: 5 years Maturity: 2023/05/07 B Issue: 7 years Maturity: 2025/05/07	A Issue: 5 years Maturity: 2024/06/25 B Issue: 7 years Maturity: 2026/06/25	A Issue: 7 years Maturity: 2026/12/20 B Issue: 10 years Maturity: 2029/12/20	A Issue: 5 years Maturity: 2025/03/16 B Issue: 7 years Maturity: 2027/03/16 C Issue: 10 years Maturity: 2030/03/16	7 years Maturity: 2027/06/02
None	None	None	None	None
Chinatrust Commercial Bank	Chinatrust Commercial Bank	Chinatrust Commercial Bank	Chinatrust Commercial Bank	Chinatrust Commercial Bank
KGI Securities	KGI Securities	CAPITAL SECURITIES CORP.	Entrust Securities Co., Ltd.	KGI Securities
Lee and Li Attorney Grace Wang	Lee and Li Attorney Grace Wang	Lee and Li Attorney Grace Wang	Lee and Li Attorney Grace Wang	Lee and Li Attorney Grace Wang
Deloitte & Touche CPA, An-Hwei Lin	Deloitte & Touche CPA, An-Hwei Lin	Deloitte & Touche CPA, An-Hwei Lin	Deloitte & Touche CPA, An-Hwei Lin	Deloitte & Touche CPA, An-Hwei Lin
Taiwan Ratings Corp. twAA- (2018/01/09)	Taiwan Ratings Corp. twAA- (2019/01/25)	Taiwan Ratings Corp. twAA- (2019/01/25)	Taiwan Ratings Corp. twA+ (2020/01/21)	Taiwan Ratings Corp. twA+ (2020/01/21)
Bullet repayment	Bullet repayment	A issue: Repay 50% of principal each in the 6 <sup>th</sup> & 7 <sup>th</sup> year. B Issue: Repay 50% of principal each in the 9 <sup>th</sup> & 10 <sup>th</sup> year.	Bullet repayment	Bullet repayment
NT\$5,000,000,000	NT\$5,000,000,000	NT\$3,100,000,000	NT\$5,000,000,000	NT\$1,000,000,000

## 2-2 Corporate Bonds to be due within one year upon Publication of the Annual Report:

The 2016 Domestic 1st Unsecured Corporate Bond, according to its issuance rules, will be repaid the entire outstanding principal of NT\$5,200,000,000 on 2021.01.05.

The 2017 Domestic 1st Unsecured Corporate Bond, according to its issuance rules, will be repaid the entire outstanding principal of NT\$4,500,000,000 on 2021.04.26.

### 2-3 Convertible Bond: None.

### 2-4 Exchangeable Bond: None.

### 2-5 Shelf Registrations for Issuing Corporate Bonds: None.

### 2-6 Bond with Warrants: None.

### 2-7 Issuance of Corporate Bonds through Private Placement in Recent 3 Years: None.

## 3. Preferred Shares

None.

## 4. Issuance of Overseas Depository Receipt

Item	Date of Issuance	2021/03/31	
Total Price of Issuance	June 11, 2004	US\$132,190,000	
Unit Price of Issuance		US\$13.219	
Total number of units issued		10,000,000	
Type of underlying securities		Far EasTone common stocks	
Amount of underlying securities		15 shares	
Rights and obligations of subscribers		Same as common stock holders	
Trustee		Not applicable	
Depository Bank		The Bank of New York (Luxembourg) S.A.	
Custodian Bank		Far Eastern International Bank	
Number of outstanding shares		2,966,830 shares	
Bearers of Related charges incurred during issuance and holding period		Charges of GDR issuance shall be borne by sellers; charges incurred during holding period shall be borne by the Company.	
Major terms of Depository Agreement and Custodian Agreement		None	
Place of issuance	Luxembourg Stock Exchange	London Stock Exchange	
Market Price per unit 2020 2021 (as of March 31, 2021)	High	US\$36.00	US\$36.00
	Low	US\$29.60	US\$36.00
	Average	US\$32.48	US\$36.00
	High	US\$34.60	US\$36.00
	Low	US\$32.20	US\$36.00
	Average	US\$33.11	US\$36.00

## 5. Employee Stock Options

None.

## 6. Employee Restricted Stock Options

None.

## 7. Shares Issued for Mergers or Acquisitions

### 7-1 Information from Completed Merger or Acquisition from last year up to the Annual Report being published:

- 7-1-1 The lead underwriters' evaluation on any merger, acquisition, or issuance of new shares due to the share transfer from other companies in the previous quarter: Not Applicable.
- 7-1-2 If the progress or effect of the implementation does not meet the goal in the previous quarter, please specify the influence on shareholders' equity and the improvement plan: Not Applicable.

### 7-2 Information from Shares Issued for Acquisition or due to Acquisition of shares of other companies from last year up to the Annual Report being published: None.

### 7-3 Impact on shareholders' equity from Shares Issued for Merge or Acquisitions from last year up to the Annual Report being published: None.

## 8. Fund Utilization Plans and Status

The Company had issued domestic unsecured corporate bonds since 2020, the utilization of these funds was fully executed as the planned schedule. Please refer to below table:

Unit: NT\$'000

Bond Name	Issue amount	Issue date	Use of Funds	Planned execution date	Actual execution status
Far EasTone 2020 Domestic 1 <sup>st</sup> Unsecured Corporate Bond	5,000,000	2020/03/16	To repay bank loan	2020 Q1	Issued executed on 2020/03/16
Far EasTone 2020 Domestic 2 <sup>nd</sup> Unsecured Corporate Bond	1,000,000	2020/06/02	To repay bank loan	2020 Q2	Issued executed on 2020/03/16

The yet-to-be issued securities or those made by private placement or projects completed over the past three years but yet to benefit the Company: None.



## 1. Business Activities

### 1-1 Business Scope

#### (1) Major Business Items of FET and its subsidiaries as follows:

- Telecommunications Enterprises;
- Sales of communications products and office equipment;
- Call center services;
- Electronic information providing services;
- Sale of communications products;
- Security and monitoring service via Internet;
- Research and design of computer system;
- Computer software, data processing and provision of network information.

#### (2) Operating Revenue Breakdowns

Item	Year	2019		2020	
		Amount	%	Amount	%
Telecommunication Service Revenue		47,518,690	57	45,541,683	57
Others		36,347,182	43	33,959,282	43
Total		83,865,872	100	79,500,965	100

Note: The figures are on consolidated base.

#### (3) Existing Products and Services

##### A. Consumer Business

- **Wireless Telecommunication Services:**  
Provide mobile services, including voice calls, data communication services. Those services are categorized into postpaid and prepaid according to payment methods.
- **Fixed Line Communication Services:**  
Include domestic phone call service, long-distance call service, 007 international call service, 070 softphone, etc.
- **New Economy:**  
friDay digital services include friDay Video, friDay Omusic, friDay shopping, friDay Cloud Game, friDay VR and friDay Finance. And also provides financial services like direct carrier billing of payment service, handset insurance, and smart speaker and smart watch of consumer IoT product.

##### B. Enterprise Business

- **Professional telecommunication integrated services:** mobile service, broadband service, mobile data service, mobile voice service, fixed network voice service, data communication service, internet data center (IDC) and cloud application service.
- **Cloud services:** Integrate telecom resources with cloud platforms of international corporations (e.g., AWS, Microsoft Azure/Azure Stack, VMWare, GCP); provide one-stop services incorporating deployment, construction, transfer, and maintenance; and formulate enterprise public, private, and hybrid cloud structures.
- **Information security services:** Integrate the professional information security consulting services of subsidiary Information Security Service Digital United Inc., to offer the safest and most reliable, as well as flexible and cost-effective, solutions for information security.
- **New economy:** FET provides enterprises professional ICT integration solutions with flexibility for customization. At the same time, the Company establishes the IoT ecosystem with hundreds of partners. It integrates innovative applications such as NB-IoT technology, Big Data, and AI via mobile services to customize more flexible services for enterprise users and government departments. FET builds diverse IoT applications encompassing smart city, smart transportation/IoV, smart healthcare, smart manufacturing, and smart retail.

#### (4) New Products or Services under Development

##### A. Consumer Business

Based on the brand spirit of FET and friDay, we continue to develop diversified digital services to meet consumers' needs and satisfactions. FET launched "Mobile Circle", the first comprehensive customer loyalty program among telecom company in Taiwan in 2020. With the core value of "enhancing customer benefits and providing the best selected privilege offer for consumers, "Mobile Circle" app is designed as an one-stop Super App that fulfill consumers' needs of life, entertainment and telecom. To strengthen customer engagement and to meet the digital transformation

strategy of the company, FET will optimize "Mobile Circle" user experience and continuously upgrade to provide the best customer benefits.

## B. Enterprise Business

Take advantage of NB-IoT strength which are featuring low power, low cost, wide coverage, and a large number of connections, NB-IoT is more suitable for the development of smart cities and has been applied to many fields, including the internet of vehicles, smart street lights, smart parking, smart building, environmental/air pollution detection. FET aggressively expands the applications of 5G Big Data, AI and IoT and establishes the "5G IoT SIG" with Cloud Computing & IoT Association in Taiwan. The organization integrates industry supply chain, builds a comprehensive 5G collaboration ecosystem and enhances the visibility of Taiwanese brands to create more business opportunities for the industry.

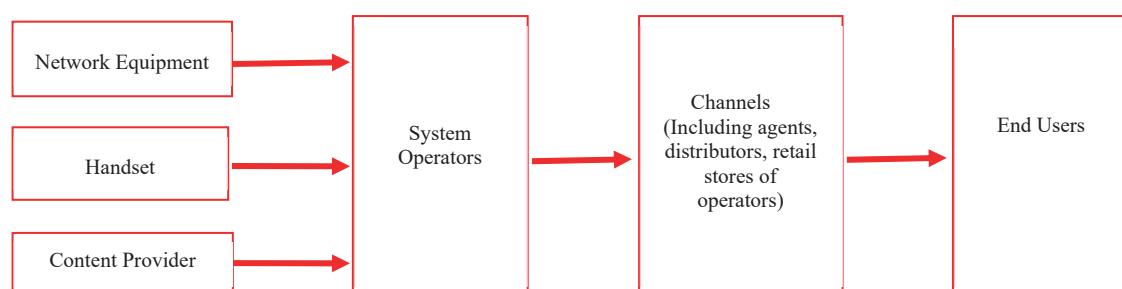
### 1-2 Industry Overviews

#### A. Consumer Business

##### (1) Industry Status and Development

According to the report issued by Taiwan Network Information Center (TWNIC), Taiwan's mobile internet usage rate surpassed 80% in 2020, which drove people's lives towards digital mobility. Also, 5G network and COVID-19 pandemic boost the telecom industry.

##### (2) Industry Value Chain:



Telecom companies adopt diversification strategy to drive revenue growth. In alliance with domestic and international professional and top partners, FET rolls out its 5G new services - friDay Cloud Game, friDay VR and multi-view videos in friDay Video. These new services not only provide consumers a wonderful visual and listening experience, but also are expected to become the growth momentum of FET business.

##### (3) Products and Services Development Trends

FET spends a lot of efforts in developing 5G network after acquiring the best 5G spectrum in the auction. Due to thoughtful development of quality network, FET has become a 5G speed champion in Taiwan according to 2020 network quality test result, certified by both Speedtest and OpenSignal, the authoritative international institutions. FET will continuously enhance our network quality, and dedicate ourselves in developing innovative services, which would work greatly with our excellent network quality. Moreover, through integrating group resources and partnership with diverse company, FET will strive to innovate in the fields of big data, artificial intelligence, and IoT, and lead the 5G revolution in Taiwan.

##### (4) Product Competitions Landscape

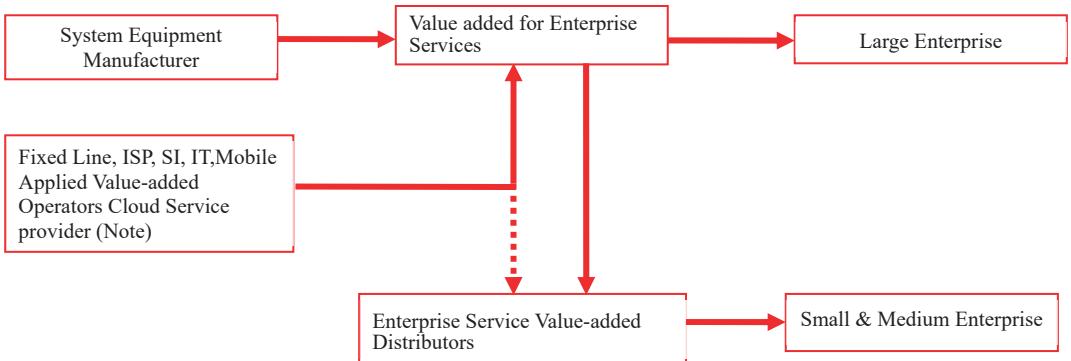
The telecom market in Taiwan continues to be dominated by three large and two small players. As the two small operators unceasingly offer competitive rate plans to acquire customers, competition intensifies. However, 5G leads ARPU turnaround, and leads to wireless revenue growth. Because of heavy investment in 5G spectrum and infrastructure, operators expect to encourage 5G adoption by better network quality, 5G handset and 5G innovative applications to minimize the price competition.

#### B. Enterprise Business

##### (1) Industry Status and Development

Looking back on 2020, the global economy was hit by COVID-19. IMF published the World Economic Outlook Report, "A Long and Difficult Ascent", in October 2020, which stated that the global economy was emerging from the plunge caused by the Great Lockdown in April. However, as COVID-19 continued to spread, many countries slowed down their pace of re-opening. The global economic growth was projected to be -4.4% in 2020. As for Taiwan's economy, data from the Directorate-General of Budget, Accounting and Statistics, Executive Yuan showed that the economic growth rate of Taiwan was forecasted to reach 2.54% in 2020 as a result of our success in fighting COVID-19.

## (2) Industry Value Chain:



Note: Cloud service solutions of FET include cloud architecture planning, hybrid cloud platform establishment, service transfer, service data backup, service maintenance, etc. To provide customers with the most reliable and finest cloud services, the Company proactively forms strategic alliances or enters agency agreements with the leading ICT software and hardware brands and system integrators. Enterprise customers can thus enjoy one-stop shopping and services and the customer service efficiency and customer satisfaction would be enhanced.

## (3) Products and Services Development Trends

FET continues to be customer-oriented and innovative. We are well-informed of the development trends in the technology market, introduce ICT integrated services such as cloud, big data and IoT, and provide customers with one-stop ICT solutions.

## (4) Product Competitions Landscape

In the enterprise user market, Chunghwa Telecom, with its fixed network services and economies of scale, continues to be our primary competitor and industry leader. In addition to continuously improving the 4G network development and investing in the 5G and IoT technology research, the Enterprise and Carrier BU takes on a more aggressive approach in developing intelligence applications and solutions to fulfill the needs of various industries and government departments. Those applications and solutions cover sectors of smart city, smart transportation/Internet of Vehicle, smart medical treatment/healthcare, smart manufacturing and smart retail. We aim to differentiate ourselves from competitors in the enterprise market with strong innovation skills and integration ability plus flexible services.

### 1-3 Technology Development Overviews

#### (1) Major R&D Expenditure from last year up to the Annual Report being published

Item	Year	2021/03/31; Unit: NT\$'000	
		2020	2021 Q1
R&D Expenditure		471,460	112,150 (Note)
Total Operating Revenue		79,500,965	20,835,775
R&D Expenditure as percentage of Total Operating Revenue (%)		0.59	0.54

Note: 2021 Q1 R&D expenditure is an estimated amount.

#### (2) Products and Services Developed in the Recent Years and until the Annual Report being Published

Since the launch of 5G, consumers' behavior and lifestyle change drastically. In response to the movement, FET provides products and services ranging from entertainment, e-commerce, mobile finance and smart home services, will play the leading role in the digital convergence era. FET and the subsidiaries' products services key highlights as follows:

Year	Service	Key highlights
2020	friDay Video	friDay Video provides exclusive content to meet the diverse needs of consumers and recommends personalized content using content curation. Moreover, friDay Video rolled out multi-view and 4K videos since 5G launch to provide diverse entertaining options to consumers.
	friDay Omusic	Consumers can have their music playlists under different scenario. friDay Omusic persistently improves its user experience and content.
	friDay Shopping	With group synergy, friDay Shopping enlist hundreds of thousands of goods from Far East Department Store, SOGO Department Store, A-Mart and FET. In addition to online business, friDay Shopping also engaged with FET retail stores to provide telecom customers more promotion choices.
	friDay Finace	friDay Finance will integrate bank accounts, on-line investment, data analysis, and the Open Banking progress to provide new multi-channel financial experience to end users.
	friDay Cloud Game	With the perfect match of friDay cloud game and FET 5G advanced computation capability , users can enjoy unlimited cloud game without latency, playing game anytime, anywhere, without download, without PC dependence
	Smart Speaker	A smart speaker with personal AI assistant. It uses speech recognition technology to receive instructions. Users can rely on the speaker for life trivia or control smart home appliances.
	Smart Watch	A smart watch with personal AI assistant. This watch offers parents a device choice, which can secure and communicate with their children with positioning and voice alarm functions.
	FET Cloud Email Service	FET provides corporate customers exclusive email servers and professional IT personnel to manage emails. Customers need not purchase nor install hardware and software facilities and network maintenance in order to own mail box accounts with their own domain names. Also, the Company offers global anti-virus, anti-spam and email audit services that provide comprehensive protection for corporate e-mails.
	NB-IoT Application	NB-IoT retains features of low power consumption, low cost, wide coverage, and high connectivity. Its vertically-integrated applications include connected scooter, smart street lights, smart parking, smart buildings, smart detection, asset tracking and smart health. In 2019, energy management solutions was launched, which can be applied to smart buildings, chain stores and regional power grids. It has not only assisted enterprise users with lowering electricity costs, but has also split bills of power grids.
	Information Security	FET launched Imperva Application Security and cloud web firewall services to help customers building effective information security defense and safeguard the website operation and information security.
	Private 5G network	Under private 5G network, FET launches four solutions to meet a variety of application environment: network slicing, base stations designated for enterprises, base stations designated for enterprises plus core data network, and standalone. Users can choose a single solution or a combination of different structures to satisfy their diverse application needs.

## 1-4 Long-term & Short-term Business Development Plan

### A. Consumer Business

#### (1) Short-term plans

- Improve network quality and speed up 5G infrastructure to provide complete 5G coverage for consumers.
- Form an alliance with cross-industry partners to deliver diverse new products and value-added mobile services to the market.
- Establish a digital circle, and leverage telecom core business and innovative new services to acquire high quality and loyal customers.

#### (2) Long-term plans

- Strengthen human resources by enlarging talent reserves in the field of telecommunication to facilitate the expansion of operations.
- Keep up with the trends of global communication network technology and innovative service development.
- Continuously promote four major services: digital content, mobile financial services, e-commerce, and AIoT.

### B. Enterprise Business

#### • Short-term plans

FET will continue to improve the telecom infrastructure; integrate IoT, AI, and Big Data on a professional telecom basis; and offer professional total solutions with flexibility for customization, providing them to government departments and large enterprises. These will include applications of NB-IoT in different industries, as well as additional comprehensive smart information security and diverse cloud services. Also, FET provides one-stop cloud digital instruments to small and medium-sized enterprises to satisfy their needs for enterprise transformation and IT-based services.

#### • Long-term plans

FET will utilize its professional ICT capability and vast experience in customization as it remains committed to nurturing talent and developing technologies associated with innovative applications. It will promote the transformation and innovation of Taiwan industries in the IoT era, integrate innovative applications of the cloud, IoT, Big Data, and AI; and it will realize the goal of “AI industrialization and industrial AI” in order to assist domestic industries and enterprises with upgrades and speed up the practical applications of AI in the 5G era.

## 2. Markets and Sales Overview

### 2-1 Market Analysis

#### A. Consumer Business

##### (1) Main Products and Service Area

FET persistently integrate online and offline sales services and introduce various smart 3C products. Apart from introducing integrated services for the ICT market, we will improve the service quality of local stores to enhance customers' experience with innovative services including communication devices, voice calls, broadband and value-added services. By the end of 2020, the total number of store is around 785, comprising FET, ARCOA, and Data Express, enabled customers to enhance experience professional service and care via wide store coverage.

##### (2) Market Share

According to NCC statistics, Taiwan's mobile communication market benefited from the commencement of 5G, the sector managed to maintain its revenue under COVID-19. Chunghwa Telecom stayed the winner in terms of market share for mobile communications. For the whole year of 2020, the market share of all operators in mobile revenue is as follows: CHT: 38.6%, FET: 26%, TWM: 24.3%, and Asia Pacific Telecom and Taiwan Star together account for 11.1%. The revenue market share changes in the future shall be determined by not only consumer market but also enterprise business. Hopefully, when 5G becomes available and there are more consumer-related applications becomes available, then operators would have the chances to increase the revenue. (*Source: Mobile service revenue is sourced from public information released by NCC website.*)

##### (3) Supply, Demand and Growth of the Future Market

After Taiwan telecom industry officially entered 5G era, consumer and enterprise applications constantly emerging, and lead to a growth in the industry. On consumer side, except for providing faster 5G speed to consumers, operators also deliver innovative applications in the market and aim to bring consumers into a brand-new 5G digital world.

5G also fulfill different needs of enterprise clients, and thus enterprise business is expected to become a new engine of revenue growth of the telecom companies. FET, focusing on big data, AI and IoT technologies to develop advanced 5G applications including smart manufacturing, smart city, smart medical treatment, cloud services, information security

and IoT. FET expands business to private 5G network services at the same time, expecting to have diversity of revenue source to drive company growth.

#### **(4) Competitive Advantages**

- Sufficient 5G spectrum bandwidth and fastest 5G speed endorsed by international institutions:  
FET not only have the best spectrum that suited for 5G services in terms of coverage and capacity, FET but also have an advanced and proactive 5G deployment which leads to No.1 download and upload 5G speed certified by both Speedtest and OpenSignal according to 2020 network quality test result.
- Excellent customer service with professional certification:  
FET has won the Gold Medal for Telecommunication Service Industry in the "Best Service Evaluation" organized by the Commercial Times for nine years in a row. Considering customers' needs as the top priority for our service, FET revamped the original client service app into "Mobile Circle" app to provide the best promotion and points reward system for our consumers.
- Place a high degree of importance on customers personal information:  
FET is committed to continually improving the quality of our services. We provide services that exceed our customers' expectations. With customer service philosophy built on the principle of empathy, we promote personal data protection concerning customers and enhance our problem solving capabilities. FET garnered the SGS ISO18295:2017 customer service center management certification and become the first and only authenticate carrier in Asia. We place a high degree of importance on customers' personal information, not only upholding awareness via internal training, but also being continuously awarded the international certifications including ISO 27001(Information Security Management System), BS10012(Personal Information Management System), ISO20000 (Service Management System) and CSA STAR ( Security, Trust & Assurance Registry) certifications; All these efforts are intended to demonstrate FET's determination to implement information security policy and protect customers' personal information.
- Marketing Channel:  
Currently, the total number of FET retail stores – including retail sellers, franchise, ARCOA and Data Express stores, is around 785. FET promises to ensure that FET retail and franchise sales representatives three thousand are able to serve 2.5 million of customers monthly and expect to bring customers caring, proactive and professional services. With the vision of "FET Connects and Enriches Life", FET will continue to introduce the best services, products and pricing plans to be the leading brand amongst Taiwanese consumer.
- New Economy:  
The friDay services focus on developing various and customized digital contents. Combining with telecom core business and leveraging our customer base, the friDay services are able to drive subscriber and revenue growth.

#### **(5) Advantages and Disadvantages of Future Developments and Countermeasures**

##### **Advantages of Future Developments:**

Excellent 5G network quality and the fastest 5G speed. The 5G network will further drive consumer and enterprise business.

##### **Disadvantages of Future Developments:**

Overall revenue shrunk due to intense competition in market. CHT's (Chunghwa Telecom) "Last-mile" advantage on broadband network and fixed net services.

##### **Countermeasures:**

- Deploy 5G business aggressively to seize the market opportunities.
- Focus on enhancing 5G coverage and optimizing 4G network quality.
- Based on the combination of mobile communication and internet, to build up multi-media services of communication and internet and then provide integrated mobile internet services.

### **B. Enterprise Business**

#### **(1) Main Products and Service Areas**

FET provides enterprise customers with services ranging from domestic and international voice, data, mobility, roaming to cloud along with corporate solutions including IoT and ICT integration. Taiwan is our main market. Details on the sales of cloud and IoT services are as follows:

- Cloud: The key customers are enterprise customers in Taiwan. FET can assist companies with deploying their services at cloud platforms in Taiwan or other countries.
- IoT: The key customers are enterprise customers in Taiwan. FET can not only assist customers with developing local applications, but also help the manufacturing industry with developing IoT applications for products. As the demand for IoT application increases, FET will also assist multinational enterprises to promote the IoT applications of their products in Taiwan.

## (2) Market Share

As of December 31, 2020, sales from enterprise customers account for 22% of our overall revenue in 2020. We are committed to provide better services in the future.

## (3) Supply, Demand and Growth of the Future Market

- Based on the telecommunications market revenue analysis published by NCC, domestic fixed communication revenue dropped 7.2% comparing to 2019 as a result of mobile communications and free instant messaging apps. Among which, landline network, long-distance network and international network declined by 2.2%, 4.5% and 34.3%, respectively.
- With regard to the fixed broadband access service, NCC data showed a slight increase in the number of accounts, which went from 5.78 million at the start of 2020 to 5.95 million by the end of the year. Among them, the account number of FTTx and Cable Modem users went up by 3.0% in 2020 as service providers continue to promote high speed broadband plans which accelerated the transition from xDSL to FTTx as well as satisfied the surge in the demand for video transmission from users in the 4G era.
- In addition, "Taiwan Internet Report" published by Taiwan Network Information Center (TWNIC) pointed out that, in 2020, Taiwan was estimated to have 17.78 million internet users aged 12 and above with a total number of 18.84 million users, and the overall internet use rate reached 83.8%.
- In recent years, the increasing market penetration of smart mobile devices demonstrates the importance of fixed-mobile convergence (FMC). The rapid developments in cloud computing and technologies such as IoT, big data, artificial intelligence and robots bring brand new market growth opportunities.

## (4) Competitive Advantages

We have comprehensive and stable network infrastructure, international companies as partners in the fields of cloud, information and AI, and extensive experience in introducing services to large and medium enterprise customers. All of which put us in an advantageous position to break free from the framework, seize the chances of exploiting new customers and provide existing customer with better service experience. Under the concept of one-stop shopping, we combine our core competence of cloud and mobility with strategic partners and provide ICT services and products required by owners of small and medium enterprises to start their business. Those owners can thus focus on business promotion and operations and avoid the troubles of ICT product and service selection and procurement.

New Economics: For enterprise users, the marketing philosophy centers around "customer orientation". FET provides integrated solutions customized by various industry features and develops solutions, such as mobile applications, Internet of Things, cloud computing, big data and AI, for different market types. We aim to broaden our collaboration with customers concerning 5G application development in the 5G era.

## (5) Advantages and Disadvantages of Future Developments and Countermeasures

### Advantages of Future Developments

Building long-term relationship with enterprise customers and having a basic telecommunications customer group facilitate the promotion of value-added ICT integrated services. On the other hand, enterprise-related services and products can be sold via our nation-wide stores.

### Disadvantages of Future Developments

The telecommunications market becomes saturated in recent years. Each player also actively competes in both developing and providing enterprise customers integrated ICT services.

### Countermeasures

FET will utilize our vast selling experience as we aggressively develop various applications under new economy applications and solutions in mobile applications, IoT, cloud computing, Big Data, information security, and AI. These efforts will be tailored to different industrial features in order to satisfy different customer segments and groups. Furthermore, we will collaborate with international telecom carriers to offer localized professional services to international enterprises. We will move toward becoming a comprehensive "ICT service provider" and assist users to successfully achieve comprehensive digital transformations.

## 2-2 Main Features and Production Process of Major Products

### (1) Main Features of Major Services

Major Service	Major Features
Short message service	4G communications; interconnection with other domestic operators' networks.
WiFi Service	WLAN (Wireless Local Area Network) access service at hotspots allows overseas roaming with operators.
4G Service	LTE 700/1800/2100/2600 high-speed wireless broadband service, providing 1Gbps broadband data service theoretical value.
NB- IOT Service	L700 NB- IOT Access Service
5G Service	n78/n28 high-speed wireless broadband service, providing over 1Gbps broadband data service theoretical value in the future.
Smart Enterprise Network Services (MVPN)	The most powerful and flexible mobile service integration program within Taiwan.
Private Network	Provide 5G private network services for the enterprise vertical applications

### (2) Production Process:

FET is a mobile operator not a manufacturer. Therefore, there is no manufacturing process engaged.

## 2-3 Supply of Raw Material

FET is a mobile operator not a manufacturer. Therefore, there is no raw material requirement.

## 2-4 Major Suppliers/Customers Accounting for above 10% (inclusive) of Purchases / Sales in each year of Recent 2 Years

### 2-4-1 Suppliers accounting for above 10% (inclusive) of purchases in recent 2 years

2021/03/31; Unit: NT\$'000, %

Year Item	2019				2020				2021/03/31			
	Company	Amount	% of Total Operating Cost	Relations with the Company	Company	Amount	% of Total Operating Cost	Relations with the Company	Company	Amount	% of Total Operating Cost	Relations with the Company
1	Company A	14,602,113	25.57	None	Company A	15,167,111	28.31	None	Company A	4,139,995	28.24	None

Note: The figures are on consolidated base.

#### 2-4-2 Customers accounting for above 10% (inclusive) of sales in recent 2 years

Item	Year	2019				2020				2021/03/31			
		Company	Amount	% of Total Operating Cost	Relations with the Company	Company	Amount	% of Total Operating Cost	Relations with the Company	Company	Amount	% of Total Operating Cost	Relations with the Company
		None				None				None			

Note: The figures are on consolidated base.

#### 2-4-3 Reasons for Variation of Major Suppliers and Customers

The above table shows that there was no significant change for suppliers in the recent two years; there was no customer whose sales amounted above 10% of the consolidated revenues for recent two years.

#### 2-5 Production Volume for the Recent 2 Years: Not applicable.

#### 2-6 Sales Volumes for Recent 2 Years

Item	Year	2019			2020		
		Quantity	Revenue (NT\$'000)	Quantity	Revenue (NT\$'000)	Quantity	Revenue (NT\$'000)
Mobile telecom service revenue		7,092,573 Subscriber number as of the end of the year	41,196,684	7,069,489 Subscriber number as of the end of the year	39,297,490		
Domestic fixed communication service revenue		518,419 Thousand minutes	969,206	483,094 Thousand minutes	895,360		
International communication service revenue		193,213 Thousand minutes	1,598,864	198,339 Thousand minutes	1,513,088		
Data telecommunication service revenue		233 Thousand Lines	3,753,936	224 Thousand Lines	3,835,745		
Sales & other operating revenue		Not Applicable	36,347,182	Not Applicable	33,959,282		
Total		Not Applicable	83,865,872	Not Applicable	79,500,965		

\* The figures disclosed above are on consolidated basis and there's no export sales information need to be disclosed.

### 3. Employee Information in Recent 2 Years up to the Annual Report being Published

	Year	2019	2020	2021/03/31
Number of Employees	Total	5,793	5,630	5,532
Average Age		38.1	39.1	39.5
Average Years of Service		9.2	10.1	10.4
Breakdown of Educational Level (%)	Ph.D.	0.22	0.23	0.25
	Master	14.35	14.46	14.62
	College	70.34	70.48	70.5
	High School	15.04	14.76	14.55
	Below High School	0.05	0.07	0.07

### 4. Environmental Protection Expenditure

Any loss or penalty due to environmental pollution from last year up to the annual report being published: None.

### 5. Employee Relations

#### 5-1 Implementation of Policies and Programs related to Welfare, Learning, Training and Retirement of Employees, as well as various protections of Employee Rights and Benefits

##### 5-1-1 Welfare Policy

###### (1) Compensation and Benefit

The Company provides competitive salary, annual bonus, performance incentives, sales incentives and special performance bonuses. In addition to complying with labor standard laws, the Company provides additional benefits to better the health and lifestyle of its employees, such as physical check-ups, group insurance, clinic service, employee consolation services, health and safety forums, a cafeteria, employee handset subsidy, and monthly airtime subsidy. Moreover, an employee welfare committee was founded to promote employee social activities, subsidize employee outings and event funding.

###### (2) Advanced Studies and Training

The Company treats employee training quality improvement and long-term capability development as critical missions. The completeness and suitability of employee development plan is reviewed on annual basis to ensure the operation goal is closely tight with corporate strategy. Seven training programs have been planned They are compliance risk including information and technology security, safety and environmental sanitation, corporate policy /employee benefits and social care/public welfare, core/management/professional competency, special role training such as new employee, new manager, internal lecturer or corporate talent development, external training, and subsidiary training respectively.

Facing the challenge of digital transformation, The Company focuses on leader and professional talent development, skillset inventory and refinement, diversified learning partner mechanism, and 3E (Education, Exposure and Experience) training and development model based on its core value and competency model in order to level up comprehensive thinking and skills of managers and employees.

In addition to talent and career training/development, The Company develops training plan for all employees according to external market trend, internal/external customer demands and internal organization needs considering the corporate existing and future dynamics in the development journey also integrating the courses at all levels to

ensure employees training effectiveness through problem solving in real practices. Besides, The Company continuously encourages outstanding employees to apply for advanced studies in domestic and foreign universities through subsidies considering their professional capability development and career plan.

Due to the impact of COVID-19, a total of 1,615 training courses were conducted in 2020 with 61.88 -training hours in average for every employee. This was conducted at a total expense of NTD19,696,832 in 2020.

### (3) Two-way Communications

The Company recognizes the importance of listening to employees, and drives the concept of two-way communication channels through the following ways, as a way of showing resolve to continuously improve.

- In order to understand and reflect employees' opinions on areas for improvement, an outsourced employee engagement survey is conducted when necessary.
- The annual staff meeting provides an opportunity two-way communication between staff and senior executives.
- The "United Employee Welfare Committee" holds meetings quarterly, or whenever necessary, to plan and conduct employee activities that increase and enhance employees' welfare.
- At quarterly Town Hall meeting with employees, the operational policies and implementation effectiveness are communicated. Employees propose operation-related issues for discussion, and higher-level officers respond to these issues at the meeting, as a way of developing interactive communication."
- The company share the information through the e-News and monthly e-Newsletter are issued electronically on the intranet, in order to assist employees in understanding Company events and, at the same time, to express their opinions.
- To share interesting and must-know internal events, projects, issues, and also introduce the responsibilities of all divisions, so employees can understand more about the organization and company culture.
- Employees are also able to voice their creative proposals or seek assistances through the Employee Suggestion Box or Appeal Letter Boxes on the Intranet.
- The departmental communication meeting was held either regularly or irregularly for employees in the same department to directly communicate their ideas, so as to promote mutual trust and cooperation among employees.

#### 5-1-2 Retirements

The Company offers retirement benefits for permanent employees according to the Labor Standard Laws. Pension payment is calculated based on the years of service rendered and the average salaries of the six months prior to retirement. An equivalent of 2% of employee's monthly base salary is allotted to the employee's retirement reserve, which is managed by its own supervisory committee, and deposited into the Bank of Taiwan under the name of Far EasTone Employee Retirement Fund Committee. Furthermore, the Labor Pension Act has been enforced as of July 1, 2005. The Company will contribute 6% of the insurance amount to the Labor Insurance Bureau on a monthly basis for employees who choose to apply to the new system.

#### 5-1-3 Labor negotiations and protection of employee benefits

The Company has always complied with related labor laws and maintained good relations with its employees. Any amendments or additions concerning employee benefits only take place after discussion and communication with employees. The Company has established the Lantern-Legend Meeting and Employee Suggestion Box and Appealing Box on the Intranet to keep efficient communication channels open, and to better protect the rights of employees.

#### 5-1-4 Company Employee Personal Safety Provisions and Work Environment and Implementation status

To provide employees with an excellent working environment and maintain their physical and mental health, the Company adopts the following safety measures:

##### (1) Physical safeguard

To ensure the safety of personnel and property we have put in place relevant guidelines and procedures in compliance with NCC's directives. We have been awarded with ISO 27001 in 2012 and BS 10012 in 2013, and these two certifications have been renewed annually. We have also received awards in protection exercises both from the Office of Homeland Security and NCC in 2015, 2017 and 2020, respectively. Details of measures associated with physical safeguard are listed below:

- Operations management: The Company has established a safety control center, providing 24-7 protection to offices and MSC/IDC. Besides ensuring the stability and reliability of systems' daily operations, as incidents occur, it can alert, take preventive measures and respond effectively to manage risks.
- Access control: Some areas have multiple protective measures in each office and MSC/IDC. They are controlled through the access control system. All personnel need authorization to access and real-time records are maintained

for reference. We also have the “Access Control Management Methods” which explicitly specify the movement of personnel in the work place to maintain the security of premises and personnel.

- Surveillance system: There are 24-7 surveillance systems at major entrances or exits of offices and MSC/IDC or at key premises. Video recordings are retained for a specific period of time pursuant to relevant rules for reference.
- Electronic security: The Company has entered into electronic security contracts with professional security firms to ensure 24-hour protection at key offices, MSC/IDC and retail stores. Those contracts also strengthen the responsiveness at each location.
- Security guards: In addition to access control and surveillance and electronic security systems, the Company has security guards stationed at the headquarters, key offices and MSC/IDC to strengthen control on personnel, vehicles and goods.

## **(2) Equipment Maintenance**

- Fire Safety: The Company regularly commissions fire equipment companies to maintain and repair fire-fighting equipment (e.g. fire alarms, fire extinguishers) and has dedicated personnel conducting regular reviews and keeping records. There are periodic fire and emergency drills held at workplace annually to raise employees' awareness on preventive measures.
- Environmental Safety: To maintain the quality of drinking water and air, the Company commissions vendors to monitor the water quality and carbon dioxide quarterly. The offices are cleaned and disinfected periodically to maintain workplace safety and comfort.
- Each office site is equipped with an automated external defibrillator and staffed with a sufficient number of first-aid personnel.

## **(3) Disaster Prevention and Response:**

- In 2017, FET officially introduced the Occupational Health and Safety Assessment Series (OHSAS) 18001 and has acquired international certification. In 2018 officially introduced the ISO 45001 Occupational Health and Safety Management System. FET got the certification of ISO 45001 and CNS 15506 Occupational Health and Safety Management System from the British Standards Institution (BSI), is the national standards authority on March, 2019. With the management model of the PDCA system, the corporate has completed the occupational safety and health management.
- The "Safety and Health Work Rules" and "Emergency Preparedness & Disaster Management Plan" are established to specify the responsibilities and tasks of all personnel in major incidents and emergencies.
- FET has set up the "Occupational Health and Safety Committee" (OHS Committee) as well as dedicated labor safety and health units to make improvements to the working environment and ensure work safety. The OHS Committee is made up of 18 members, including the business operator or their agent, OHS personnel, department heads, supervision, controllers, OHS engineering or medical personnel, and labor representatives. The Committee has 9 labor representatives, which accounted for 50% of all seats.
- The Committee holds a meeting quarterly. Its responsibility is to oversee the formulation of the occupational disaster prevention plan and the self-inspection plan; discuss, examine, and analyze related occupational disasters and review OHS improvements as it engages in communication and management related to disaster prevention. In addition, OHS units communicate the concepts of disaster prevention to employees and contractors on an ad hoc basis, whilst various types of safety training are also often held. In 2020, a total of 1,151 people took part in a total of 105 education training for labor health and safety. In the meantime, an inspection for 213 items of working environment and construction security were also completed; the improvement rate for irregular items reached 100% and thus guaranteed the prevention of occupational disaster and hazard.

## **(4) Physical and Mental Health:**

Have a full-time professional medical staff and contracted doctors on site to: carry out new recruit physical checkups and arrange regular companywide medical examinations; analyze, evaluate, manage and retain employee physical and medical examination records; deal with workplace injury and illness prevention, health consultation and first-aid and emergency treatment; provide health management, disease prevention, health education, health promotion, and other activities pertaining to employee health.

- FET hold calculate step competition by the EMMA App to complete registration and Health+ App to calculate step, attracted 951 employees to join with 123,745,340 steps, and 61,872 KM in total; almost 54 laps around the Taiwan in 2020.
- FET organized a “weight loss competition” in 2020, where 594 employees participated and lost 991 kgs. From 2018 to 2020, 1,267 employees completed the event, a total weight loss of 3316.3 kgs.
- FET encourage our employees to set up social association, there are 32 a diversity of associations such as yoga, badminton softball, golf, fitness and etc. Total 23 of them are sports related, and the company subsidy each association

up to NTD100,000 for sports related activities. In 2020, a total of 746 activities with 15,027 people participated

- FET organized "Prevention COVID -19 knowledge event" in 2020, a total of 880 employees participated.
- During the epidemic prevention for Covid-19, In addition to advocating that employees pay attention to personal hygiene and external protection, it is also very important to maintain proper exercise and improve their immunity, FET's employees are able to obtain any health related or medical related information and resources from the Intranet. Through the Intranet, employees are educated on diseases, common health problems at workplace, healthy diet, and exercises. We also provide exercises routine designed for office workers so employees can easily access health related information and conveniently exercises at workplace. An estimated view of 6,891 a year
- FET commissioned 18 visually-impaired massage therapists to provide free massage sessions for employees to relieve their work stress and relax their skeletal muscle. A total of 22,506 sessions were given in one year.
- Neihu, Banqiao, Taichung and Kaohsiung office got the "A Badge of accredited health workplace" by Health Promotion Administration, Ministry of Health and Welfare.
- The Company provides employee assistance programs (EAP) through contracted professional consultation firms, aiming to assist employees to solve issues pertaining to family, marriage, pressure and interpersonal relationships in order to maintain their physical/mental well-being and ensure work safety, quality and productivity.

### 5-1-5 Precautionary measures of sexual harassment

When the Gender Equality in Employment Act was enforced, the Company communicated with its employees throughout Taiwan with respect to the prevention of sexual harassment in the workplace. Nevertheless, in order to cope with the enforcement of Prevention Act of Sexual Harassment, the Company undertook relevant publicity in its major offices throughout Taiwan and established procedures for processing sexual harassment cases pursuant to the relevant requirements to keep a healthy workplace free from harassment and discrimination.

### 5-2 Losses of the Company and its subsidiaries caused by labor disputes, and to disclose the estimated amounts and action plans of recent and future possible labor disputes from last year up to the Annual Report being published: None.

## 6. Major Contracts and Agreements

Contract Type	Counter Party	Contract Period	Description	Restricted Clauses	2021/03/31
Procurement ( FET )	Ericsson Taiwan Ltd.	2015.04.16 ~ Present	Purchase for 4G and 5G cell site, mobile phone system and network equipment, software, installation, system construction and technical service	Confidential Clause	
	Apple Asia LLC	2010.01.29 ~ Present 2010.09.30 ~ Present	Procurement contract for iPhone Wireless Service License for Apple's iPad Products		
	Taiwan International Standard Electronics LTD.	2016.04.05 ~ Present	Purchase Agreement for equipment.		
Strategic Alliance ( FET )	NTT DOCOMO, Inc. Star Hub Mobile FET Group ( FET and KGT ) Hutchison ( Hong Kong )	2006.02.13 ~ Present	Strategic alliance among Asia Pacific Telecommunication operators	Confidential Clause	
	All Conexus Members	2007.03.01 ~ Present	Collaboration Agreement with Conexus Members		
		2010.06.15 ~ Present	Collaboration Agreement with Conexus Members		
		2010.06.15 ~ Present	Supplemental Agreement #4 to Conexus Mobile Alliance Agreement		
		2010.07.01 ~ Present	Amended and Restated Conexus Mobile Alliance Agreement		

Contract Type	Counter Party	Contract Period	Description	Restricted Clauses
Commercial Cooperation (FET)	China Mobile Limited	2013.04.18 ~ Present	It's a business cooperation framework agreement. Based on Business Cooperation Frame Agreement, the Company and China Mobile Limited will continue exploring opportunities for long-term extensive cooperation between both parties in various fields of mobile communication business, and after the Taiwan laws and regulations permit investment in Type I Telecommunications Enterprise by China investors, both parties may reconsider the possibility of equity cooperation.	
	Line Financial Taiwan Limited Taipei Fubon Commercial Bank Co., Ltd. Union Bank of Taiwan CTBC Bank Co., Ltd Standard Chartered Bank (Taiwan) Ltd. Taiwan Mobile Co., Ltd.	2018.12.26 ~ present	To create a new economy for cross-border financial services, and to deploy the net banking business, the Company chose to join the group led by Line Financial Taiwan Limited to incorporate a company, the Company acquire a 5% stake to obtain the FSC's approval for incorporation of the Digital-Only Bank. The group has obtained the FSC's approval for incorporation of the Digital-Only Bank on July 30, 2019, named the incorporation LINE Financial Taiwan.	Confidential Clause
	Asia Pacific Telecom Co., Ltd	2020.09.04~2040.12.31	After being approved by the competent authority, the Company will share its 3.5G spectrum with APTC to cooperate in co-frequency and co-network matters, which APTC will share two ninths of the cost for the right to use two ninths of the spectrum capacity.	
	Asia Pacific Telecom Co., Ltd	2020.11.05~2030.12.31	Either company agrees to share its 700MHz spectrum with another to cooperate in co-frequency and co-network matters or spectrum swap, if the competent authority approval co-frequency and co-network matters, the spectrum swap will automatically expire.	
Share trading (FET)	Asia Pacific Telecom Co., Ltd	2020.09.04	After being approved by the competent authority, the Company will subscribe 500 million ordinary shares of Asia Pacific Telecom Co., Ltd with unit price NT\$10 per share via private placement.	
	Hon Hai Precision Industry Co., Ltd.	2020.09.04	After being approved by the competent authority, the Company will proceed the issuance of new shares to exchange part of the ordinary shares of Asia Pacific Telecom Co., Ltd held by Hon Hai Precision Industry Co., Ltd. This transaction is expected to be completed at June 30, 2022.	Confidential Clause
Inter Company Loan (Subsidiary-NCIC)	Far EasTone Telecommunications Co., Ltd.	2020.07.01 ~ Present	NCIC loans FET	Confidential Clause

# **VI Review and Analysis of the Financial Condition, Operating Performance and Risk Issues**

1. Financial Condition
  2. Financial Performance
  3. Cash Flow
  4. Key Performance Indicator (KPI)
  5. Analysis of Major Capital Expenditure and Sources of Funding
  6. Investment Policies, Reasons for Profit/Loss, Plans for Improvement in the Recent Year and Future Investment Plan in the Coming year
  7. Risk Issues
  8. Impact of the Financial Distress Occurred to the Company and Affiliates from last year up to the Annual Report being Published
  9. Others

## 1. Financial Condition

### Review and Analysis of Financial Condition

2020/12/31; Unit: NTD'000

Item	Year	December 31, 2019	December 31, 2020	Variance	
				Amount	%
Current Assets		\$27,257,217	\$25,152,457	(\$2,104,760)	(8)
Properties, Plants and Equipment		36,257,748	38,205,535	1,947,787	5
Intangible Assets		50,534,517	89,389,771	38,855,254	77
Other Assets		20,113,454	20,681,557	568,103	3
Total Assets		134,162,936	173,429,320	39,266,384	29
Current Liabilities		22,132,215	22,079,547	(52,668)	0
Non-current Liabilities		41,424,301	83,102,564	41,678,263	101
Total Liabilities		63,556,516	105,182,111	41,625,595	65
Capital Stocks		32,585,008	32,585,008	0	0
Capital Surplus		5,820,041	5,701,421	(118,620)	(2)
Retained Earnings		31,355,697	29,127,148	(2,228,549)	(7)
Other Equity		3,209	(99,883)	(103,092)	(3,213)
Non-controlling Interest		842,465	933,515	91,050	11
Total Shareholders' Equity		70,606,420	68,247,209	(2,359,211)	(3)

#### 1-1 Analysis of variation of plus-minus (+/-) 20%

1. The increases in intangible assets and total assets were primarily due to the acquisition of 5G mobile broadband license.
2. The increases in non-current liabilities and total liabilities were primarily due to an increase in long-term loan.
3. The decrease in other equity mainly comes from the unrealized gains/losses of financial assets at fair value through other comprehensive income.

#### 1-2 Impacts of change in financial condition: No significant impacts on financial condition.

#### 1-3 Future response plans: Not applicable.

## 2. Financial Performance

### Analysis of Financial Performance

Item	Year	2019	2020	Variance	
		Amount	Amount	Amount	(%)
Operating Revenues		\$83,865,872	\$79,500,965	(\$4,364,907)	(5)
Operating Costs and Expenses		71,940,394	68,463,266	(3,477,128)	(5)
Operating Income		11,925,478	11,037,699	(887,779)	(7)
Non-Operating Incomes and (Expenditures):					
Financial Costs		(513,698)	(694,520)	(180,822)	35
Losses on Disposal of Property, Plant, Equipment and Intangible Assets		(779,489)	(749,568)	29,921	(4)
Share of the gains (losses) of associates		86,929	138,707	51,778	60
Other Profits or Losses		292,299	460,150	167,851	57
Income Before Income Tax		11,011,519	10,192,468	(819,051)	(7)
Income Tax Expense		2,203,776	1,747,846	(455,930)	(21)
Net Income		8,807,743	8,444,622	(363,121)	(4)
Other Comprehensive Income (Loss)		(14,847)	(135,736)	(120,889)	814
Total Comprehensive Income		8,792,896	8,308,886	(484,010)	(6)
Net Income (loss) Attributable to:					
Owners of Far EasTone		8,734,984	8,354,128	(380,856)	
Non-controlling interests		72,759	90,494	17,735	
Comprehensive Income (loss) Attributable to:					
Owners of Far EasTone		8,720,589	8,218,606	(501,983)	
Non-controlling interests		72,307	90,280	17,973	

### 2-1 Analysis of variation

1. The increase in financial cost was primarily due to an increase in the interests of financial liabilities at amortized costs.
2. The increase in share of gain/loss of associates accounted for using the equity method was primarily due to an increase in investment gains of an associate, Far Eastern Electronic Toll Collection Co., Ltd.
3. The increase in other gains and losses was primarily due to increases in dividend income and other income.
4. The decrease in income tax expense was primarily due to the winning of lawsuits concerning administrative remedies by subsidiaries.
5. The decrease in other comprehensive income (loss) was primarily due to an increase in unrealized losses of financial assets at fair value through other comprehensive income.

**2-2 For the estimated sales volume and the underlying rationale for the following year, the potential impacts on the Company's future business and action plans:** Please refer to the "Letter to Shareholders".

### 3. Cash Flow

#### 3-1 2020 Cash Flow Analysis

Unit: NT\$ '000; %

Item	2019	2020	Variance	Variance%
Net cash generated from operating activities	21,473,776	26,046,073	4,572,297	21.3
Net cash outflow from (used in) investing activities	(7,994,834)	(52,601,677)	(44,606,843)	(557.9)
Net cash outflow generated from (used in) financing activities	(9,849,164)	24,394,465	34,243,629	347.7
Effect of exchange rate changes	(3,306)	197	3,503	106.0
Net decrease in cash	3,626,472	(2,160,942)	(5,787,414)	(159.6)

- Operating activities: The increase in cash inflow was from 2020 provisional income tax payment in September was postponed to next year due to COVID-19 relief package and New Century InfoComm Tech Co., Ltd.'s, one of major subsidiaries, net operating loss carryforward tax refund in 2020.
- Investing activities: The increase in cash outflow was mainly from 5G concession fee, 5G network deployment and other enhancement in 2020.
- Financing activities: The increase of cash inflow was due to bank borrowings and corporate bond issuance to support investing activities in 2020.

#### 3-2 Remedy plans for insufficient liquidity: Not Applicable

#### 3-3 Estimated Cash Flow Analysis for 2021

Unit: NT\$ '000

Cash and Cash Equivalents in the Beginning (1)	Forecast Net Cash Inflow from Operating Activities (2)	Forecast Total Cash Outflow (3)	Forecast Balance of Cash and Cash Equivalents (1) + (2) - (3)	Expected Remedy Plans for Negative Balance of Cash and Cash Equivalents	
				Investment Plan	Financing Plan
5,713,875	37,207,170	34,071,564	8,849,481	-	-

- Operating activities: 2021 projected cash inflow from operating activities is expected to remain stable.
- Investing activities: Mainly for participation in the private placement of Asia Pacific Telecom, Network deployment and other enhancement.
- Financing activities: Mainly for cash dividend distribution and payment of lease liabilities.

### 4. Key Performance Indicator (KPI)

Unit: NT\$ Mio

KPI	2020 Target	2020 Actual	KPI Achievement Ratio
Total Revenue	\$86,759	\$79,501	91.6%
EBITDA	\$27,699	\$27,599	99.6%
Net Income	\$8,016	\$8,354	104.2%

## 5. Analysis of Major Capital Expenditure and Sources of Funding

### 5-1 Major Capital Expenditure and Sources of Funding in 2020

Company	Plan Item	Actual or Estimated Source of Capital	Actual or Estimated Fund Utilization Schedule	Total Capital Needed (Unit: NT\$ '000)
FET and its Subsidiaries	1. 5G Concession fee 2. Network Expansion: including 5G network deployment and other enhancement including value added service implementation and expansion.	Financing Plan & Working Capital	2020	52,898,621

**5-2 Expected Benefit:** Expansion of Mobile service and new business development.

## 6. Investment Policies, Reasons for Profit/Loss, Plans for Improvement in the Recent Year and Future Investment Plan in the Coming year

The Company's long-term investments are for strategic purpose or new business development. In 2020, the performance of long-term investment was stable. On a consolidated basis, the Company's investment income from long-term investments under the equity method amounted to NT\$138,707 thousand. In the future, the Company will continue to evaluate investment plans prudently in accordance with the long-term business strategy.

## 7. Risk Issues

### 7-1 Impact and Response to Interest Rates, Exchange Rates, and Inflation Level on the Company in the Year Preceding Publication of Annual Report

#### 7-1-1 Interest Rate Risk Analyses and Response strategy

The Company performs its financial operations in a conservative manner. In an attempt to manage interest rate fluctuation risk, the Company's current outstanding liabilities are partially back up by long-term fixed-rate corporate bonds issuance (as of the end of 2020, fixed-rate corporate bonds accounted for 46% of total borrowings). Therefore, current interest expenses of the Company and its subsidiaries shall not be significantly impacted by interest rate fluctuations.

#### 7-1-2 Exchange Rate Analyses and Response strategy

##### (1) Sources of Exchange Gains/Losses

The foreign currency position was mainly to pay the charges of global roaming services and revenue from value-added services. The percentage of foreign exchange gains/losses over operating revenue and operating income in 2020 and Q1-2021 are as follows:

Item	Year	2020	2021 (as of March 31)
Foreign Exchange Gains (Losses) (A)		(8,607)	(6,782)
Operating Revenue (B)		79,500,965	20,835,775
% of Operating Revenue (A)/(B)		(0.011%)	(0.033%)
Operating Income (C)		11,037,699	2,385,886
% of Operating Income (A)/(C)		(0.078%)	(0.284%)

As shown in the above table, the foreign exchange gains/losses accounted for a small percentage of operating revenue were (0.011%) in 2020 and (0.033%) in Q1 2021 and operating income were (0.078%) in 2020 and (0.284%) in Q1 2021.

## (2) Other Expected Gains or Losses Caused by Foreign Exchange Fluctuation

As of March 31, 2021, FET's subsidiary, New Century InfoComm Tech Co., Ltd. ("NCIC"), held financial assets denominated in foreign currency as short-term investments in the amount of US\$20 million. Investment as well as foreign exchange gains or losses from the disposal of financial assets are expected to affect the net income of FET and NCIC. NCIC has stopped hedging for the aforementioned foreign-currency assets since the end of January 2019 for the considerations of range-bound fluctuations of exchange rate and the hedging costs.

## (3) Actions in Response to Exchange Rate Fluctuation

FET and its subsidiary NCIC use financial instruments, such as FX spot, forward and financial derivative products, to hedge foreign exchange risks for their foreign-currency assets and liabilities based on exchange rate movements.

### **7-1-3 Impact of Inflation on Profit or Loss and Response Action:**

Although the impact of COVID-19 continues, various countries have begun vaccination and the pandemic is expected to gradually ease while the global economy and trade volume slowly return to normal. However, the global finance market will still be affected by the progress of pandemic control and show greater volatility. According to the Board meeting minutes of the Central Bank of the Republic of China in December 2020, both international oil prices and domestic consumer demand are expected to rebound. Annual growth rates of CPI and core CPI are projected to rise to 0.92% and 0.71% respectively in 2021, while inflation remains moderate. Considering the vaccine effectiveness and vaccination coverage, the continuity of economic support measures in various countries, and the evolving situation between US and China, all major economies keep on their easy money policies and carry on large-scale relief and revitalization programs to prompt economic activities. Given that central banks of various countries will pay close attention to the impact of the COVID-19 and the Company is actively controlling the operating costs, inflation is expected to be effectively controlled without significant impact on the Company's profit and loss.

### **7-2 Policies for High-risk or Highly-leveraged Investments, Financing Provided to Others, Endorsements and Guarantees, and Derivative Transactions, the Main Reasons for the Profit or Loss Thereof, and Response Measures to be Taken in the Future During the Most Recent Fiscal Year and up to the Date of Publication of the Annual Report:**

1. High-risk or highly-leveraged investments: The Company and its subsidiaries did not engage in high-risk or high-leverage investments in 2020 and up to the date of publication of the annual report.
2. Financing provided to others: At the end of 2020, the balance of loans from NCIC to the Company was NT\$ 8 billion. However, there was no financing provided as of the date of publication of the annual report.
3. Endorsements and guarantees: The Company and its subsidiaries did not engage in endorsement and guarantees in 2020 and up to the date of publication of the annual report.
4. Derivative transactions: The Company and its subsidiaries did not engage in derivative transactions in 2020 and up to the date of publication of the annual report.

### **7-3 R&D Plans and Estimated Expenses in Recent Years and until the Annual Report being Published**

#### **(1) R&D Plans**

##### **A. Strategic Projects**

Project Name	Description	Mass Production Date
5G-network new technology and new functionality research and trials	This is a joint project undertaken in partnership with telecom vendors to verify the performance of 5G NR base station and NW design/construction plan, as well to plan the 5G NW, then leading-in 5G private NW. Local vendors have also been invited to take part in 5G network design in order to obtain more knowledge and information.	2021/03/31  This plan is continuing in 2021.
FET 5G laboratory	After 5G POC research in 2020, the main achievements are as follows: 1. Cooperate with Ericsson to introduce 28GHz pre-commercial base station developed based on the latest 3GPP standard, successfully complete Giga level download test, and demonstrate 5G low latency and high speed performance. 2. Sign MOU with major domestic telecommunications equipment manufacturers such as Askey, Quanta, Compal, Sercomm, Gemtek, etc., to test 5G terminal equipment.	2021/03/31  This plan is continuing in 2021.

Project Name	Description	Mass Production Date
	<p>3. Through Smart City, 5G holography etc. activity and POC, successfully demonstrated by live delivery with low-latency, smooth high-definition real-time images above 4K quality, and 5G future vertical field applications.</p> <p>4. Continuously through the invitation by business units to visit lab, corporate customers are deeply impressed by the advanced technology of 5G. Therefore, FET provides the latest 5G services seamlessly after the commercial launch of 5G in 2020, and drive the research and development energy of the industry chain to demonstrate the new vision of FET 5G.</p>	

## B. System Projects

Project Name	Description	Mass Production Date
4G NB IOT network software upgrade and optimization	FET continued to NB IOT network software upgrade and optimization in 2020. In addition, FET conducted access compatibility tests on network devices for enterprise users in the NW Device IoT project, in order to diminish the impact on users and networks. This significantly reduced network access time for IoT devices and improved the success rate for device access and data transmittance.	This plan is continuing in 2021.
4G/4.5G LRAN network expansion and upgrade	Expand 4G /4.5G LRAN capacities and enhance coverage in weak area, new-build community & public area	This plan is continuing in 2021.
5G NR network rollout	In 2020, the initial construction of 5G base stations will focus on important transportation facilities in Taiwan's high-traffic six capital metropolitan areas, Taiwan's business districts, expressway rest areas, airports and other important transportation facilities. By the end of 2020, a total of 4,000 NR 3.5G base stations have been constructed across Taiwan, covering the population. The rate has reached 55%.	This plan is continuing in 2021.
ROADM Backbone Expansion	Keep enlarging and building ROADM to enhance its bandwidth and efficiency of Transmission Backbone.	Plan to complete by the end of 2021.
5G Open RAN Trial	Introduce Open RAN technology to deploy flexible and low-cost 5G domestic base station solutions in enterprise vertical applications.	This plan is continuing in 2021.

## C. Digital Content, Mobile Applications, E-Commerce and Financial service:

Project Name	Description	Mass Production Date
friDay Video	Product revamp. Improve product features and put customer satisfaction as top priority.	Plan to complete by the end of 2021.
friDay Omusic	Product revamp. Improve music database, product feature, and user experience.	Plan to complete by the end of 2021.
friDay Shopping	<p>1. Roll out new APP with brand new user interface and search engine to further enhance customer experience.</p> <p>2. Leverage Google Trend and Artificial Intelligence to predict hot selling products and achieve personalized recommendation.</p> <p>3. 24-hour delivery for certain products to meet consumers' needs.</p>	<p>1. Continuous</p> <p>2. Continuous</p> <p>3. Completed in the fourth quarter of 2020.</p>
friDay Cloud Game	FET will add iOS and PC version to product roadmap and enhance user experience.	Plan to complete by the end of 2021.
friDay Finance	<p>1. Improve product functionality and user experience to increase user satisfaction.</p> <p>2. Provide new integrated financial services to meet customers' digital financial needs.</p>	Plan to complete by the end of 2021.

(2) The projected R&D expense is estimated at around NT\$448,602 thousand in 2021.

## **7-4 Company Impact and Response to Material Changes of Policies and Regulations in Taiwan and Foreign Countries in Year Preceding Publication of Annual Report:**

### **(1) Legislation of the Telecommunication Management Act**

The enacted “Telecommunications Management Act (TMA)” and more than 80 relevant regulations have came into force since July 1, 2020. Despite the Company had done its best endeavors to minimize the impact during the legislative procedures of the TMA, the Company will also proceed to pay close attention to telecom market should it have any influence brought by TMA as well as its relevant regulations.

### **(2) 5G: network deployment and related services**

Taiwan's first 5G auction ended on February 21, 2020 and the Company acquired 80MHz in 3.5GHz band and 400MHz in the 28GHz band. Such 80MHz bandwidth of primary 3.5GHz band is in excellent strategic location among rivals. With competitive spectrum resources, the Company is hitting our stride to deploy 5G network, providing diverse 5G related services toward business and general customers. On top of that, the Company beats Taiwan's other mobile operators in download speed, making the company the clear 5G speed champion of 2020 year-end network performance reports conducted by authoritative Opensignal and Ookla Speedtest respectively. The Company is dedicated to optimize network performance and will keep follow suit to bring the best 4G and 5G network experience to our client. Furthermore, the Company will not only catch up with the global 5G development but also combine big data, AI, and IoT with 5G networks to promote related innovations and applications. The Company is devoting to the transformation of traditional telecom services, being the one who leads to provide various 5G services, accelerating the collaboration between telecom and vertical industries, and looking forward to be the leading 5G service providers in Taiwan.

### **(3) Spectrum and network sharing partnership with Asia Pacific Telecom**

To maximize network and spectrum resources as well as to protect legitimate rights and interests of consumers, the Company collaborates with Asia Pacific Telecom on spectrum and network sharing based on principles of sincerity, mutual benefits, and regulatory compliance considering deregulation of the telecom market, which is the first case in Taiwan. To seize the opportunity in an ever-changing market environment, the Company will do our utmost to make examination of the business partnership go smoothly. In addition to that, the company will seek to communicate with competent authorities to keep loosening regulatory restrictions to form a favorable competing environment for telecom industry.

## **7-5 Technology Developments and Impacts on the Company from last year up to the Annual Report being published:**

In the 2020 5G bidding, FarEasTone (FET) Telecom obtained the 3.5GHz and 28GHz mid- and high-frequency bands of 80MHz and 400MHz, which are required for 5G development. This will help FET to provide users with more comprehensive and better services in the future, and to promote innovative applications related to "Big-A-I", And meet the information and communication services required by the development of enterprises and vertical industries. In the future, we will combine the acquired 700/1800/2100/2600 MHz across the low, medium and high frequency spectrum, as well as the island-wide UMTS and LTE sophisticated networks to provide users with more comprehensive and better services, and continue to develop AR/VR, 4K/8K and other ultra-high-definition audio-visual streaming services have fully promoted the development of innovative applications related to "Big Men" (big data, artificial intelligence, and the Internet of Things), and have become Taiwan's main driving force towards the 5G era.

In terms of 5G new technology application:

In 2020, FET Telecom established the country's first 5G remote diagnosis and treatment field in Taitung County, and it has served 1,400 people in the five months since it went online. FET Telecom has joined hands with YaDong Hospital and a number of 5G ecosystem partners to demonstrate 5G remote diagnosis and treatment, home medical care, smart hospitals, precision medicine and other four major fields, a total of more than ten applications. FET Telecom was also invited to publish results at the "Taiwan Medical Innovation International Competitiveness Forum" on December 3, 2020, to share the current status and layout of FET Telecom's 5G remote diagnosis and treatment.

FET Telecom supports the government's smart electric-net policy. Following the previous assistance to Taiwan Power to build a smart meter data management system (MDMS), FET Telecom team built a smart energy management platform, using wide-area transmission NB-IoT Internet of Things technology, with monitoring Equipment construction, through data records, can provide remote monitoring, emergency warnings, combined with big data analysis and artificial intelligence applications, can assist the government to implement the construction of smart three meters (water meters, electricity meters, gas meters), and

strengthen the effective use of resources. Intelligent energy management goals. In 2020, the communication modules covering 6 counties and cities including Taipei City, New Taipei City, Taichung City, Changhua County, Yunlin County, Penghu County and Lianjiang County (Mazu) were launched, and a total of about 240,000 AMI smart meter communication modules were launched. The construction is expected to be completed in the first half of 2020.

In June 2020, FET Telecom, Delta Electronics, and Taiwan Microsoft announced that the three parties would work together to build the country's first 5G smart factory. With the expertise of "Big Men" (big data, artificial intelligence, Internet of Things), with 5G 80MHz continuous bandwidth, combined with Delta's innovative smart devices and Microsoft's cloud capabilities, FET Telecom introduced AGV unmanned vehicles in the production line of Delta's Taoyuan Guishan Plant. The three major applications of AOI defect detection equipment, Microsoft cloud computing, Internet of Things and mixed reality technology, the three strong will integrate their advantages to show cross-border synergy, and will be the most innovative, comprehensive, and intelligent 5G production line in the country.

In terms of 5G network deployment:

In the second quarter of 2020, FET Telecom has completed the construction of 5G Non-Standalone (NSA) network architecture, and officially entered the 5G commercial transfer to provide users with 5G mobile broadband services in July 2020. The initial construction of 5G base stations will focus on important transportation facilities in Taiwan's high-traffic six capital metropolitan areas, Taiwan's business districts, expressway rest areas, airports and other important transportation facilities. By the end of 2020, a total of 4,000 NR 3.5G base stations have been constructed across Taiwan, covering the population the rate has reached 55%. In the Taiwan 5G User Experience Evaluation Survey (International Mobile Network Survey Unit-Open Signal) in the fourth quarter of 2020, FET Telecom was awarded the champion of 5G download speed and overall download user experience of 5G users.

It is expected that in the next year, FET Telecom will accelerate the construction of 5G infrastructure and expand the coverage of 5G service population, with the goal of exceeding 85%. FET Telecom will actively work with manufacturing, high-end technology industries and precision manufacturing partners to promote cross-industry and cross-field cooperation, including medical, transportation, manufacturing, retail and other fields, and looks forward to 5G assists and enhances the international competitiveness of the industry. Lay a more solid foundation for various subsequent commercial service applications.

#### **7-6 Changes of Corporate Image and Impacts on the Company's Crisis Management in the Recent Years:**

The Company and its subsidiaries have good corporate image and there's no issue to result in the Company's crisis.

#### **7-7 Expected Benefits and Risks from Mergers in Recent Years until the Annual Report being Published:**

None.

#### **7-8 Expected Benefits and Risks from Plant Expansion in Recent Years until the Annual Report being Published:**

Not applicable; the Company and its subsidiaries do not have any plant expansion plan.

#### **7-9 Risks from Concentration in Supply or Sales in the Recent Year until the Annual Report being Published:**

1. The major supplier of the Company and its subsidiaries was Company A, which accounted for 28.31% of the total amount of supply in 2020. Although the purchase accounted for a relatively high percentage of the total purchases, Company A is a large foreign company with a certain level of product and availability, the Company has maintained a stable and good relationship with FarEastone Telecommunications and the subsidiaries. Thus, the risk associated with purchase concentration is not significant.
2. The major customer of the Company and its subsidiaries which accounted for less than 10% of the total amount of sales in 2020. Therefore, there was no issue of concentration in supply or sales.

#### **7-10 Impacts and Risks from Changes in Directors and Shareholders with Greater than 10% Shareholding or Their Selling of a Large Number of Shares in the Recent Yea until the Annual Report being Published:**

None.

**7-11 Impacts and Risks from Changes of Ownership in the Recent Year until the Annual Report being Published:**

None; the Company and its subsidiaries do not have such situation.

**7-12 Material Impacts on Shareholders' Equity or Share Price from Litigations, non-Litigations or Administrative actions on the part of Company, Directors, President, Chairman, Shareholders with Greater than 10% Shareholding and Subsidiaries, in the Recent Year until the Annual Report being Published : None.**

**7-13 Other Major Risks:**

- A. For more information about market risk, credit risk and liquidity risk, please refer to VIII- Financial Information “ 2020 Independent Auditors' Report, Consolidated Financial Statements and Notes” enclosure in the annual report.
- B. The evaluation report of information risk: ( if the risk is identified as critical operational risk, countermeasures shall be disclosed)

Information security risks include risks that threaten the confidentiality, integrity, or availability of the Company's information assets due to natural, human, or technical factors. In 2020, cyberattacks were identified as a major threat in terms of information security related risks. In response, FET adopted countermeasures including the establishment of overall protection strategies and technology, enhancing cyberattack protection mechanisms, improving the security awareness of all employees, and setting risk management indicators. This was done to continuously strengthen security risk management and reduce potential risks.

**8. Impact of the Financial Distress Occurred to the Company and Affiliates from last year up to the Annual Report being Published**

None.

**9. Others**

None.

## **VII Special Notes**

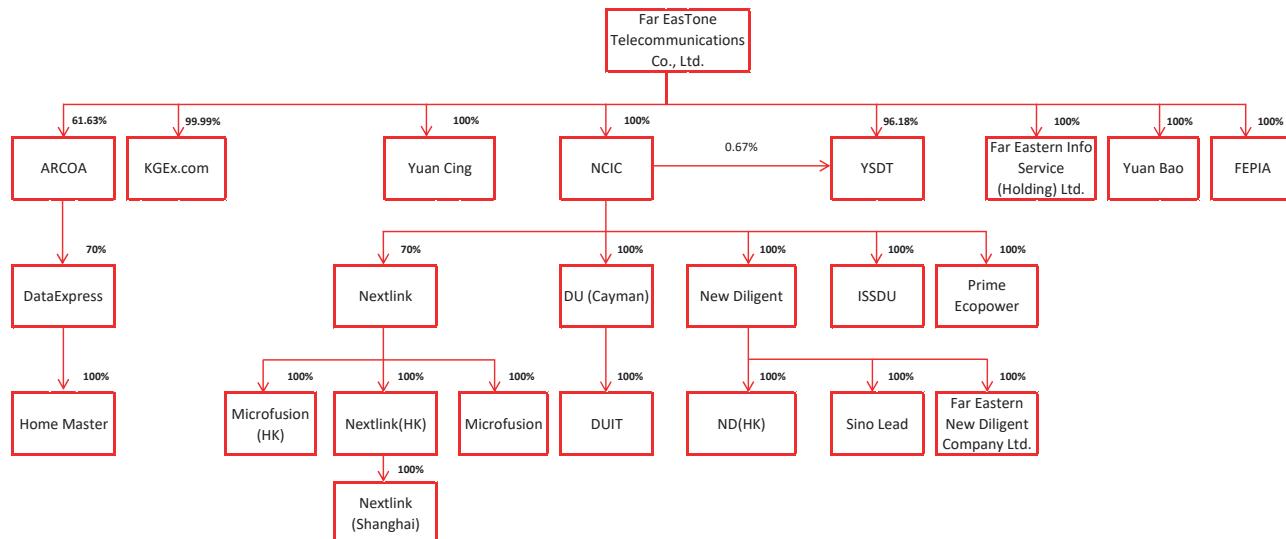
1. Affiliated Companies
  2. Private Placement Securities from last year up to the Annual Report being Published
  3. The Company's Shares Held or Disposed by Subsidiaries from last year up to the Annual Report being Published
  4. Other Supplementary Information
  5. Material Event Impact, pursuant to Article 36-3-2 of the Securities and Exchange Act, on Shareholders' Equity or Share Price from last year up to the Annual Report being Published

## 1. Affiliated Companies

### 1-1 Consolidated Business Report of FET and Affiliates

(1) Organizational chart:

December 31, 2020



(2) General information of Far EasTone Telecommunications Co., Ltd. and affiliates:

Unit: In Thousands of New Taiwan Dollars, Unless Stated Otherwise

Company	Date of Incorporation	Address	Common Stock Issued	Major Business Activities
Far EasTone Telecommunications Co., Ltd.	1997/4/11	28th Floor, No. 207 Tun-Hwa S. Rd., Sec. 2, Taipei, Taiwan, R.O.C.	\$ 32,585,008	Wireless telecommunications service, internet services, ISR and sale of cellular phone equipment and accessories
Far Eastern Info Service (Holding) Ltd. (British Bermuda Islands)	2002/7/17	Clarendon House 2, Church Street Hamilton HM 11, Bermuda	RMB 99,240 (US\$ 12,000)	Investment
KGEx.com Co., Ltd.	2000/8/9	4th Floor, No. 468, Ruei Guang Rd., Nei Hu, Taipei, Taiwan, R.O.C.	689,074	Telecommunications services
Yuan Cing Co., Ltd.	2000/8/5	28th Floor, No. 207, Tun-Hwa S. Rd., Sec. 2, Taipei, Taiwan, R.O.C.	20,000	Call center services
ARCOA Communication Co., Ltd.	1981/5/4	36th Floor, No. 207, Tun-Hwa S. Rd., Sec. 2, Taipei, Taiwan, R.O.C.	1,342,800	Sales of communications products and office equipment
DataExpress Infotech Co., Ltd.	2004/7/22	2nd floor, No. 218, Ruei Guang Rd., Nei Hu, Taipei, Taiwan, R.O.C.	198,509	Sale of communications products
Home Master Technology Ltd.	2011/8/11	2nd floor, No. 218, Ruei Guang Rd., Nei Hu, Taipei, Taiwan, R.O.C.	12,725	Sale of communications products
New Century InfoComm Tech. Co., Ltd.	2000/6/1	1-11F, No. 218, Ruei Guang Rd., Nei Hu, Taiwan, R.O.C.	21,000,000	Telecommunications services
New Diligent Co., Ltd.	2001/5/2	1st Floor, No. 207 Tun-Hwa S. Rd., Sec. 2, Taipei, Taiwan, R.O.C.	540,000	Investment

Company	Date of Incorporation	Address	Common Stock Issued	Major Business Activities
Sino Lead Enterprise Limited	2006/4/11	Hong Kong Trade Centre, 7/F 161-167 Des Voeux Road Central, Hong Kong	125 (HK\$ 30,000)	Telecommunication services
Information Security Service Digital United Inc.	2004/12/22	2nd floor, No. 218, Ruei Guang Rd., Nei Hu, Taipei, Taiwan, R.O.C.	102,490	Security and monitoring service via Internet
Digital United (Cayman) Ltd.	2000/8/16	P.O.Box 2681, Zephyt House, Mary Street, George Town, Grand Cayman, British West Indies	RMB 74,630,969 (US\$ 10,320,000)	Investment
Digital United Information Technologies (shanghai) Ltd.	2000/10/8	Room 22301-918, Building No. 14, Pudong Software District, No. 498, Guoshoujing Rd., Jhangjiang High Tech District, Pudong Sin Section, Shanghai, P.R.C.	RMB 23,552,583	Design, research, installment and maintenance of computer software and system
Far Eastern New Diligent Company Ltd.	2010/7/27	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	RMB 91,482,640 (US\$ 14,300,000)	Investment
Yuan Shi Digital Technology Co., Ltd.	2013/8/8	7th Floor, No. 468, Ruei Guang Rd., Nei Hu, Taipei, Taiwan, R.O.C.	1,112,502	Electronic information services
Prime Ecopower Co., Ltd.	2018/8/1	4F.-1&2, No. 271, Sec. 4, Ximen Rd., North Dist., Tainan City 704, Taiwan R.O.C.	160,000	Energy technology services
New Diligent Hong Kong Co. Limited	2014/12/4	Hong Kong Trade Centre, 7/F 161-167 Des Voeux Road Central, Hong Kong	3,051 (US\$ 100,000)	Investment
Yuan Bao Fintech Co., Ltd.	2019/11/19	4th Floor, No. 468, Ruei Guang Rd., Nei Hu, Taipei, Taiwan, R.O.C.	60,000	Data processing service and electronic information services
Far EasTone Property Insurance Agent Co., Ltd.	2020/02/21	7th Floor, No. 468, Ruei Guang Rd., Nei Hu, Taipei, Taiwan, R.O.C.	5,000	Property insurance agent
Nextlink Technology Co., Ltd.	2006/10/13	5F.-8, No. 267, Lequn 2nd Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	49,000	Electronic information services
Microfusion Technology Co., Ltd.	2007/05/07	No. 275, Lequn 2nd Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	26,000	Electronic information services
Nextlink (HK) Technology Co., Ltd.	2016/05/19	20/F TOWER535 535 JAFFE ROAD CAUSEWAY BAY	973 (US\$ 30,000)	Electronic information services
Microfusion (HK) Technology Co., Ltd.	2020/09/03	26/F SINO PLAZA 255-257 GLOUCESTER ROAD CAUSEWAY BAY	HKD 400,00	Electronic information services
Nextlink (Shanghai) Technologies Co., Ltd.	2018/05/24	26th floor, No. 828-838, Zhangyang Road, China (Shanghai) Pilot Free Trade Zone	RMB 499,878	Electronic information services

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

**(4) Industries covered by the business operated by the affiliates and description of the mutual dealings and division of work among such affiliates:**

Far EasTone and its subsidiaries and affiliates provide wireless telecommunications service, International Simple Resale (ISR) service, leased circuit service, internet service, mobile virtual network operator services, sale of cellular phone equipments and accessories, international and general investments, computer software, call center services, security and monitoring service via internet, design, research, installment and maintenance of computer software and system, energy technology services, property insurance agent and electronic information services.

The mutual dealings and division of work among such affiliates:

- a. Far EasTone leases IDC from KGEx.com. ISR services are provided between KGEx.com and Far EasTone.
- b. Far EasTone purchases from/sells to ARCOA cellular phone equipments and accessories, and pays ARCOA handset subsidies and commissions due to its promotion of Far EasTone's SIM card numbers.
- c. Yuan Cing provides call center services to Far EasTone, NCIC, ARCOA, DataExpress and Yuan Shi.
- d. Far EasTone sells cellular phone equipments and accessories to DataExpress and Home Master, Far EasTone purchases computers and accessories products from DataExpress and DataExpress also provides cellular phone maintenance services to Far EasTone. Far EasTone pays DataExpress handset subsidies and commissions due to its promotion of Far EasTone's SIM card numbers.
- e. Far EasTone rents backbone/access, office and telecommunication equipments from NCIC. Meanwhile, Far EasTone also leases telecommunication equipments to NCIC. Network interconnection services are provided between Far EasTone and NCIC.
- f. Sino Lead Enterprise Limited provides international lease circuit service to NCIC.
- g. Information Security Service Digital United sells security and monitoring equipments and service to Far EasTone and NCIC.
- h. Far EasTone sells cellular phone equipments and accessories to Yuan Shi and Yuan Shi provides electronic information services to Far EasTone.
- i. Nextlink and Microfusion provide electronic information services to Far EasTone and NCIC.
- j. Far EasTone collects business promotion fees from FEPIA.

**(5) Directors, supervisors and General Managers of Far EasTone and affiliates:**

Unit: Number of Shares; %

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	% of Ownership
Far EasTone Telecommunications Co., Ltd.	Chairman	Yuan Ding Investment Co., Ltd. Douglas Hsu	1,066,657,614	32.73
	Vice Chairman	Yuan Ding Investment Co., Ltd. Peter Hsu	1,066,657,614	32.73
	Managing Director	Yuan Ding Investment Co., Ltd. Jan Nilsson	1,066,657,614	32.73
	Director	U-Ming Marine Transport Corp. Nobukata Kurata	331,000	0.01
	Independence Director	Lawrence Juen-Yee LAU	-	-
	Director	Yuan Ding Co., Ltd. Champion Lee	4,163,500	0.13
	Director	Yuan Ding Co., Ltd. Jeff Hsu	4,163,500	0.13
	Independence Director	Vacancy	-	-
	Independence Director	Tim Pan	-	-
	Director	Asia Investment Corporation Bonnie Peng	1,426,303	0.04
	Director	Ding Yuan International Investment Co., Ltd. Toon Lim	919,653	0.03
	General manager	Chee Ching	-	-

(Continued)

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	% of Ownership
Far Eastern Info Service (Holding) Ltd. (British Bermuda Islands)	Chairman	Far EasTone Telecommunications Co., Ltd. Chee Ching	1,200	100.00
	Director	Far EasTone Telecommunications Co., Ltd. T. Y. Yin	1,200	100.00
	Director	Far EasTone Telecommunications Co., Ltd. Sharon Lin	1,200	100.00
	General manager	Far EasTone Telecommunications Co., Ltd. Chee Ching	-	-
KGEx.com Co., Ltd.	Chairman	Far EasTone Telecommunications Co., Ltd. Philip Tseng	68,897,234	99.99
	Director	Far EasTone Telecommunications Co., Ltd. Bruce Yu	68,897,234	99.99
	Director	Far EasTone Telecommunications Co., Ltd. Vivian Lee	68,897,234	99.99
	Director	Far EasTone Telecommunications Co., Ltd. James Lee	68,897,234	99.99
	Director	Far EasTone Telecommunications Co., Ltd. Leon Li	68,897,234	99.99
	Supervisor	Far EasTone Telecommunications Co., Ltd. Sharon Lin	-	-
	General manager	Far EasTone Telecommunications Co., Ltd. Philip Tseng	-	-
	Chairman	Far EasTone Telecommunications Co., Ltd. Maxwell Cheng	2,000,000	100.00
Yuan Cing Co., Ltd.	Director	Far EasTone Telecommunications Co., Ltd. Andy Kuo	2,000,000	100.00
	Director	Far EasTone Telecommunications Co., Ltd. Vivian Lee	2,000,000	100.00
	Supervisor	Far EasTone Telecommunications Co., Ltd. Sharon Lin	2,000,000	100.00
	General manager	Far EasTone Telecommunications Co., Ltd. Andy Kuo	-	-

(Continued)

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	% of Ownership
ARCOA Communication Co., Ltd.	Chairman	Far EasTone Telecommunications Co., Ltd. Chee Ching	82,762,221	61.63
	Vice-chairman	Wan-Shih-Shin Co., Ltd. Gary Lin	457,325	0.34
	Director	Far EasTone Telecommunications Co., Ltd. Alan Tsai	82,762,221	61.63
	Director	Far EasTone Telecommunications Co., Ltd. T.Y. Yin	82,762,221	61.63
	Director	Far EasTone Telecommunications Co., Ltd. Brian Chao	82,762,221	61.63
	Director	Far EasTone Telecommunications Co., Ltd. Lopes Lu	82,762,221	61.63
	Director	Far EasTone Telecommunications Co., Ltd. Andy Tu	82,762,221	61.63
	Supervisor	Frances Chen	-	-
	Supervisor	David Tsai	-	-
	Supervisor	Sharon Lin	-	-
	General manager	Jessica Sung	-	-
DataExpress Infotech Co., Ltd.	Chairman	ARCOA Communication Co., Ltd. Chee Ching	13,895,664	70.00
	Director	Jing Ho Tech Grace Chu	3,769,984	18.99
	Director	ARCOA Communication Co., Ltd. Andy Tu	13,895,664	70.00
	Director	ARCOA Communication Co., Ltd. Brian Chao	13,895,664	70.00
	Supervisor	Ann Chang	-	-
	Director	DataExpress Infotech Co., Ltd. Andy Tu	-	100.00
New Century InfoComm Tech Co., Ltd.	Chairman	Far EasTone Telecommunications Co., Ltd. Douglas Hsu	2,100,000,000	100.00
	Director	Far EasTone Telecommunications Co., Ltd. Chee Ching	2,100,000,000	100.00
	Director	Far EasTone Telecommunications Co., Ltd. Philip Tseng	2,100,000,000	100.00
	Supervisor	Far EasTone Telecommunications Co., Ltd. Sharon Lin	2,100,000,000	100.00
	General manager	Chee Ching	-	-

(Continued)

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	% of Ownership
New Diligent Co., Ltd.	Chairman	New Century InfoComm Tech Co., Ltd. Eric Li	54,000,000	100.00
	Director	New Century InfoComm Tech Co., Ltd. Philip Tseng	54,000,000	100.00
	Director	New Century InfoComm Tech Co., Ltd. James Lee	54,000,000	100.00
	Supervisor	New Century InfoComm Tech Co., Ltd. Sharon Lin	54,000,000	100.00
Sino Lead Enterprise Limited	Director	New Diligent Co., Ltd. Philip Tseng	30,000	100.00
Information Security Service Digital United	Chairman	New Century InfoComm Tech Co., Ltd. Philip Tseng	10,249,047	100.00
	Director	New Century InfoComm Tech Co., Ltd. Eton Shu	10,249,047	100.00
	Director	New Century InfoComm Tech Co., Ltd. Bruce Lee	10,249,047	100.00
	Director	New Century InfoComm Tech Co., Ltd. Leon Li	10,249,047	100.00
	Supervisor	New Century InfoComm Tech Co., Ltd. Sharon Lin	10,249,047	100.00
	General manager	New Century InfoComm Tech Co., Ltd. Andy Kuo	-	-
Digital United (Cayman) Ltd.	Chairman	New Century InfoComm Tech Co., Ltd. Philip Tseng	10,320,000	100.00
	Director	New Century InfoComm Tech Co., Ltd. T. Y. Yin	10,320,000	100.00
Digital Unite Information Technologies (Shanghai) Ltd.	Chairman	Digital United (Cayman) Ltd. Philip Tseng	-	100.00
	Director	Digital United (Cayman) Ltd. James Lee	-	100.00
	Director	Digital United (Cayman) Ltd. Eric Li	-	100.00
	Supervisor	Digital United (Cayman) Ltd. Sharon Lin	-	100.00
	Director	New Diligent Co., Ltd. Jennifer Liu	-	100.00
Far Eastern New Diligent Company Ltd.	Director	New Diligent Co., Ltd. T. Y. Yin	-	100.00
	Director	New Diligent Co., Ltd. Mike Lee	-	100.00

(Continued)

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	% of Ownership
Yuanshi Digital Technology Co., Ltd.	Chairman	Far EasTone Telecommunications Co., Ltd. Chee Ching	107,004,329	96.18
	Vice Chairman	Far EasTone Telecommunications Co., Ltd. Andy Tu	107,004,329	96.18
	Director	Far EasTone Telecommunications Co., Ltd. Charlene Lin	107,004,329	96.18
	Director	Far EasTone Telecommunications Co., Ltd. Philby Lee	107,004,329	96.18
	Director	Far EasTone Telecommunications Co., Ltd. T.Y. Yin	107,004,329	96.18
	Supervisor	Yuan Ding Co., Ltd. Sharon Lin	1,498,414	1.35
	General manager	Andy Tu	-	-
New Diligent Hong Kong Co. Limited	Director	New Diligent Co., Ltd. Sharon Lin	-	100.00
	Director	New Diligent Co., Ltd. T. Y. Yin	-	100.00
	Chairman	New Century InfoComm Tech Co., Ltd. Philip Tseng	16,000,000	100.00
Prime Ecopower Co., Ltd.	Director	New Century InfoComm Tech Co., Ltd. Eric Li	16,000,000	100.00
	Director	New Century InfoComm Tech Co., Ltd. Andy Kuo (Note 1)	16,000,000	100.00
	Supervisor	New Century InfoComm Tech Co., Ltd. Sharon Lin	16,000,000	100.00
	General manager	Oliver Liu	-	-
Nextlink Technology Co., Ltd.	Chairman	New Century InfoComm Tech Co., Ltd. Philip Cheng	3,430,000	70.00
	Director	New Century InfoComm Tech Co., Ltd. Eton Shu	3,430,000	70.00
	Director	New Century InfoComm Tech Co., Ltd. Vivian Lee	3,430,000	70.00
	Director	New Century InfoComm Tech Co., Ltd. Mark Lee	3,430,000	70.00
	Director	New Century InfoComm Tech Co., Ltd. Eric Lee	3,430,000	70.00
	Director	Avalon Enterprises Limited Kuan Sheng Ho	1,470,000	30.00
	Director	Avalon Enterprises Limited Family Chang	1,470,000	30.00
	Supervisor	Sharon Lin	-	-
	General manager	Kuan Sheng Ho	-	-
Microfusion Technology Co.,Ltd.	Chairman	Nextlink Technology Co., Ltd. Philip Cheng	2,600,000	100.00
	Director	Nextlink Technology Co., Ltd. Mark Lee	2,600,000	100.00
	Director	Nextlink Technology Co., Ltd. Kuan Sheng Ho	2,600,000	100.00
	Supervisor	Nextlink Technology Co., Ltd. Sharon Lin	2,600,000	100.00

(Continued)

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	% of Ownership
Nextlink (HK) Technology Co., Ltd.	Director	Nextlink Technology Co., Ltd. Milly Lin	-	100.00
Microfusion (HK) Technology Co., Ltd.	Director	Nextlink Technology Co., Ltd. Eric Lee	-	100.00
Nextlink (Shanghai) Technologies Co., Ltd.	Director	Nextlink (HK) Technology Co. Ltd. Family Chang	-	100.00
	Supervisor	Nextlink (HK) Technology Co. Ltd. Kuan Sheng Ho	-	100.00
	General manager	Nextlink (HK) Technology Co. Ltd. Family Chang	-	-
Yuan Bao Fintech Co., Ltd.	Chairman	Far EasTone Telecommunications Co., Ltd. T.Y. Yin	6,000,000	100.00
	Director	Far EasTone Telecommunications Co., Ltd. Simon Tai	6,000,000	100.00
	Director	Far EasTone Telecommunications Co., Ltd. Sharon Lin	6,000,000	100.00
	Supervisor	Far EasTone Telecommunications Co., Ltd. Philby Lee	6,000,000	100.00
	General manager	Far EasTone Telecommunications Co., Ltd. Ben Lin (Note 2)	-	-
Far EasTone Property Insurance Agent Co., Ltd.	Chairman	Far EasTone Telecommunications Co., Ltd. Frank Su (Note 3)	500,000	100.00
	Director	Far EasTone Telecommunications Co., Ltd. T.Y. Yin (Note 3)	500,000	100.00
	Director	Far EasTone Telecommunications Co., Ltd. Ying-Hsiu Chen (Note 4)	500,000	100.00
	Supervisor	Far EasTone Telecommunications Co., Ltd. Sharon Lin	500,000	100.00
	General manager	Far EasTone Telecommunications Co., Ltd. Frank Su	-	-

Note 1 : James Lee succeeded as director of Prime Ecopower Co., Ltd. since March 11<sup>th</sup>, 2021.

Note 2 : Jessie Teng succeeded as president of Yuan Bao Fintech Co., Ltd. since January 26<sup>th</sup>, 2021.

Note 3 : T.Y. Yin succeeded as Chairman of Far EasTone Property Insurance Agent Co., Ltd. since January 25<sup>th</sup>, 2021.

Note 4 : Jessie Teng succeeded as director of Far EasTone Property Insurance Agent Co., Ltd. since January 11<sup>th</sup>, 2021.

## (6) Operation overview of Far EastTone and affiliates:

Company	Common Stock Issued	Total Assets	Total Liabilities	Total Stockholders' Equity	Total Operating Revenue	Operating Income (Loss)	Net Income (Loss)	Basic Earnings Per Share (NT\$)
Unit: In Thousands of New Taiwan Dollars, Unless Stated Otherwise								
Far EastTone Telecommunications Co., Ltd.	\$32,585,008 RMB 99,240 (US\$12,000)	\$175,319,455 RMB 1,099,064	\$108,005,761 -	\$67,313,694 RMB 1,099,064	\$ 61,423,568 -	\$ 9,072,838 RMB (208)	\$ 8,354,128 RMB (22,614)	\$ 2.56 RMB (18.85)
Far Eastern Info Service (Holding) Ltd. (British Bermuda Islands)	689,074	954,876	53,843	901,033	558,347	147,413	160,925	2.34
KGEEx.com Co., Ltd.	-	-	-	-	-	RMB (41,650)	RMB (47,186)	N/A
Far Eastern Tech-info Ltd. (Shanghai) (Note 1)	20,000	103,548	62,835	40,713	145,335	20,353	16,326	8.16
Yuan Cing Co., Ltd.	1,342,800	3,605,929	1,773,426	1,832,503	10,167,579	126,532	168,637	1.26
ARCOA Communication Co., Ltd.	198,509	1,426,410	1,086,287	340,123	4,178,312	89,055	95,205	4.80
DataExpress Infotech Co., Ltd.	-	-	-	-	130,922	1,876	1,443	N/A
Linkwell Technology Ltd. (Note 2)	12,725	435,796	388,505	47,291	1,599,598	36,122	28,050	N/A
Home Master Technology Ltd.	-	-	-	-	9,950,885	1,688,357	2,016,549	0.96
New Century InfoComm Tech. Co., Ltd.	21,000,000	27,620,972	3,133,597	24,487,375	-	(151)	(4,630)	(0.09)
New Diligent Co., Ltd	540,000	82,175	100	82,075	-	11	(4)	(0.13)
Sino Lead Enterprise Limited	125	1,010	720	290	73,982	-	-	N/A
New Diligent Hong Kong Co. Limited	3,051	2,611	320	2,291	-	(308)	(418)	N/A
Information Security Service Digital United Inc.	(US\$100,000)	(US\$100,000)	(US\$100,000)	(US\$100,000)	-	-	-	N/A
Digital United (Cayman) Ltd.	102,490	306,417	177,247	129,170	480,825	22,062	17,482	1.71
Digital United Information Technologies (Shanghai) Ltd.	RMB 74,630,969 (US\$10,320,000)	RMB 37,335,122	RMB 16,366	RMB 37,318,756	-	RMB (70,248)	RMB 826,575	RMB 0.08
Far Eastern New Diligent Company Ltd.	RMB 23,552,583 (US\$10,263,347)	RMB 10,263,347	RMB 8,895,478	RMB 1,367,869	RMB 19,175,132	RMB 1,446,412	RMB 1,455,655	N/A
Yuan Shi Digital Technology Co., Ltd.	RMB 91,482,640 (US\$14,300,000)	RMB 4,601,328	RMB 16,340	RMB 4,584,988	-	RMB (64,754)	RMB (1,031,819)	N/A
Prime Ecopower Co., Ltd.	1,112,502	531,641	600,825	(69,184)	2,183,511	(193,995)	(195,262)	(1.96)
Nextlink Technology Co., Ltd.	160,000	295,777	168,347	127,330	21,055	(12,645)	(13,018)	(0.81)
Microfusion Technology Co., Ltd.	49,000	291,325	182,574	108,751	612,803	(10,920)	43,098	8.80
Nextlink (HK) Technology Co., Ltd.	26,000	198,510	168,301	30,209	618,831	15,616	13,747	5.29
Microfusion (HK) Technology Co., Ltd.	973 (US\$30,000)	HKD 87,919,955	HKD 85,584,502	HKD 2,335,453	HKD 270,118,446	HKD 1,495,418	HKD 876,576	N/A
Nextlink (Shanghai) Technology Co., Ltd.	1,494 (HKD400,000)	HKD 473,534	HKD 167,579	HKD 305,955	-	(HKD94,045)	(HKD94,045)	N/A
Yuan Bao Fintech Co., Ltd.	60,000	RMB 1,591,199 RMB 499,878	RMB 1,310,044 4,547	RMB 281,155 52,045	RMB 614,30 3,079	RMB (14,652) (7,824)	RMB (51,149) (7,635)	N/A (1.27)
Far EastTone Property Insurance Agent Co., Ltd.	5,000	193,572	128,985	64,587	415,658	74,517	59,587	119,17

Note 1: Far Eastern Tech-info Ltd. (Shanghai) was dissolved in 2020 with the approval of the local government.

Note 2: DataExpress Infotech Co., Ltd. merged with Linkwell Tech. Ltd. on April 1, 2020. DataExpress Infotech Co., Ltd. was the surviving company and Linkwell Tech. Ltd. was the dissolved company.

## 1-2 Declaration of Consolidation of Financial Statements of Affiliates

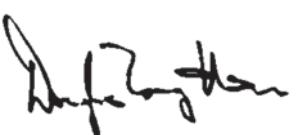
February 25, 2021

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2020 are the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as of and for the years ended December 31, 2020 and 2019, as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements.” Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies as of and for the years ended December 31, 2020 and 2019. Hence, we did not prepare a separate set of consolidated financial statements of affiliates for the year ended December 31, 2020.

Very truly yours,

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

By



**DOUGLAS HSU**  
Chairman

### 1-3 Affiliation Report

#### (1) Independent Auditor's Report

To: Far EasTone Telecommunications Co., Ltd.

According to the declaration of Far EasTone Telecommunications Co., Ltd. (the Company), the Affiliation Report of 2020 dated February 25, 2021 had been prepared in conformity with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliates Enterprises ("the Criteria") and the information in the above report has no significant inconsistency from the notes to the financial statements as of and for the year ended December 31, 2020 ("the Notes"). The declaration is shown on the next page.

We have examined the Affiliation Report of the Company against the Criteria and the Notes. As stated in the above declaration, there was no significant inconsistency found between your 2020 Affiliation Report and the Criteria and the Notes for the year ended December 31, 2020.

March 30, 2021

By

**Deloitte and Touche Co.**

**(2) Declaration for the Affiliation Report of the Company**

**DECLARATION FOR THE AFFILIATION REPORT OF  
FAR EASTONE TELECOMMUNICATIONS CO., LTD.**

February 25, 2021

We hereby declare that the Affiliation Report of 2020 had been prepared in conformity with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliates Enterprises" and the information in the above report has no significant inconsistency from the Notes to the Financial Statements as of and for the year ended December 31, 2020.

Very truly yours,

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

By



DOUGLAS HSU

Chairman

- (3) The relationship between the subordinate company and the parent company: Schedule A.
- (4) Purchase (sale) of goods between the subordinate company and the parent company: Schedule B.
- (5) Property transactions between the subordinate company and the parent company: None.
- (6) Financing between the subordinate company and the parent company: None.
- (7) Asset leasing between the subordinate company and the parent company: Schedule C.
- (8) Endorsements and guarantees between the subordinate company and the parent company: None.

## SCHEDULE A

### FAR EASTONE TELECOMMUNICATIONS CO., LTD.

#### THE RELATIONSHIP BETWEEN THE SUBORDINATE COMPANY AND THE PARENT COMPANY DECEMBER 31, 2020

(Unit: Number of Shares, %)

Parent Company	For the Control Reason	Parent Company's Shareholding Information			Parent Company Appointed Directors, Supervisors or Managerial Officer	
		Shareholding	%	Share Pledged	Title	Name
Yuan Ding Investment Co., Ltd.	Indirect control over the management of the personnel, financial or business operation of Far EasTone	1,066,657,614	32.73	8,806,686	Chairman Vice Chairman Managing director	Douglas Hsu Peter Hsu Jan Nilsson
Yuan Ding Co., Ltd.	Indirect control over the management of the personnel, financial or business operation of Far EasTone	4,163,500	0.13	-	Director Director	Champion Lee Jeff Hsu
Fu Kwok Knitting & Garment Corporation	Indirect control over the management of the personnel, financial or business operation of Far EasTone	520,000	0.01	-	-	-
Ding Yuan International Investment Corp.	Indirect control over the management of the personnel, financial or business operation of Far EasTone	919,653	0.03	-	Director	Toon Lim
Far Eastern New Century Corporation	Indirect control over the management of the personnel, financial or business operation of Far EasTone	-	-	-	-	-
Yuan Tong Investment Co., Ltd.	Indirect control over the management of the personnel, financial or business operation of Far EasTone	100,237,031	3.08	22,615,000	-	-
An Ho Garment Co., Ltd.	Indirect control over the management of the personnel, financial or business operation of Far EasTone	40,817,592	1.25	6,300,000	-	-
Kai Yuan International Investment Co., Ltd.	Indirect control over the management of the personnel, financial or business operation of Far EasTone	34,149,031	1.05	9,800,000	-	-

**SCHEDULE B****FAR EASTONE TELECOMMUNICATIONS CO., LTD.****PURCHASE (SALE) OF GOODS BETWEEN THE SUBORDINATE COMPANY AND THE PARENT COMPANY FOR THE YEAR ENDED DECEMBER 31, 2020**

(In Thousands of New Taiwan Dollars)

Parent Company	Transaction Details				Transactions Between the Parent Company		Normal Transactions		Difference Reason	Accounts Receivable or (Payable)		Overdue		Notes	
	Purchase (Sale)	Amount	% to Total	Gross Profit	Unit Price	Payment Terms	Unit Price	Payment Terms		Ending Balance	% to Total	Amount	Action Taken	Allowance for Doubtful Accounts	
Far Eastern New Century Corporation	Sale	\$1,850	0.003	(Note1)	The terms and conditions conformed to normal transactions	-	-	-	-	9	0.0001	-	-	-	
Yuan Ding Co., Ltd.	Sale	1,046	0.0017	(Note1)	The terms and conditions conformed to normal transactions	-	-	-	-	69	0.0011	-	-	-	

Note 1: The individual gross profit is not available as the amount of sale includes service revenue.

**SCHEDULE C****FAR EASTONE TELECOMMUNICATIONS CO., LTD.****ASSET LEASING BETWEEN THE SUBORDINATE COMPANY AND THE PARENT COMPANY FOR THE YEAR ENDED DECEMBER 31, 2020**

(In Thousands of New Taiwan Dollars)

Transaction	Target Asset			Period	Type	Rental Terms	Payment Method	Comparison with Ordinary Leasing Price Level	Rental for This Period	Other Special Stipulations
	Name	Location Lease								
Far Eastern New Century Corporation										
Leasing	Nei-Li MSC	No. 759, Yuan-Tung Section, Nei-Li District, Tao-Yuan City		2007.05.01-2022.04.30	Capital	Same as normal leasing	Bank remittance monthly	Same	\$ 2,892	None
Leasing	BTS0000 6744	No. 180, Tu-Ti-Kung-Pu, Wen-Shan Li, Hsin-Pu Town, Hsin-Chu County		1997.07.15-2022.07.14	Capital	Same as normal leasing	Bank remittance annually	Same	281	None
Leasing	BTS0000 7807	No. 3, King-Chen 6th Rd., Kuan-Ying, Industrial Area, Kuan-Yin District, Tao-Yuan City		2019.11.15-2020.11.14	Operating	Same as normal leasing	Bank remittance annually	Same	198	None
Leasing	BTS0000 7807	No. 3, King-Chen 6th Rd., Kuan-Ying, Industrial Area, Kuan-Yin District, Tao-Yuan City		2020.11.15-2021.11.14	Operating	Same as normal leasing	Bank remittance annually	Same	40	None
Leasing	BTS0000 7979	No. 2, Alley 266, Desing Rd., Hu-Kuo Township, Hsin-Chu County		2000.11.15-2020.11.14	Capital	Same as normal leasing	Bank remittance monthly	Same	197	None
Leasing	BTS0000 7979	No. 2, Alley 266, Desing Rd., Hu-Kuo Township, Hsin-Chu County		2000.11.15-2021.11.14	Operating	Same as normal leasing	Bank remittance monthly	Same	39	None
Leasing	BTS0005 1486	2F, No.7, Gongye 4th Rd., Kuan-Ying, Industrial Area, Kuan-Yin District, Tao-Yuan City		2012.02.01-2022.01.31	Capital	Same as normal leasing	Bank remittance monthly	Same	253	None
Total									\$ 3,900	

Transaction	Target Asset		Period	Type	Rental Terms	Payment Method	Comparison with Ordinary Leasing Price Level	Rental for This Period	Other Special Stipulations
	Name	Location Lease							
Yuan Ding Co., Ltd.									
Leasing	The Mall retail store	1F., No.209, Sec. 2, Dunhua S. Rd., Taipei City	2005.08.15-2020.09.30	Capital	Same as normal leasing	Bank remittance monthly	Same	\$4,426	None
Leasing	The Mall retail store	1F., No.209, Sec. 2, Dunhua S. Rd., Taipei City	2020.10.01-2021.09.30	Operating	Same as normal leasing	Bank remittance monthly	Same	1,475	None
Leasing	The Mall stud	1F., No.209, Sec. 2, Dunhua S. Rd., Taipei City	2011.06.08-2020.09.30	Capital	Same as normal leasing	Bank remittance monthly	Same	270	None
Leasing	The Mall stud	1F., No.209, Sec. 2, Dunhua S. Rd., Taipei City	2020.10.01-2021.09.30	Operating	Same as normal leasing	Bank remittance monthly	Same	90	None
Leasing	The Mall Office	28F., No.209, Sec. 2, Dunhua S. Rd., Taipei City	2015.01.01-2021.12.31	Capital	Same as normal leasing	Bank remittance monthly	Same	148	None
Leasing	BT00015 950	7F., No.89, Sec. W., Daxue Rd., East Dist., Tainan City	2013.09.15-2023.09.14	Capital	Same as normal leasing	Bank remittance monthly	Same	120	None
Leasing	BT00026 122	23F., No.89, Sec. W., Daxue Rd., East Dist., Tainan City	2013.03.15-2023.03.14	Capital	Same as normal leasing	Bank remittance monthly	Same	120	None
Leasing	BT00015 319	B1., No.203, Sec. 2, Dunhua S. Rd., Taipei City	2013.09.01-2023.08.31	Capital	Same as normal leasing	Bank remittance annually	Same	680	None
Leasing	BT00024 251	No.201, Sec. 2, Dunhua S. Rd., Taipei City	2013.09.01-2022.08.31	Capital	Same as normal leasing	Bank remittance annually	Same	782	None
Leasing	BT00052 216	No.16,18, Xinzhan Rd., Banqiao Dist., New Taipei City	2019.10.01-2020.09.30	Operating	Same as normal leasing	Bank remittance annually	Same	411	None
Leasing	BT00052 216	No.16,18, Xinzhan Rd., Banqiao Dist., New Taipei City	2020.10.01-2021.09.30	Operating	Same as normal leasing	Bank remittance annually	Same	137	None
Leasing	BT00005 250	No.207, Sec. 2, Dunhua S. Rd., Taipei City	2019.11.01-2020.10.31	Operating	Same as normal leasing	Bank remittance annually	Same	925	None
Leasing	BT00005 250	No.207, Sec. 2, Dunhua S. Rd., Taipei City	2020.11.01-2021.10.31	Operating	Same as normal leasing	Bank remittance annually	Same	186	None
Total								\$ 9,770	

## 2. Private Placement Securities from last year up to the Annual Report being Published

None.

## 3. The Company's Shares Held or Disposed by Subsidiaries from last year up to the Annual Report being Published

None.

## 4. Other Supplementary Information

None.

## 5. Material Event Impact, pursuant to Article 36-3-2 of the Securities and Exchange Act, on Shareholders' Equity or Share Price from last year up to the Annual Report being Published

None.

## VII Financial Information

1. Condensed Financial Statement for Recent 5 Years
  2. Financial Analysis for Recent 5 Years
  3. 2020 Audit Committee's Review Report
  4. 2020 Independent Auditors' Report, Consolidated Financial Statements and Notes
  5. 2020 Independent Auditors' Report, Standalone Financial Statements and Notes

## 1. Condensed Financial Statement for Recent 5 Years

### 1-1 Condensed Balance Sheet and Comprehensive Income Statement - International Financial Reporting Standards

#### 1-1-1 Condensed Balance Sheet - by Standalone

2021/03/31; Unit: NT\$' 000

Item	Year	Financial Information In Recent 5 years					2020/01/01 ~ 2020/03/31
		2016	2017	2018	2019	2020	
Current Assets		12,431,062	14,284,303	16,248,028	16,800,267	17,054,694	
Properties, Plants and Equipment		32,184,965	28,927,960	24,980,931	19,870,908	21,887,180	
Intangible assets		51,207,871	54,904,817	51,971,395	49,000,494	87,926,024	
Other Assets		32,217,848	32,167,690	36,009,814	47,027,630	48,451,557	
Total Assets		128,041,746	130,284,770	129,210,168	132,699,299	175,319,455	
Current Liabilities	Before Distribution	27,599,086	29,247,064	29,255,380	22,081,795	26,111,445	
	After Distribution	39,818,464	41,466,442	41,474,758	32,671,923	(Note 1)	
Non-current Liabilities		29,436,642	31,279,294	26,637,290	40,853,549	81,894,316	
Total Liabilities	Before Distribution	57,035,728	60,526,358	55,892,670	62,935,344	108,005,761	
	After Distribution	69,255,106	72,745,736	68,112,048	73,525,472	(Note 1)	
Capital Stocks		32,585,008	32,585,008	32,585,008	32,585,008	32,585,008	
Capital Surplus	Before Distribution	10,166,874	8,143,345	5,820,041	5,820,041	5,701,421	
	After Distribution	8,143,345	5,820,034	5,820,041	5,686,442	(Note 1)	
Retained Earnings	Before Distribution	28,387,615	29,011,927	34,881,092	31,355,697	29,127,148	
	After Distribution	18,191,766	19,115,860	22,661,714	20,899,168	(Note 1)	
Other Equity		(133,479)	18,132	31,357	3,209	(99,883)	
Total Shareholders' Equity	Before Distribution	71,006,018	69,758,412	73,317,498	69,763,955	67,313,694	
	After Distribution	58,786,640	57,539,034	61,098,120	59,173,827	(Note 1)	

Note 1: The appropriation of 2020 earning has not been approved by the Shareholders' Meeting.

#### 1-1-2 Condensed Comprehensive Income Statement – by Standalone

2021/03/31; Unit: Except EPS is NT dollar; others are NT\$'000

Item	Year	Financial Information for Recent 5 Years					2021/01/01 ~ 2021/03/31
		2016	2017	2018	2019	2020	
Operating Revenues		78,838,895	72,945,992	65,909,728	66,101,283	61,423,568	
Gross Profit		32,611,252	31,270,345	23,224,778	22,683,623	21,794,639	
Operating Income		11,841,655	12,191,454	9,977,652	10,237,396	9,072,838	
Non-Operating Income and Expenses		956,619	563,596	1,388,966	168,323	1,060,881	
Income before Tax		12,798,274	12,755,050	11,366,618	10,405,719	10,133,719	
Net Income from Operating Business		11,391,303	10,856,682	9,381,351	8,734,984	8,354,128	
Net Income (Loss)		11,391,303	10,856,682	9,381,351	8,734,984	8,354,128	
Other Comprehensive Income (Loss) (Net of income tax)		(43,443)	170,637	78,546	(14,395)	(135,522)	
Total Comprehensive Income		11,347,860	11,027,319	9,459,897	8,720,589	8,218,606	
Earnings Per Share		3.50	3.33	2.88	2.68	2.56	

### 1-1-3 Condensed Balance Sheet-by Consolidated

2021/03/31; Unit: NT\$' 000

Item	Year	Financial Information In Recent 5 years					2021/01/01 ~ 2021/03/31 (Note1)
		2016	2017	2018	2019	2020	
Current Assets		26,557,388	26,284,153	23,940,125	27,257,217	25,152,457	22,742,091
Properties, Plants and Equipment		49,849,572	46,233,707	41,843,053	36,257,748	38,205,535	38,715,497
Intangible assets		52,458,457	56,109,371	53,122,685	50,534,517	89,389,771	87,962,116
Other Assets		3,941,905	4,079,124	7,910,646	20,113,454	20,681,557	20,818,180
Total Assets		132,807,322	132,706,355	126,816,509	134,162,936	173,429,320	170,237,884
Current Liabilities	Before Distribution	30,980,704	30,391,974	25,621,259	22,132,215	22,079,547	36,120,463
	After Distribution	43,262,310	42,657,587	37,910,661	32,806,792	(Note 2)	(Note 2)
Non-current Liabilities		30,104,017	31,868,168	27,159,067	41,424,301	83,102,564	64,025,641
Total Liabilities	Before Distribution	61,084,721	62,260,142	52,780,326	63,556,516	105,182,111	100,146,104
	After Distribution	73,366,327	74,525,755	65,069,728	74,231,093	(Note 2)	(Note 2)
Equity Attributable to Owners of Far EastTone	Before Distribution	71,006,018	69,758,412	73,317,498	69,763,955	67,313,694	69,130,604
	After Distribution	58,786,640	57,539,034	61,098,120	59,173,827	(Note 2)	(Note 2)
Capital Stocks		32,585,008	32,585,008	32,585,008	32,585,008	32,585,008	32,585,008
Capital Surplus	Before Distribution	10,166,874	8,143,345	5,820,041	5,820,041	5,701,421	5,701,451
	After Distribution	8,143,345	5,820,034	5,820,041	5,686,442	(Note 2)	(Note 2)
Retained Earnings	Before Distribution	28,387,615	29,011,927	34,881,092	31,355,697	29,127,148	30,938,636
	After Distribution	18,191,766	19,115,860	22,661,714	20,899,168	(Note 2)	(Note 2)
Other Equity		(133,479)	18,132	31,357	3,209	(99,883)	(94,491)
Non-controlling Interest	Before Distribution	716,583	687,801	718,685	842,465	933,515	961,176
	After Distribution	654,355	641,566	648,661	758,016	(Note 2)	(Note 2)
Total Shareholders' Equity	Before Distribution	71,722,601	70,446,213	74,036,183	70,606,420	68,247,209	70,091,780
	After Distribution	59,440,995	58,180,600	61,746,781	59,931,843	(Note 2)	(Note 2)

Note:1 The financial statements for the first quarter of 2021 have been reviewed by CPA.

Note:2 The distribution of the 2020 earnings has not been approved by the Shareholders' Meeting

#### 1-1-4 Condensed Comprehensive Income Statement – by Consolidated

2021/03/31; Unit: Except EPS is NT dollar; others are NT\$'000

Item	Year	Financial Information in Recent 5 Years					2021/01/01 ~ 2021/03/31 (Note1)
		2016	2017	2018	2019	2020	
Operating Revenues		94,344,266	92,069,681	86,634,971	83,865,872	79,500,965	20,835,775
Gross Profit		38,151,119	35,762,919	28,002,420	26,756,524	25,933,863	6,173,998
Operating Income		15,024,350	14,216,298	12,373,173	11,925,478	11,037,699	2,385,886
Non-Operating Income and Expenses		(1,235,015)	(1,053,726)	(503,743)	(913,959)	(845,231)	(169,173)
Income before Tax		13,789,335	13,162,572	11,869,430	11,011,519	10,192,468	2,216,713
Net Income from Operating Business		11,410,675	10,853,643	9,424,776	8,807,743	8,444,622	1,839,097
Net Income (Loss)		11,410,675	10,853,643	9,424,776	8,807,743	8,444,622	1,839,097
Other Comprehensive Income Loss (Net of income tax )		(42,178)	171,098	79,024	(14,847)	(135,736)	5,444
Total Comprehensive Income		11,368,497	11,024,741	9,503,800	8,792,896	8,308,886	1,844,541
Net Income Attributable to Owners of Far EasTone		11,391,303	10,856,682	9,381,351	8,734,984	8,354,128	1,811,488
Net Income Attributable to Non-Controlling Interest		19,372	(3,039)	43,425	72,759	90,494	27,609
Comprehensive Income Attributable to Owners of Far EasTone		11,347,860	11,027,319	9,459,897	8,720,589	8,218,606	1,816,880
Comprehensive Income Attributable to Non-Controlling Interest		20,637	(2,578)	43,903	72,307	90,280	27,661
Earning Per Share		3.50	3.33	2.88	2.68	2.56	0.56

Note 1: The financial statements for the first quarter of 2020 have been reviewed by CPA.

#### 1-2 Independent Auditor's Names and Auditor's Opinions for Past 5 Years

Year	Audit Firm	Auditors' Name	Opinion
2016	Deloitte and Touche Co.	An-Hwei Lin ,Cheng-Hung Kuo	Unqualified opinion
2017	Deloitte and Touche Co.	An-Hwei Lin, Cheng-Hung Kuo	Unqualified opinion
2018	Deloitte and Touche Co	An-Hwei Lin, Cheng-Hung Kuo	Unqualified opinion
2019	Deloitte and Touche Co	An-Hwei Lin, Cheng-Hung Kuo	Unqualified opinion
2020	Deloitte and Touche Co	An-Hwei Lin, Yung-Hsiang Chao	Unqualified opinion

Reason of Auditor change: Due to internal job rotation of Deloitte & Touche, the former CPA Cheng-Hung Kuo was replaced by CPA Yung-Hsiang Chao in 2020.

## 2. Financial Analysis for Recent 5 Years

### Financial Ratio Analysis -International Financial Reporting Standards

#### 2-1. Financial Ratio Analysis- by Standalone

Item	Year	Financial Ratio Analysis for Recent 5 years					2021/01/01 ~ 2021/03/31
		2016	2017	2018	2019	2020	
Financial Structure (%)	Debt to Asset Ratio	44.54	46.46	43.26	47.43	61.61	2021/01/01 ~ 2021/03/31
	Long-term Funds to Properties, Plants and Equipment Ratio	312.08	349.27	400.12	556.68	681.71	
Liquidity Analysis (%)	Current Ratio (%)	45.04	48.84	55.54	76.08	65.32	Not Applicable
	Quick Ratio (%)	36.67	34.37	43.46	64.30	54.73	
Operating Performance	Times Interest Earned (times)	28.22	27.97	26.49	20.82	14.92	Not Applicable
	Accounts Receivable Turnover (times)	11.09	10.21	9.59	9.64	8.90	
Profitability Analysis	Average Collection Days	32.91	35.74	38.06	37.86	41.01	Not Applicable
	Inventory Turnover (times)	10.20	7.19	5.92	8.55	7.98	
Cash flow	Accounts Payable Turnover (times)	16.40	11.96	12.46	14.63	9.87	Not Applicable
	Inventory Turnover Days	35.78	50.76	61.65	42.69	45.73	
Leverage Ratio	Properties, Plant and Equipment Turnover (times)	2.41	2.39	2.45	2.95	2.94	Not Applicable
	Total Assets Turnover (times)	0.59	0.56	0.51	0.50	0.40	
	Return on Assets (%)	8.84	8.71	7.51	6.99	5.80	Not Applicable
	Return on Equity (%)	15.94	15.43	13.11	12.21	12.19	
	Income before Tax to Capital ratio	39.28	39.14	34.88	31.93	31.10	Not Applicable
	Net Income Ratio (%)	14.45	14.88	14.23	13.21	13.60	
	Earnings per share (NT\$)	3.50	3.33	2.88	2.68	2.56	Not Applicable
	Cash Flow Ratio (%)	90.41	80.93	71.07	90.48	86.44	
	Cash Flow Equivalent Ratio (%)	71.98	69.36	89.84	93.21	73.05	Not Applicable
	Cash Reinvestment Ratio (%)	6.68	7.57	5.68	4.66	5.76	
	Operating Leverage (times)	2.60	2.57	2.96	2.79	2.94	Not Applicable
	Financial Leverage (times)	1.04	1.04	1.05	1.05	1.09	

Analysis of variation plus - minus (+/-)20% in recent 2 years:

- (1) Debt to Asset Ratio: Both total assets and liabilities increased primarily due to the acquisition of concession licenses for 5G mobile broadband.
- (2) Long-term Funds to Properties, Plants and Equipment Ratio: Long-term loans increased primarily due to the acquisition of concession licenses for 5G mobile broadband.
- (3) Times Interest Earned: Interest expense increased primarily due to an increase in borrowings.
- (4) Accounts Payable Turnover (times): Primarily due to an increase in the ending balance of accounts payable.
- (5) Total Assets Turnover (times): Total assets increased primarily due to the acquisition of concession licenses for 5G mobile broadband.
- (6) Cash Flow Equivalent Ratio: Capital expenditures increased primarily due to the acquisition of concession licenses for 5G mobile broadband.
- (7) Cash Reinvestment Ratio: Other non-current assets increased primarily due to the acquisition of concession licenses for 5G mobile broadband.

**2-1-2. Financial Ratio Analysis- by Consolidated**

Item	Year	Financial Ratio Analysis for Recent 5 years					2021/01/01 ~ 2021/03/31 (Note)
		2016	2017	2018	2019	2020	
Financial Structure (%)	Debt to Asset Ratio	45.99	46.92	41.62	47.37	60.65	58.83
	Long-term Funds to Properties, Plants and Equipment Ratio	204.27	221.30	241.84	308.98	396.15	346.42
Liquidity Analysis (%)	Current Ratio (%)	85.72	86.48	93.44	123.16	113.92	62.96
	Quick Ratio (%)	73.85	67.94	74.87	106.01	96.07	53.63
Operating Performance	Times Interest Earned (times)	32.21	29.50	28.79	22.44	15.68	13.48
	Accounts Receivable Turnover (times)	11.26	10.43	9.74	9.58	8.97	9.50
	Average Collection Days	32.41	34.99	37.47	38.10	40.69	38.42
	Inventory Turnover (times)	7.56	7.27	6.96	8.31	7.76	9.96
	Accounts Payable Turnover (times)	12.94	10.52	10.64	12.00	9.37	9.99
	Inventory Turnover Days	48.28	50.20	52.44	43.92	47.03	36.64
Profitability Analysis	Properties, Plant and Equipment Turnover (times)	1.85	1.92	1.97	2.15	2.14	2.17
	Total Assets Turnover (times)	0.70	0.69	0.67	0.64	0.52	0.49
	Return on Assets (%)	8.73	8.46	7.53	7.06	5.85	4.61
	Return on Equity (%)	15.81	15.27	13.05	12.18	12.16	10.64
	Income before Tax to Capital ratio (%)	42.32	40.39	36.43	33.79	31.28	27.21
	Net Income Ratio (%)	12.09	11.79	10.88	10.50	10.62	8.83
	Earnings per share (NT\$)	3.50	3.33	2.88	2.68	2.56	0.56
	Cash Flow Ratio (%)	87.39	81.76	90.02	97.02	117.96	16.68
Cash flow	Cash Flow Equivalent Ratio (%)	75.75	71.86	92.38	94.17	75.33	75.49
	Cash Reinvestment Ratio (%)	6.79	7.02	6.06	4.71	6.44	2.70
Leverage Ratio	Operating Leverage	2.25	2.41	2.64	2.62	2.69	3.06
	Financial Leverage	1.03	1.03	1.04	1.05	1.07	1.08

Note: The financial statements for the first quarter of 2021 have been reviewed by CPA.

**Analysis of variation plus - minus (+/-)20% in recent 2 years:**

- (1) Debt to Asset Ratio: Both total assets and liabilities increased primarily due to the acquisition of concession licenses for 5G mobile broadband.
- (2) Long-term Funds to Properties, Plants and Equipment Ratio: Long-term loans increased primarily due to the acquisition of concession licenses for 5G mobile broadband.
- (3) Times Interest Earned (times): Interest expense increased primarily due to an increase in borrowing.
- (4) Accounts Payable Turnover (times): Primarily due to an increase in the ending balance of accounts payable.
- (5) Cash Flow Ratio: Primarily due to an increase in the net cash generated from operating activities.
- (6) Cash Flow Equivalent Ratio: Capital expenditures increased primarily due to the acquisition of concession licenses for 5G mobile broadband.
- (7) Cash Reinvestment Ratio: Other non-current assets increased primarily due to the acquisition of concession licenses for 5G mobile broadband.

**The formulas for the above table:**

1. Financial Structure

- (1)Debts to Assets Ratio = Total Liabilities / Total Assets
- (2)Long-term Funds to Properties, Plants and Equipment Ratio = (Total Shareholders' Equity plus Noncurrent Liabilities) / Net of Properties, Plants and Equipment

2. Liquidity Analysis

- (1)Current Ratio = Current Assets / Current Liabilities
- (2)Quick Ratio = (Current Assets - Inventory - Prepaid Expense) / Current Liabilities
- (3)Times Interest Earned Ratio = (Net Income before Income Tax and Interest Expenses) / Interest Expense

3. Operating Performance

- (1)Account Receivable\* Turnover = Net Sales / Average Accounts Receivable\*
   
(\* including Accounts Receivable and Notes Receivable originated from operating)
- (2)Average Collection Days = 365/ Accounts Receivable Turnover
- (3)Inventory Turnover = Costs of Good Sold / Average Inventory
- (4)Accounts Payable\*\* Turnover = Costs of Good Sold / Average Accounts Payable\*\*
   
(\*\* including Accounts payable and Notes Payable originated from operating)
- (5)Inventory Days = 365 / Inventory Turnover
- (6)Properties, Plants and Equipment Assets Turnover Ratio = Net Sales / Average of Net Properties, Plants and Equipment.
- (7)Total Assets Turnover Ratio = Net Sales / Average of Total Assets

4. Profitability Analysis

- (1)Return on Assets =[Net Income +Interest Expense×(1-Tax Rate)] / Average Total Assets
- (2)Return on Shareholders' Equity =Net Income / Average Shareholders' Equity
- (3)Net Income Ratio = Net Income / Net Sales
- (4)Earnings per Share = (Net Income Attributable to Owners of Far Eastone - Preferred Stock Dividend) / Weighted average Number of Outstanding Shares

5. Cash Flow

- (1)Cash Flow Ratio = Cash Flows from Operating Activities / Current Liabilities
- (2)Cash Flow Equivalent Ratio = Net Cash Flow from Operating Activities for the past 5 years / (Capital Expenditure + Increase in Inventory + Cash Dividends) for the past 5 years
- (3)Cash Reinvestment Ratio = (Net Cash Flow from Operating Activities - Cash Dividends) / (Gross Properties, Plants and Equipment + Long-term Investment + Other Noncurrent Assets + Working Capital)

6. Leverage Ratio

- (1)Operating Leverage = (Net Sales - Variable Operating Costs and Expenses) / Operating Income
- (2)Financial Leverage = Operating Income / (Operating Income-Interest Expenses)

**3. 2020 Audit Committee's Review Report****Audit Committee's Review Report**

The Board of Directors has prepared the Company's 2020 Business Report, the Financial Statements and the Proposal for Profit Distribution. The CPAs of Deloitte & Touche, An-Hwei Lin and Yung-Hsiang Chao have audited the Financial Statements (including the Stand-alone & the Consolidated Financial Reports) and issued the audit opinions. The Business Report, Financial Statements, and the Proposal for Profit Distribution have been reviewed and determined to be correct and accurate by the Audit Committee members of Far EasTone Telecommunications Co., Ltd. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Far EasTone Telecommunications Co., Ltd.

Chairman of the Audit Committee:



Lawrence Juen-Yee LAU

March 10, 2021

#### 4.2020 Independent Auditors' Report, Consolidated Financial Statements and Notes

#### INDEPENDENT AUDITORS' REPORT

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

##### Opinion

We have audited the accompanying consolidated financial statements of Far EastTone Telecommunications Co., Ltd. ("Far EastTone") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

##### Basis for Opinion

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

##### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the consolidated financial statements for the year ended December 31, 2020 is described as follows:

##### Recognition of Mobile Telecommunications Service Revenue

Mobile telecommunications service revenue is the main source of the Group's revenue, and it accounts for 49% of the Group's total revenue for the year ended December 31, 2020. The calculation of mobile telecommunications service revenue relies heavily on automated systems and includes complicated and huge amounts of data transmission. In order to meet market demands and remain competitive, the Group often launches different combinations of products and services which make the calculation of revenue more complex and directly affect the accuracy and timing of revenue recognition. Due to the complexity of revenue calculation, the recognition of mobile telecommunications service revenue is considered a key audit matter.

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

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

1. Reviewed the contracts of mobile subscribers to confirm the accuracy of the information in the billing system.
2. Tested the accuracy of the billing calculation.
3. Tested the completeness and accuracy of the calculation and billing of monthly fees and airtime fees.
4. Tested the completeness and accuracy of the calculation and billing of value-added service fees.

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

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

1. For the billed amounts, we compared whether there is any difference between the reports generated from the accounting system and the billing system.
2. For the unbilled amounts, we recalculated the service revenue for services provided as of the balance sheet date based on the applied charge rates to confirm the accuracy of the amounts.

##### Other Matter

We have also audited the parent company only financial statements of Far EastTone Telecommunications Co., Ltd. as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion.

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

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

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

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

### Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

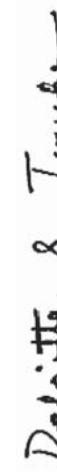
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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



Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 25, 2021

### Notice to Readers

The accompanying 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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

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

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

	2020		2019	
	Amount	%	Amount	%
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4, 6 and 34)	\$ 5,713,875	3	\$ 7,874,817	6
Financial assets at fair value through profit or loss - current (Notes 4, 33 and 34)	690,639	-	629,338	-
Financial assets at amortized cost - current (Notes 4, 8 and 34)	856,480	1	485,587	-
Contract assets - current (Notes 4 and 24)	4,840,684	3	4,186,206	3
Notes receivable, net (Notes 4 and 9)	20,446	-	517,177	-
Accounts receivable, net (Notes 4, 9 and 34)	8,081,801	5	7,896,860	6
Inventories (Notes 4 and 10)	3,116,812	2	2,968,819	2
Prepaid expenses	823,266	-	826,392	1
Other financial assets - current (Notes 4, 34 and 35)	760,953	-	1,725,496	1
Other current assets (Notes 4, 24 and 34)	247,501	-	146,525	-
Total current assets	<u>25,152,457</u>	<u>14</u>	<u>27,257,217</u>	<u>19</u>
<b>NONCURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4, 7 and 33)	809,560	-	447,735	-
Investments accounted for using the equity method (Notes 4, 12 and 34)	1,681,518	1	1,519,761	1
Contract assets - noncurrent (Notes 4 and 24)	3,221,916	2	2,333,037	2
Property, plant and equipment, net (Notes 4, 13, 34 and 35)	38,205,535	22	36,257,748	27
Right-of-use assets (Notes 4, 14 and 34)	8,633,704	5	8,312,232	6
Investment properties (Notes 4 and 15)	838,564	1	983,635	1
Concessions, net (Notes 1, 4 and 16)	75,032,771	43	35,852,369	27
Goodwill (Notes 4, 16 and 28)	11,176,831	6	11,176,831	8
Other intangible assets (Notes 4 and 16)	3,180,169	2	3,505,317	3
Deferred income tax assets (Notes 4 and 26)	835,461	1	822,228	1
Incremental costs of obtaining a contract - noncurrent (Notes 4 and 24)	3,490,644	2	3,398,107	3
Other noncurrent assets (Notes 4, 9, 17, 22, 34 and 35)	1,170,190	1	2,296,719	2
Total noncurrent assets	<u>148,276,863</u>	<u>86</u>	<u>106,905,719</u>	<u>81</u>
<b>TOTAL</b>	<u>\$ 173,429,320</u>	<u>100</u>	<u>\$ 134,162,936</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 4 and 18)	\$ 377,764	-	\$ 490,000	-
Short-term bills payable (Notes 4 and 18)	389,715	-	354,635	-
Contract liabilities - current (Notes 4 and 24)	2,190,246	1	2,040,678	2
Notes payable	12,561	-	19,563	-
Accounts payable (Note 34)	6,366,459	4	5,040,089	4
Other payables (Note 20)	6,136,912	4	6,096,770	5
Current tax liabilities (Note 4)	2,630,252	1	1,478,938	1
Provisions - current (Notes 4 and 21)	184,512	-	180,249	-
Lease liabilities - current (Notes 4, 14 and 34)	2,758,815	2	2,753,214	2
Current portion of long-term borrowings (Notes 4 and 19)	-	-	2,499,356	2
Other current liabilities (Notes 20 and 34)	1,032,311	1	1,178,723	1
Total current liabilities	<u>22,079,547</u>	<u>13</u>	<u>22,132,215</u>	<u>17</u>
<b>NONCURRENT LIABILITIES</b>				
Contract liabilities - noncurrent (Notes 4 and 24)	189,322	-	210,600	-
Bonds payable (Notes 4 and 19)	33,771,854	20	27,772,106	21
Long-term borrowings (Notes 4 and 18)	39,734,159	23	4,400,000	3
Provisions - noncurrent (Notes 4 and 21)	1,049,170	1	961,398	1
Deferred income tax liabilities (Notes 4 and 26)	2,173,850	1	2,173,100	2
Lease liabilities - noncurrent (Notes 4, 14 and 34)	5,397,645	3	5,146,503	4
Net defined benefit liabilities - noncurrent (Notes 4 and 22)	509,089	-	486,495	-
Guarantee deposits received - noncurrent	269,462	-	274,099	-
Other noncurrent liabilities	8,013	-	-	-
Total noncurrent liabilities	<u>83,102,564</u>	<u>48</u>	<u>41,424,301</u>	<u>31</u>
Total liabilities	<u>105,182,111</u>	<u>61</u>	<u>63,556,516</u>	<u>48</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF FAR EASTONE</b>				
Capital stock				
Common stock	<u>32,585,008</u>	<u>19</u>	<u>32,585,008</u>	<u>24</u>
Capital surplus	<u>5,701,421</u>	<u>3</u>	<u>5,820,041</u>	<u>4</u>
Retained earnings				
Legal reserve	20,299,484	11	19,425,986	15
Special reserve	598,988	-	606,730	-
Unappropriated earnings	8,228,676	5	11,322,981	8
Total retained earnings	<u>29,127,148</u>	<u>16</u>	<u>31,355,697</u>	<u>23</u>
Other equity	<u>(99,883)</u>	<u>-</u>	<u>3,209</u>	<u>-</u>
Total equity attributable to owners of Far EasTone	<u>67,313,694</u>	<u>38</u>	<u>69,763,955</u>	<u>51</u>
<b>NONCONTROLLING INTERESTS</b>				
Total equity	<u>933,515</u>	<u>1</u>	<u>842,465</u>	<u>1</u>
<b>TOTAL</b>	<u>\$ 173,429,320</u>	<u>100</u>	<u>\$ 134,162,936</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  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2020	% Amount	2019	% Amount
OPERATING REVENUE (Notes 4, 24 and 34)	\$ 79,500,965	100	\$ 83,865,872	100
OPERATING COSTS (Notes 4, 10, 25 and 34)	<u>53,567,102</u>	<u>67</u>	<u>57,109,348</u>	<u>68</u>
GROSS PROFIT	<u>25,933,863</u>	<u>33</u>	<u>26,756,524</u>	<u>32</u>
OPERATING EXPENSES (Notes 4, 25 and 34)				
Marketing	9,981,804	13	9,645,456	12
General and administrative	4,623,619	6	4,916,643	6
Expected credit losses	<u>290,741</u>	<u>-</u>	<u>268,947</u>	<u>-</u>
Total operating expenses	<u>14,806,164</u>	<u>19</u>	<u>14,831,046</u>	<u>18</u>
OPERATING INCOME	<u>11,037,699</u>	<u>14</u>	<u>11,925,478</u>	<u>14</u>
NONOPERATING INCOME AND EXPENSES (Notes 4, 25, 33 and 34)				
Other income	188,607	-	160,844	-
Other gains and losses	271,543	-	131,455	-
Financial costs	(694,520)	-	(513,698)	-
Share of the gains of associates and intangible assets	138,707	-	86,929	-
Losses on disposal of property, plant and equipment	<u>(749,568)</u>	<u>(1)</u>	<u>(779,489)</u>	<u>(1)</u>
Total nonoperating income and expenses	<u>(845,231)</u>	<u>(1)</u>	<u>(913,959)</u>	<u>(1)</u>
INCOME BEFORE INCOME TAX	10,192,468	13	11,011,519	13
INCOME TAX (Notes 4 and 26)	<u>1,747,846</u>	<u>2</u>	<u>2,203,776</u>	<u>3</u>
NET INCOME	<u>8,444,622</u>	<u>11</u>	<u>8,807,743</u>	<u>10</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4 and 23)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(32,521)	-	13,514	-
Unrealized (losses) gains on investments in equity instruments designated as at fair value through other comprehensive income	(122,168)	-	21,248	-
Share of the other comprehensive income of associates accounted for using the equity method	<u>21,057</u>	<u>-</u>	<u>2,953</u>	<u>-</u>
	<u>(133,632)</u>	<u>-</u>	<u>37,715</u>	<u>-</u>

(Concluded)

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

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

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

	2020	% Amount	2019	% Amount
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	\$ (10,814)	-	\$ (13,785)	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method	<u>(8,710)</u>	<u>-</u>	<u>(38,777)</u>	<u>-</u>
Total other comprehensive loss, net of income tax	<u>(2,104)</u>	<u>-</u>	<u>(52,562)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>(135,736)</u>	<u>-</u>	<u>(14,847)</u>	<u>-</u>
NET INCOME ATTRIBUTABLE TO: Owners of Far Eastone Noncontrolling interests	<u>\$ 8,308,886</u>	<u>11</u>	<u>\$ 8,792,896</u>	<u>10</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: Owners of Far Eastone Noncontrolling interests	<u>\$ 90,494</u>	<u>-</u>	<u>\$ 72,759</u>	<u>-</u>
EARNINGS PER SHARE, IN NEW TAIWAN DOLLARS (Note 27)	<u>\$ 8,444,622</u>	<u>11</u>	<u>\$ 8,807,743</u>	<u>10</u>
Basic				
Diluted				

(Continued)

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Equity Attributable to Owners of Far Eastone						Other Equity (Notes 4 and 123)					
	Capital Stock (Notes 4 and 23)	Capital Surplus (Notes 4 and 23)	Legal Reserve (Notes 4 and 23)	Retained Earnings	Unappropriated Earnings (Notes 4, 23 and 30)	Special Reserve (Note 23)	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	Gains (Losses) on Hedging Instruments	Total	Non-controlling Interests (Notes 4, 23, 28, 29 and 30)	Total Equity
BALANCE AT JANUARY 1, 2019	\$ 32,585,008	\$ 5,820,041	\$ 18,487,851	\$ 626,328	\$ 15,766,913	\$ 4,197	\$ 808	\$ 26,352	\$ 73,317,498	\$ 718,685	\$ 74,036,183	
Effects of retrospective application and retrospective restatement												
<b>BALANCE AT JANUARY 1, 2019 AS RESTATED</b>	<b>32,585,008</b>	<b>5,820,041</b>	<b>18,487,851</b>	<b>626,328</b>	<b>15,712,159</b>	<b>4,197</b>	<b>808</b>	<b>26,352</b>	<b>73,262,744</b>	<b>718,125</b>	<b>73,980,869</b>	
Appropriation of the 2018 earnings												
Legal reserve	-	-	938,135	(19,598)	(938,135)	-	-	-	-	-	-	-
Special Reserve	-	-	-	-	(12,219,378)	-	-	-	(12,219,378)	-	-	(12,219,378)
Cash dividends - NT\$3.75 per share	-	-	-	-	-	-	-	-	-	-	-	(11,276)
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(11,276)
Net income for the year ended December 31, 2019	-	-	-	-	8,734,984	-	-	-	8,734,984	-	-	8,807,743
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	(13,753)	(13,914)	24,372	(38,606)	(14,395)	(452)	(452)	(14,847)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	133,333
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(70,024)
<b>BALANCE AT DECEMBER 31, 2019</b>	<b>32,585,008</b>	<b>5,820,041</b>	<b>19,425,986</b>	<b>606,730</b>	<b>11,322,981</b>	<b>(9,717)</b>	<b>25,180</b>	<b>(12,254)</b>	<b>69,763,955</b>	<b>842,465</b>	<b>70,606,420</b>	
Appropriation of the 2019 earnings												
Legal reserve	-	-	873,498	(7,742)	(873,498)	-	-	-	-	-	-	-
Special Reserve	-	-	-	-	(10,456,529)	7,742	-	-	(10,456,529)	-	-	(10,456,529)
Cash dividends - NT\$3.209 per share	-	-	(133,599)	-	-	-	-	-	(133,599)	-	-	(133,599)
Cash dividends from capital surplus - NT\$0.041 per share	-	-	-	-	-	-	-	-	-	-	-	-
Changes in equity from investments in associates accounted for using the equity method	-	14,979	-	-	(8,499)	-	-	-	-	6,480	-	6,480
Net income for the year ended December 31, 2020	-	-	-	-	8,354,128	-	-	-	-	8,354,128	90,494	8,444,622
Other comprehensive (loss) income for the year ended December 31, 2020	-	-	-	-	(32,430)	(10,881)	(101,111)	8,900	(135,522)	(214)	(214)	(135,736)
Change in ownership interest of a subsidiary	-	-	-	-	(85,219)	-	-	-	(85,219)	85,219	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(84,449)	(84,449)	(84,449)
<b>BALANCE AT DECEMBER 31, 2020</b>	<b>\$ 32,585,008</b>	<b>\$ 5,701,421</b>	<b>\$ 20,299,484</b>	<b>\$ 598,988</b>	<b>\$ 8,228,676</b>	<b>\$ (20,598)</b>	<b>\$ (75,931)</b>	<b>\$ (3,354)</b>	<b>\$ 67,313,694</b>	<b>\$ 933,515</b>	<b>\$ 68,247,209</b>	

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

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

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

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 10,192,468	\$ 11,011,519
Adjustments for:		
Depreciation	11,647,403	13,382,243
Amortization	1,052,571	1,008,140
Amortization of concessions	3,861,598	2,835,884
Expected credit losses	290,741	268,947
Net gains on fair value changes of financial assets at fair value through profit or loss	(61,301)	(47,325)
Financial costs	694,520	513,698
Interest income	(66,543)	(83,365)
Dividend income	(60,768)	(9,932)
Share of the gains of associates	(138,707)	(86,929)
Losses on disposal of property, plant and equipment and intangible assets	749,568	779,489
Impairment loss on nonfinancial assets	1,510	-
Reversal of write-down of inventories	(41,344)	(12,353)
(Gains) losses on changes in fair value of investment properties	(38,230)	8,911
Gains on modifications of lease arrangements	(1,064)	(1,062)
Losses on disposal of a subsidiary	-	773
Net changes in operating assets and liabilities	-	150,885
Financial assets at fair value through profit or loss	-	1,868
Financial assets for hedging	(1,543,357)	(1,221,316)
Contract assets	50,440	(16,145)
Notes receivable	(504,796)	(52,537)
Accounts receivable	(106,649)	845,339
Inventories	3,126	(214,210)
Prepaid expenses	(102,101)	(21,376)
Other current assets	(92,537)	(1,595,944)
Incremental costs of obtaining a contract	128,290	(262,490)
Contract liabilities	(7,002)	(4,477)
Notes payable	1,334,383	503,917
Accounts payable	(446,530)	(477,589)
Other payables	(2,531)	(10,141)
Provisions	(44,232)	(719,100)
Other current liabilities	(17,794)	(158,278)
Net defined benefit liabilities	26,731,132	26,316,844
Cash generated from operations	86,878	64,234
Interest received	60,768	9,932
Dividends received	(665,105)	(459,763)
Interest paid	(167,600)	(4,457,471)
Income taxes paid	26,046,073	21,473,776
Net cash generated from operating activities	<u>24,394,465</u>	<u>(9,849,164)</u>
<b>EFFECT OF EXCHANGE RATE CHANGES</b>		
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>197</u>	<u>(3,306)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>7,874,817</u>	<u>4,248,345</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 5,713,875</u>	<u>\$ 7,874,817</u>

(Continued)

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 YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

### 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 (also known as the Taipei Exchange, TPEX) of the ROC on December 10, 2001, but later ceased trading on the TPEx and transferred listing of its stock on the Taiwan Stock Exchange (TWSE) on August 24, 2005. Far EastOne provides wireless communications, internet and international simple resale (ISR) services and also sells cellular phone equipment and accessories. As of December 31, 2020 and 2019, Far Eastern New Century Corporation ("Far Eastern New Century") and its affiliates directly and indirectly owned 38.28% of Far EastOne's stock. Since Far Eastern New Century and its subsidiaries have the power to cast the majority of votes at the board of directors' meeting of Far EastOne, Far Eastern New Century has control over Far EastOne's finance, operations and personnel affairs. Thus, Far Eastern New Century is the ultimate parent company of Far EastOne.

Far EastOne provides second-generation (2G) wireless communications services under type I licenses issued by the Directorate General of Telecommunications (DGT) of the ROC. These licenses allowed Far EastOne to provide services for 15 years starting from 1997. The National Communications Commission (NCC) approved the renewal of the licenses when they were due. However, 2G wireless communications services were terminated on June 30, 2017. In 1997, the DGT also issued Far EastOne a type II license to provide internet and ISR services until December 2021. Through the completion of the merger with Yuan-Ze Telecommunications Co., Ltd. on May 2, 2005, Far EastOne acquired a third-generation (3G) wireless communications license, which was issued by the DGT and was valid through December 31, 2018. For long-term business development, on October 30, 2013, 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 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 approved by the board of directors of Far EastOne on February 25, 2021.

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

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

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

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

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9", Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"	Effective immediately upon promulgation by the IASB January 1, 2021
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.	
c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC	

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

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

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

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

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

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

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

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

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

##### Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments and investment properties that are measured at fair value, and net defined benefit 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:

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

##### Classification of Current and Noncurrent Assets and Liabilities

Current assets include:

- Assets held primarily for the purpose of trading;
- Assets expected to be realized within 12 months after the reporting period; and

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

Current liabilities include:

- Liabilities held primarily for the purpose of trading;
- Liabilities due to be settled within 12 months after the reporting period; and
- Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

##### Basis of Consolidation

The consolidated financial statements incorporate the financial statements of Far EastTone and the entities controlled by Far EastTone (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 EastTone.

All intragroup transactions, balances, income and expenses are eliminated in full upon consolidation.

Total comprehensive income of subsidiaries is attributed to the owners of Far EastTone 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 EastTone.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Group directly disposed of the related assets or liabilities.

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

##### Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any noncontrolling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Noncontrolling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at fair value.

#### Foreign Currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge against certain foreign currency risks.

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

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

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

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

In relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to the noncontrolling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

#### Inventories

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

#### Investments in Associates

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

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

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

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

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

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

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

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

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

#### Property, Plant and Equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

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

The depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effects of any changes in estimates accounted for on a prospective basis.

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

#### Investment Properties

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

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

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

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

#### Goodwill

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

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

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

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

**Intangible Assets**

- Intangible assets acquired separately

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

- Intangible assets acquired in a business combination

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

- Derecognition of intangible assets

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

#### Assets Related to Contract Costs

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

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

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

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

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

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

#### **Financial Instruments**

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

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

##### a) Financial assets

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

###### 1) Measurement category

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

###### a) Financial assets at FVTPL

A financial asset is classified as at FVTPL when the financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include mutual funds held by the Group.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on the financial asset. Fair value is determined in the manner described in Note 33.

###### b) Financial assets at amortized cost

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

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

- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, accounts receivable at amortized cost and other financial assets, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.
- Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

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

- A financial asset is credit impaired when one or more of the following events have occurred:
- i. Significant financial difficulty of the issuer or the borrower;
  - ii. Breach of contract, such as a default;
  - iii. It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
  - iv. The disappearance of an active market for that financial asset because of financial difficulties.

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

###### c) Investments in equity instruments at FVTOCI

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

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

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

## 2) Impairment of financial assets and contract assets

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

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

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

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

- Internal or external information show that the debtor is unlikely to pay its creditors.
- When a financial asset is more than 120 days past due, unless the Group has reasonable and corroborative information to support a more lagged default criterion.

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

## 3) Derecognition of financial assets

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

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

## b. Equity instruments

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

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

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

## c. Financial liabilities

### 1) Subsequent measurement

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

### 2) Derecognition of financial liabilities

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

### d. Derivative financial instruments

The Group uses a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange swap contracts.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of the derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of the derivative financial instrument is negative, the derivative is recognized as a financial liability.

## Hedge Accounting

The Group designates certain hedging instruments, which include derivatives, as fair value hedges.

### Fair value hedges

Gains or losses on derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in profit or loss in the line item relating to the hedged item.

The Group discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised.

## Provisions

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

### a. Decommissioning, restoration and similar liabilities

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

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

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

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

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

b. Warranties

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

**Revenue Recognition**

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

Revenue from the sale of goods comes from sales of mobile telecommunication devices and accessories and internet sales of goods. Sales of mobile telecommunication devices and accessories are recognized as revenue when the goods are delivered to the customer because that is the time when the customer obtains control of the goods and bears the risks of obsolescence. Accounts receivable are recognized concurrently. For internet sales of goods, revenue is recognized when the goods are delivered to the customer's specific location. When the customer initially purchases the goods online, the transaction price received is recognized as a contract liability until the goods have been delivered to the customer.

Telecommunications service revenue from fixed network services, cellular services and interconnection and call transfer fees from other telecommunications companies and carriers are billed in arrears and are recognized based upon minutes of traffic processed when the services are provided in accordance with contract terms. Telecommunications service revenue is recognized as follows: (a) monthly fees are recognized as income when services are rendered at the amount allocated from the transaction price of the related contracts on a relative stand-alone selling price basis, and (b) prepaid and recharge services are recognized as income based upon actual usage by customers. As the Group provides telecommunication value-added services, the customer simultaneously receives and consumes the benefits provided by the Group's satisfaction of performance obligations. Consequently, related revenue is recognized when services are rendered.

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

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

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

**Leases**

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

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

a. The Group as lessor

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

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

b. The Group as lessee

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

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

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term resulting in a change in future lease payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by: (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the consolidated balance sheets.

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

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

#### Borrowing Costs

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

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

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

#### Government Grants

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

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

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

#### Employee Benefits

##### a. Short-term employee benefits

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

##### b. Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and gains and losses on settlements) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur or when the settlement occurs. Remeasurement, comprising actuarial gains and losses and the return on

plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

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

#### c. Termination benefits

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

#### Taxation

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

##### a. Current tax

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

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

##### b. Deferred tax

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

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

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

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

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

- c. Current and deferred taxes
  - Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.
- Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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

### UNCERTAINTY

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

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

#### Critical Accounting Judgments

##### Lease terms

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

### Key Sources of Estimation Uncertainty

- a. Estimated impairment of financial assets

The provision for impairment of accounts receivable is based on assumptions about the risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 9. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

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

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

### c. Impairment of goodwill

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

- d. Income tax

As of December 31, 2020 and 2019, the realizability of the deferred tax assets (liabilities) mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets (liabilities) may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

## 6. CASH AND CASH EQUIVALENTS

	December 31	2019
	2020	2019
Cash on hand	\$ 10,444	\$ 11,650
Checking and demand deposits	5,335,282	5,091,170
Cash equivalents		
Commercial paper purchased under resale agreements	226,803	2,674,812
Certificates of deposits	141,346	97,185
	<u>\$ 5,713,875</u>	<u>\$ 7,874,817</u>

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

	December 31	2019
	2020	2019
Noncurrent		
Investments in equity instruments at FVTOCI	\$ 809,560	\$ 447,735

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

	December 31	2019
	2020	2019
Current		
Certificates of deposits with original maturities of more than 3 months	\$ 856,480	\$ 485,587

## 9. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	<u>December 31</u>	<u>2019</u>
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 20,446	\$ 517,177
Less: Allowance for impairment loss	<u>20,446</u>	<u>517,177</u>
	<u>\$ 20,446</u>	<u>\$ 517,177</u>
Notes receivable - operating		
Notes receivable - non-operating	\$ 20,446	\$ 70,886
Less: Allowance for impairment loss	<u>-</u>	<u>446,291</u>
	<u>\$ 20,446</u>	<u>\$ 517,177</u>
<u>Accounts receivable (including noncurrent portions)</u>		
At amortized cost		
Gross carrying amount	\$ 8,951,670	\$ 8,683,994
Less: Allowance for impairment loss	(725,460)	(679,136)
Less: Unrealized interest income	(8,862)	(7,873)
Less: Unearned finance income	<u>(5,949)</u>	<u>-</u>
	<u>\$ 8,211,399</u>	<u>\$ 7,996,985</u>

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

	<u>December 31</u>	<u>2019</u>
<u>Gross amount of installment accounts receivable</u>		
Allowance for impairment loss	\$ 152,552	\$ 130,025
Unrealized interest income	<u>(3,483)</u>	<u>(7,873)</u>
	<u>\$ 140,207</u>	<u>\$ 122,152</u>
Current	\$ 52,099	\$ 22,027
Noncurrent	88,108	100,125
	<u>\$ 140,207</u>	<u>\$ 122,152</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 finance lease were as follows:

	<u>December 31,</u>	<u>2020</u>	<u>2019</u>
Gross amount of finance lease receivables			
Unearned finance income		\$ 53,841	\$ (5,949)
		<u>\$ 47,892</u>	<u>-</u>
<u>Undiscounted lease payments</u>			
Year 1		\$ 7,976	\$ 7,976
Year 2		7,976	7,976
Year 3		7,976	7,976
Year 4		7,976	7,976
Year 5		13,961	13,961
Year 6 onwards		53,841	(5,949)
		<u>\$ 47,892</u>	<u>-</u>
Less: Unearned finance income			
Less: Allowance for impairment loss		\$ 6,402	\$ 41,490
Finance lease receivables		<u>\$ 47,892</u>	<u>-</u>
Current			
Noncurrent			

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

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

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

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

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

The Group's expected credit loss rate ranges of receivables which were not overdue and receivables which were overdue were 0.05%-7.00% and 6.5%-10.0%, respectively.

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

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)	(467,264)	(60,229)	(197,967)	(725,460)	
Amortized cost	<u>\$ 7,563,853</u>	<u>\$ 495,918</u>	<u>\$ 172,074</u>	<u>\$ 8,231,845</u>	
<u>December 31, 2019</u>					
	Not Overdue	Overdue Up to 60 Days	Overdue 61 Days or More	Total	
Gross carrying amount	\$ 8,070,798	\$ 813,239	\$ 309,261	\$ 9,193,298	
Loss allowance (lifetime ECLs)	(362,150)	(90,843)	(226,143)	(679,136)	
Amortized cost	<u>\$ 7,708,648</u>	<u>\$ 722,396</u>	<u>\$ 83,118</u>	<u>\$ 8,514,162</u>	

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

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 679,136	\$ 632,681
Add: Acquisitions through business combinations	-	5,205
Add: Amounts recovered	196,717	158,117
Add: Net remeasurement of loss allowance	290,741	268,947
Less: Amounts written off	(440,775)	(385,545)
Foreign exchange gains and losses	(339)	(269)
Balance at December 31	<u>\$ 725,460</u>	<u>\$ 679,136</u>

#### Sale of Overdue Accounts Receivable

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

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

	Proceeds from the Sale of Accounts Receivable (Excluding Value-added Tax)	Amount of Accounts Receivable Sold
<u>December 31, 2020</u>		
Counterparty		
Chenxu Enterprise Management Consultants Co., Ltd.	\$ 554,240	\$ 38,816
<u>2019</u>		
Good Management Consultant Co., Ltd.	\$ 1,199,682	\$ 86,190

#### 10. INVENTORIES

	2020	2019
Cellular phone equipment and accessories	\$ 2,663,920	\$ 2,518,999
Others	452,892	449,820
	<u>\$ 3,116,812</u>	<u>\$ 2,968,819</u>

Costs of inventories sold were \$24,189,248 thousand and \$27,553,926 thousand for the years ended December 31, 2020 and 2019, respectively.

The reversal of write-down of inventories amounting to \$41,344 thousand and \$12,353 thousand were included in the cost of sales for the years ended December 31, 2020 and 2019, respectively.

## 11. SUBSIDIARIES

### Subsidiaries Included in the Consolidated Financial Statements

Main businesses and percentages of ownership are shown as follows:

Investor Company	Investee Company	Main Businesses and Products	Percentage of Ownership (%)		Note
			December 31 2020	2019	
Far EastTone	NCIC ARCOA	Telecommunications services Sales of communications products and office equipment	100.00 61.63	100.00 61.63	
KCEcom YSDT	Yuan Cing FEIS	Telecommunications services Electronic information services Call center services Investment Electronic information services	99.99 96.18 100.00 100.00	99.99 86.41 100.00 100.00	
Yuan Bao		Data processing services and electronic information services Property insurance agent Computer software, data processing and network information services	100.00	100.00	Disposed of on April 30, 2019
FEPLA FETI			100.00	-	41.67
FEIS	ISSDU	Security and monitoring service via Internet	100.00	100.00	Dissolved in 2020 with the approval of the local government
NCIC	DU (Cayman) New Diligent YSDT Prime Ecopower Nextthink Technology FEND Sino lead New Diligent Hong Kong FETI	Investment Electronic information services Energy technology services Electronic information services Investment Telecommunications services Investment Computer software, data processing and network information services	100.00 100.00 100.00 100.00 100.00 100.00	100.00 0.67 2.40 100.00 70.00 100.00	
New Diligent	FEND		100.00	100.00	
DU (Cayman)	DUTT	Design, research, installation and maintenance of computer software and systems	100.00	100.00	
ARCOA DataExpress	DataExpress Linkwell	Sale of communications products Sale of communications products	70.00 -	70.00 100.00	Dissolved on April 1, 2020 due to the merger with DataExpress
Nextlink Technology	Home Master Microfusion Technology Nextlink (HK) Technology Microfusion Technology (HK) Microfusion Technology (HK)	Sale of communications products Electronic information services Electronic information services Electronic information services Electronic information services	100.00 100.00 100.00 100.00	100.00 100.00 100.00 - - -	Dissolved in 2019 with the approval of the local government

Investments in Associates	December 31		Main Place of Business	Interests and Voting Rights		
	2020	2019		2020	2019	
Material associate						
Far Eastern Electronic Toll Collection Co., Ltd.	\$ 1,269,488 412,030	\$ 1,051,441 468,320				
	<u>\$ 1,681,518</u>	<u>\$ 1,519,761</u>				
All of the investments in associates listed in the table above were accounted for using the equity method.						
The Group is the largest single stockholder of Far Eastern Electronic Toll Collection Co., Ltd. (FETC) with 39.42% of voting rights in 2020 and 2019, and was the largest single stockholder of Yuan Hsin Digital Payment Co., Ltd. (YHDP) with 30% of voting rights in 2019. The holdings of the other stockholders of FETC and YHDP are not widely dispersed. Despite having the largest holdings, the Group cannot direct the relevant activities of 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.						
a. Material associates						
Far Eastern Electronic Toll Collection Co., Ltd.	Taiwan	39.42%	39.42%			

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

Name of Associate	Nature of Activities		Main Place of Business	Interests and Voting Rights	
	2020	2019		2020	2019
Far Eastern Electronic Toll Collection Co., Ltd.	Electronic information services and electronic toll collection services		Taiwan	39.42%	39.42%

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 EastTone's board of directors resolved in May 2020 that Far EastTone would subscribe for the new common stock issued by YSDT with a total subscription amount of \$800,000 thousand.

**For the Year Ended December 31**

**2020**

**2019**

	Operating revenue	\$ 2,221,644
\$ 2,359,425		
\$ 541,492	\$ 420,815	
31,307	(90,443)	
<b>Total comprehensive income for the year</b>	<b>\$ 572,799</b>	<b>\$ 330,372</b>

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 judgement in FETC's favor. The TANFB filed an appeal on November 9, 2018. The High Court overruled the TANFB's appeal on June 11, 2019, and on July 8, 2019, the TANFB filed another appeal to the Supreme Court. On January 21, 2021, the Supreme Court reversed the original judgment made by the High Court on June 11, 2019 and remanded the case to the High Court; the case is currently under trial in the High Court.

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

b. Aggregate information of associates that are not individually material

**For the Year Ended December 31**

**2020**

**2019**

\$ (67,000)	\$ (77,605)
4,229	(174)
<b>\$ (.62,771)</b>	<b>\$ (77,779)</b>

The Group's share of:

Net loss for the year

Other comprehensive income (loss)

Total comprehensive loss for the year

**13. PROPERTY, PLANT AND EQUIPMENT**

	Freehold Land	Buildings	Operating Equipment	Computer Equipment	Other Equipment	Construction-in-progress	Total
<b>Cost</b>							
Balance at January 1, 2020	\$ 7,034,392	\$ 7,980,284	\$ 81,405,422	\$ 14,075,672	\$ 6,427,921	\$ 2,445,310	\$ 119,373,000
Additions	-	6,038	(139,733)	3,696	9,164	105,874	10,644,735
Deposits	15,706	-	(53,416)	(53,416)	(53,416)	(53,416)	(46,600)
Adjustments and reclassification	-	1,801,688	-	(3,747,566)	(3,747,566)	-	(11,193,282)
Balance at December 31, 2020	\$ 7,191,089	\$ 9,648,177	\$ 85,563,498	\$ 13,010,984	\$ 6,670,501	\$ 2,541,023	\$ 121,555,020
Accumulated depreciation and impairment	-	-	-	-	-	-	-
Balance at January 1, 2020	\$ (95,894)	\$ (4,267,375)	\$ (59,881,952)	\$ (12,996,513)	\$ (5,873,519)	\$ -	\$ (81,115,253)
Depreciation expense	-	(239,888)	(652,1574)	(61,388)	(270,245)	-	(80,921,995)
Deposits	97,304	-	2,981,106	511,400	511,400	-	3,818,233
Balance at December 31, 2020	\$ (95,894)	\$ (4,309,530)	\$ (63,605,901)	\$ (13,096,501)	\$ (5,841,901)	\$ -	\$ (87,349,995)
Carrying amount at December 31, 2020	\$ 7,085,514	\$ 24,284,948	\$ 21,747,158	\$ 820,483	\$ 738,501	\$ 2,541,023	\$ 138,205,535

(Continued)

**For the Year Ended December 31**

**2020**

**2019**

Additions to right-of-use assets	\$ 4,178,905	\$ 3,644,436
Depreciation charge for right-of-use assets		
Land	\$ 360	\$ -
Buildings	3,464,539	3,512,282
Other equipment	129,509	133,955
	<u>\$ 3,594,408</u>	<u>\$ 3,646,237</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 2020 and 2019.

b. Lease liabilities

**December 31**

**2020**

**2019**

Carrying amounts	\$ 2,758,815	\$ 2,753,214
Current	<u>\$ 5,397,645</u>	<u>\$ 5,146,502</u>

Discount rate ranges for lease liabilities were as follows:

**December 31**

**2020**

**2019**

Land	0.62%	-
Buildings	0.53%-1.44%	0.71%-1.44%
Other equipment	0.53%-0.99%	0.71%-0.99%

c. Material lease activities and terms

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 2 to 20 years. The Group does not have bargain purchase options to acquire the land, buildings and equipment at the end of the lease terms.

d. Other lease information

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

**For the Year Ended December 31**

**2020**

**2019**

Expenses relating to short-term leases	\$ 65,769	\$ 15,622
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 33,455</u>	<u>\$ 41,932</u>
Total cash outflow for leases	<u>\$ (3,727,798)</u>	<u>\$ (3,687,138)</u>

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

**15. INVESTMENT PROPERTIES**

	Investment Properties
Land	\$ 983,635
Buildings	(183,301)
Other equipment	38,230
	<u>\$ 838,564</u>
Balance at January 1, 2020	
Reclassified to property, plant and equipment	
Gains on changes in fair value of investment properties	
Balance at December 31, 2020	
Balance at January 1, 2019	
Losses on changes in fair value of investment properties	
Balance at December 31, 2019	
	<u>\$ 983,635</u>

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

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

	December 31	2019
Year 1	\$ 13,803	\$ 21,514
Year 2	10,250	15,135
Year 3	4,576	8,827
Year 4	93	3,178
Year 5	-	75
Year 6 onwards	-	-
	<u>\$ 28,722</u>	<u>\$ 48,729</u>

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

	December 31	2019
Independent valuation	<u>\$ 838,564</u>	<u>\$ 983,635</u>

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

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

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Expected future cash inflows	\$ 1,048,890	\$ 1,285,832
Expected future cash outflows	(31,212)	(33,976)
<b>Expected future cash inflows, net</b>	<b>\$ 1,017,678</b>	<b>\$ 1,251,856</b>
Discount rate	2.01% <sup>a</sup> -2.29%	2.00%-2.29%

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

All of the investment properties have been leased out under operating leases. The rental incomes generated for the years ended December 31, 2020 and 2019 were \$20,247 thousand and \$24,409 thousand, respectively.

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

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

## 16. INTANGIBLE ASSETS

	<b>Cost</b>	<b>Concessions</b>	<b>Goodwill</b>	<b>Computer Software</b>	<b>Other Intangible Assets</b>	<b>Total</b>
Balance at January 1, 2020	\$ 46,960,000	\$ 11,194,104	\$ 17,830,546	\$ 852,527	\$ 76,837,177	\$ 76,837,177
Additions	43,042,000	-	(27,900)	-	-	43,770,937
Disposals	(33,976)	-	-	-	-	(27,900)
<b>Balance at December 31, 2020</b>	<b>\$ 90,002,000</b>	<b>\$ 11,194,104</b>	<b>\$ 18,531,583</b>	<b>\$ 832,527</b>	<b>\$ 120,580,214</b>	
Accumulated amortization and impairment						
Balance at January 1, 2020	\$ (11,107,631)	\$ (17,273)	\$ (14,687,183)	\$ (490,573)	\$ (26,302,660)	\$ (26,302,660)
Amortization	(3,861,598)	-	(993,587)	(58,984)	-	(49,141,69)
Impairment loss	-	-	27,896	-	-	27,896
<b>Balance at December 31, 2020</b>	<b>\$ (14,969,229)</b>	<b>\$ (17,273)</b>	<b>\$ (15,654,384)</b>	<b>\$ (549,557)</b>	<b>\$ (31,190,443)</b>	
Carrying amount at December 31, 2020	<u>\$ 75,032,771</u>	<u>\$ 11,176,831</u>	<u>\$ 2,877,199</u>	<u>\$ 302,970</u>	<u>\$ 89,389,771</u>	
Cost						
Balance at January 1, 2019	\$ 57,129,000	\$ 10,823,401	\$ 17,800,539	\$ 738,727	\$ 86,491,667	\$ 86,491,667
Additions	-	-	769,123	-	769,123	769,123
Disposals	(10,169,000)	-	(742,140)	-	-	(10,911,140)
Acquisition through business combinations	-	370,703	3,113	113,800	-	487,616
Effect of disposal of a subsidiary	-	-	(156)	-	-	(156)
Reclassification	-	-	67	-	-	67
<b>Balance at December 31, 2019</b>	<b>\$ 46,960,000</b>	<b>\$ 11,194,104</b>	<b>\$ 17,830,546</b>	<b>\$ 832,527</b>	<b>\$ 76,837,177</b>	
Accumulated amortization and impairment						
Balance at January 1, 2019	\$ (18,440,747)	\$ (17,273)	\$ (14,476,664)	\$ (434,298)	\$ (33,368,982)	\$ (33,368,982)
Amortization	(2,835,884)	-	(51,865)	(56,275)	(3,844,024)	(3,844,024)
Disposals	10,169,000	-	741,914	-	10,910,914	10,910,914
Acquisition through business combinations	-	-	(594)	-	-	(594)
Effect of disposal of a subsidiary	-	-	69	-	-	69
Reclassification	-	-	(43)	-	-	(43)
<b>Balance at December 31, 2019</b>	<b>\$ (11,107,631)</b>	<b>\$ (17,273)</b>	<b>\$ (14,687,183)</b>	<b>\$ (490,573)</b>	<b>\$ (26,302,660)</b>	
Carrying amount at December 31, 2019	<u>\$ 35,822,369</u>	<u>\$ 11,176,831</u>	<u>\$ 3,143,363</u>	<u>\$ 361,954</u>	<u>\$ 50,534,517</u>	

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

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

In order to enhance the Group's operating effectiveness and integrate its telecommunications resources, the Group was divided into four identifiable cash-generating units in 2020 and 2019, which are the mobile telecommunications service business, telecommunications equipment business, integrated network business and cloud service business.

As of December 31, 2020 and 2019 the carrying amount of the property, plant and equipment, right-of-use assets, intangible assets and the incremental costs of obtaining a contract used by the Group was \$139,719,654 thousand and \$98,502,604 thousand, respectively. The Group's management estimated the recoverable amounts of core assets based on their value in use and considered the expected useful lives and thus based the cash flow forecast on the following discount rates as of December 31, 2020 and 2019: Mobile telecommunications service business - 6.72% and 6.87%, respectively; telecommunications equipment business - 7.14% and 6.73%, respectively; integrated network business - 6.92% and 7.76%, respectively; cloud service business - 18.6% and 27.25%, respectively. The operating revenue forecast was based on the expected effective customer base, expected sales and the Group's operating strategies and goals, taking into account the expected future growth rate of the telecom industry along with the projected advancement of the Group's own businesses. The Group's management believes that any reasonable change in the principal assumptions used in the calculation of the recoverable amounts would not result in the carrying amounts exceeding the recoverable amounts. The principal assumptions and the relevant measurement of the recoverable amounts of the Group are summarized as follows:

- a. Expected future growth rate of the Group's own businesses
    - 1) Mobile voice service (MVS): The anticipated MVS is measured based on the actual effective customer base and minutes of usage of previous years, taking into account the market trend.
    - 2) Mobile data service (MDS): The anticipated MDS is measured based on the proportion of MDS to the total telecommunications service revenue of previous years, taking into account the demands and changes of the market.
    - 3) Business of selling cellular phone units: The anticipated sales of cellular phones is based on the historical sales revenue and quantities of previous years, taking into account the market trend.
    - 4) Integrated network business (INB): The anticipated market growth of INB is measured based on the actual effective customer base and service revenue of previous years, taking into account the market trend.
    - 5) Cloud service business (CSB): The anticipated market growth of CSB is measured based on the actual effective customer base and service revenue of previous years, taking into account the market trend.
  - b. Expected ratio of service EBITDA (earnings before interest, taxes, depreciation and amortization) to operating revenue: The expected ratio is anticipated based on the historical ratio of EBITDA to operating revenue, while the possible impacts of revenue, cost and expense are taken into account individually.
- The Group's management believes that any reasonable change in the principal assumptions used in the calculation of the recoverable amounts would not result in the carrying amounts exceeding the recoverable amounts. For the years ended December 31, 2020 and 2019, there was no indication of impairment loss after comparing the recoverable amounts with the carrying amounts of the Group's operating assets and goodwill in accordance with the principal assumptions.

## 17. OTHER NONCURRENT ASSETS

	December 31	2019
	2020	2019
Refundable deposits	\$ 1,021,556	\$ 1,081,584
Others	<u>148,634</u>	<u>1,215,135</u>

\$ 1,170,190      \$ 2,296,719

The deposit for the bidding price amounting to \$1,000,000 thousand used by Far EastTone to bid for a 5G wireless communication license in September 2019 was included in other noncurrent assets on December 31, 2019. In February 2020, the deposit was used to pay for a portion of the bidding price and was reclassified as intangible assets - concessions.

## 18. BORROWINGS

- a. Short-term borrowings

	December 31	2019
	2020	2019
Unsecured borrowings		
Credit loans	<u>\$ 377,764</u>	<u>\$ 490,000</u>
Interest rate range	0.66%-1.65%	1.15%-1.65%
Short-term bills payable		
Commercial papers payable Less: Unamortized discount	<u>\$ 390,000</u> <u>(285)</u>	<u>\$ 355,000</u> <u>(365)</u>
Interest rate range	0.38%-1.59%	1.15%-1.59%
Long-term borrowings		
Unsecured borrowings		
Credit loans	<u>\$ 389,715</u>	<u>\$ 354,635</u>
Long-term commercial papers payable Less: Unamortized discount on commercial papers payable	<u>\$ 27,650,000</u> <u>12,000,000</u> <u>(4,072)</u>	<u>\$ 4,400,000</u> <u>-</u> <u>(4,400,000)</u>
	<u>39,645,928</u>	<u>-</u>

(Continued)

On June 25, 2019, Far EastTone issued the first unsecured domestic bonds of 2019, with an aggregate principal amount of \$5,000,000 thousand and a par value of \$10,000 thousand. The bonds included five-year bonds and seven-year bonds, with principal amounts of \$3,200,000 thousand and \$1,800,000 thousand and with coupon interest rates of 0.75% and 0.81%, respectively. Interest is paid annually starting from the date of issuance and the principal will be repaid in full on the maturity date.

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

In December 2019, Far EastTone repaid \$3,200,000 thousand, the amount due for the 6th unsecured domestic bonds.

On March 16, 2020, Far EastTone 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 EastTone 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 EastTone repaid \$2,500,000 thousand, the amount due for the 4th unsecured domestic bonds.

## 20. OTHER LIABILITIES

	December 31 2020	December 31 2019
<u>Secured borrowings</u>		
Bank loans	\$ 75,535	\$ 12,700
Long-term commercial papers payable	-	(4)
Less: Unamortized discount on commercial papers payable	<u>88,231</u>	-
Long-term borrowings	<u>\$ 39,734,159</u>	<u>\$ 4,400,000</u>
Interest rate range		
Credit loans	0.68%-0.99%	0.75%-1.05%
Unsecured commercial papers payable	0.85%-0.91%	-
Secured bank loans	1.60%-1.70%	-
Secured commercial papers payable	1.70%	-
(Concluded)		
1) The credit loans are payable in New Taiwan dollars. Repayment of principal will be made in full on maturity together with interest payment. Under some contracts, loans are treated as revolving credit facilities, and the maturity dates of the loans are based on the terms as specified in the contracts. The repayment dates of the loans are no later than June 2023.		
2) The commercial papers payable are treated as revolving credit facilities under contracts. The repayment dates of the long-term commercial papers payable are no later than June 2023.		
3) For related information on the property, plant and equipment that have been pledged as collateral for the secured bank loans and commercial papers payable, see Note 35.		
<b>Other payables</b>		
Current		
Other payables		
Salaries and bonuses	\$ 5,198,304	\$ 2,499,356
Acquisition of properties	4,498,076	5,196,626
Commission	4,496,618	4,496,618
Maintenance fees	1,998,135	1,997,627
Compensation of employees and remuneration of directors	2,997,441	2,996,623
Others	4,996,193	4,995,136
	4,995,240	4,994,066
	3,096,037	3,095,410
	4,994,267	-
	998,161	-
	<u>33,771,854</u>	<u>30,271,462</u>
Less: Current portion		
	<u>-</u>	<u>2,499,356</u>
<b>Total</b>	<b>\$ 33,771,854</b>	<b>\$ 27,772,106</b>
<b>Financial Information</b>		
<b>Special Notes</b>		
<b>Review and Analysis of the Financial Condition, Operating Performance and Risk Issues</b>		
<b>Corporate Governance</b>		
<b>Company Profile</b>		
<b>Letter to Shareholders</b>		

	December 31 2020	December 31 2019
<b>Secured borrowings</b>		
Bank loans	-	-
Long-term commercial papers payable	-	-
Less: Unamortized discount on commercial papers payable	<u>(4)</u>	-
Long-term borrowings	<u>\$ 39,734,159</u>	<u>\$ 4,400,000</u>
Interest rate range		
Credit loans	0.68%-0.99%	0.75%-1.05%
Unsecured commercial papers payable	0.85%-0.91%	-
Secured bank loans	1.60%-1.70%	-
Secured commercial papers payable	1.70%	-
(Concluded)		
1) The credit loans are payable in New Taiwan dollars. Repayment of principal will be made in full on maturity together with interest payment. Under some contracts, loans are treated as revolving credit facilities, and the maturity dates of the loans are based on the terms as specified in the contracts. The repayment dates of the loans are no later than June 2023.		
2) The commercial papers payable are treated as revolving credit facilities under contracts. The repayment dates of the long-term commercial papers payable are no later than June 2023.		
3) For related information on the property, plant and equipment that have been pledged as collateral for the secured bank loans and commercial papers payable, see Note 35.		
<b>Bonds Payable</b>		
4th unsecured domestic bonds	\$ 5,198,304	\$ 2,499,356
2016 1st unsecured domestic bonds	4,498,076	5,196,626
2017 1st unsecured domestic bonds	4,496,618	4,496,618
2017 2nd unsecured domestic bonds	1,998,135	1,997,627
2017 3rd unsecured domestic bonds	2,997,441	2,996,623
2018 1st unsecured domestic bonds	4,996,193	4,995,136
2019 1st unsecured domestic bonds	4,995,240	4,994,066
2019 2nd unsecured domestic bonds	3,096,037	3,095,410
2020 1st unsecured domestic bonds	4,994,267	-
2020 2nd unsecured domestic bonds	998,161	-
	<u>33,771,854</u>	<u>30,271,462</u>
Less: Current portion		
	<u>-</u>	<u>2,499,356</u>
<b>Total</b>	<b>\$ 33,771,854</b>	<b>\$ 27,772,106</b>
<b>Financial Information</b>		
<b>Special Notes</b>		
<b>Review and Analysis of the Financial Condition, Operating Performance and Risk Issues</b>		
<b>Corporate Governance</b>		
<b>Company Profile</b>		
<b>Letter to Shareholders</b>		

## 21. PROVISIONS

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Current</u>		
Dismantling obligation	\$ 133,219	\$ 133,304
Product warranty	51,293	46,945
	<u>\$ 184,512</u>	<u>\$ 180,249</u>
<u>Noncurrent</u>		
Dismantling obligation	\$ 1,049,170	\$ 961,398
<b>Dismantling Obligation</b>	<b>Product Warranty</b>	
	\$ 1,094,702	\$ 46,945
94,566	17,355	
(6,879)	(13,007)	
	<u>\$ 1,182,389</u>	<u>\$ 51,293</u>
Balance at January 1, 2020		
Additional provisions recognized		
Reductions arising from payments		
Balance at December 31, 2020		
Additional provisions recognized		
Reductions arising from payments		
Balance at January 1, 2019		
Additional provisions recognized		
Reductions arising from payments		
Balance at December 31, 2019		
Additional provisions recognized		
Reductions arising from payments		

should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

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

	<b>December 31</b>	<b>2020</b>	<b>2019</b>
Present value of defined benefit obligation			
Fair value of plan assets			
	<u>\$ 1,664,823</u>	<u>\$ 1,583,995</u>	<u>\$ 1,111,010</u>
	<u>(1,168,939)</u>	<u>-</u>	<u>-</u>
	<u>\$ 495,884</u>	<u>\$ 472,985</u>	<u>-</u>
Net defined benefit liabilities			
Net defined benefit assets			
	<u>\$ 509,089</u>	<u>\$ 486,495</u>	<u>(13,510)</u>
	<u>(13,205)</u>	<u>-</u>	<u>-</u>
	<u>\$ 495,884</u>	<u>\$ 472,985</u>	<u>-</u>
Movements in net defined benefit liabilities (assets) were as follows:			
Present Value of the Defined Benefit Obligation			
Fair Value of the Plan Assets			
	<u>\$ 1,583,995</u>	<u>\$ 1,111,010</u>	<u>\$ 472,985</u>
Balance at January 1, 2020			
Service cost			
Prior service cost			
Net interest expense (income)			
Recognized in profit or loss			
Remeasurement			
Return on plan assets (excluding amounts included in net interest)			
Actuarial loss - changes in demographic assumptions			
Actuarial loss - changes in financial assumptions			
Actuarial loss - experience adjustments			
Recognized in other comprehensive income			
Contributions from the employer			
Benefits paid			
Balance at December 31, 2020			
Service cost			
Prior service cost			
Net interest expense (income)			
Recognized in profit or loss			
	<u>\$ 1,695,396</u>	<u>\$ 1,048,007</u>	<u>\$ 647,389</u>
Balance at January 1, 2019			
Service cost			
Prior service cost			
(Gain) loss on settlement			
Net interest expense (income)			
Recognized in profit or loss			
	<u>9,909</u>	<u>-</u>	<u>9,909</u>
	<u>1,932</u>	<u>-</u>	<u>1,932</u>
	<u>(152,088)</u>	<u>7,615</u>	<u>(144,473)</u>
	<u>(19,211)</u>	<u>(13,135)</u>	<u>6,076</u>
	<u>(121,036)</u>	<u>(5,520)</u>	<u>(126,556)</u>

(Continued)

## 22. RETIREMENT BENEFIT PLANS

### a. Defined contribution plan

The Group adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Group makes monthly contributions to employees' individual pension accounts at 6% of monthly wages and salaries. The subsidiaries which are registered in mainland China made contributions at a certain percentage of wages and salaries under the local government's regulations.

The pension costs recognized in total comprehensive income under the defined contribution plan amounted to \$170,387 thousand and \$213,733 thousand for the years ended December 31, 2020 and 2019, respectively.

### b. Defined benefit plan

The defined benefit plan adopted by the Group in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Group contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)	<u>December 31</u>	<u>2020</u>	<u>2019</u>
Remeasurement						
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ (35,858)	\$ (35,858)			\$ (40,391)
Actuarial loss - changes in demographic assumptions	911	-	911			<u>\$ 41,823</u>
Actuarial loss - changes in financial assumptions	1,959	-	1,959			<u>\$ 42,869</u>
Actuarial loss - experience adjustments	<u>16,862</u>	<u>-</u>	<u>16,862</u>			<u>\$ 42,527</u>
Recognized in other comprehensive income	<u>19,732</u>	<u>(35,858)</u>	<u>(16,126)</u>			<u>\$ (41,223)</u>
Contributions from the employer	-	(31,722)	(31,722)			
Benefits paid	(10,097)	10,097	-			
Balance at December 31, 2019	<u><u>\$ 1,583,995</u></u>	<u><u>\$ (11,111,010)</u></u>	<u><u>\$ 472,985</u></u>			
			(Concluded)			

Through the defined benefit plans under the Labor Standards Act, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the corporate/government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

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

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 depository receipts (GDRs)

Discount rates  
Expected rates of salary increase

Stock authorized (in thousands)  
Capital authorized  
Issued and fully paid stock (in thousands)  
Issued capital

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 December 31, 2020 and 2019, there were 198 thousand and 194 thousand units of GDRs outstanding, representing 2,967 thousand and 2,917 thousand common stock, respectively.

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

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

**b. Capital surplus**

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

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

**c. Retained earnings and dividend policy**

Under the dividend policy as set forth in the Articles, where Far EastTone 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 EastTone'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 25 f. compensation of employees and remuneration of directors.

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

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

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

The appropriations of earnings for 2019 and 2018, which had been approved in the stockholders' meetings on June 19, 2020 and June 18, 2019, respectively, were as follows:

**For the Year Ended December 31**

	<u>2019</u>	<u>2018</u>
Legal reserve	\$ 873,498	\$ 938,135
Special reserve	(7,742)	(19,598)
Cash dividends	10,456,529	12,219,378
Cash dividends per share (NT\$)	<u>3,209</u>	<u>3,75</u>

In addition to distributing cash dividends at NT\$3.209 per share from the unappropriated earnings, Far EastTone'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 EastTone's stockholders received NT\$3.25 per share in 2020.

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

**For the Year Ended December 31,**

	<u>2020</u>	<u>2020</u>
Legal reserve	\$ 822,798	\$ 124,528
Special reserve	124,528	7,279,491
Cash dividends	7,279,491	2,234
Cash dividends per share (NT\$)		

In addition to distributing cash dividends at NT\$2.234 per share from the unappropriated earnings, Far EastTone'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 EastTone's stockholders will receive NT\$3.25 per share in 2021.

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

**d. Special reserve**

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

e. Other equity items

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

	<u>For the Year Ended December 31, 2019</u>		<u>For the Year Ended December 31, 2020</u>	
Beginning balance				
Recorded as adjustments to stockholders' equity	\$ (9,717)	\$ 25,180	\$ (12,254)	\$ 3,209
Share of the other comprehensive income of associates	2,506	(122,168)	-	(119,662)
Ending balance	<u><u>\$ (13,387)</u></u>	<u><u>21,057</u></u>	<u><u>8,900</u></u>	<u><u>16,570</u></u>
For the year ended December 31, 2019				
Beginning balance	\$ 4,197	\$ 808	\$ 26,352	\$ 31,357
Recorded as adjustments to stockholders' equity	(8,907)	21,419	-	12,512
Share of the other comprehensive income of associates	<u><u>(5,007)</u></u>	<u><u>2,953</u></u>	<u><u>(38,606)</u></u>	<u><u>(40,660)</u></u>
Ending balance	<u><u>\$ (9,717)</u></u>	<u><u>\$ 25,180</u></u>	<u><u>\$ (12,254)</u></u>	<u><u>\$ 3,209</u></u>
f. Noncontrolling interests				
	<u>For the Year Ended December 31, 2019</u>		<u>For the Year Ended December 31, 2020</u>	
Beginning balance				
Effects of retrospective application of IFRS 16	\$ 842,465	\$ 718,685		
Beginning balance (IFRS 16)	<u><u>-</u></u>	<u><u>(560)</u></u>		
Share of profit	842,465	718,125		
Other comprehensive income during the year	90,494	72,759		
Exchange differences on translating the financial statements of foreign operations	(123)	(42)		
Unrealized loss on financial assets at FVTOCI	-	(171)		
Remeasurement of defined benefit plans	(91)	(239)		
Noncontrolling interests arising from acquisition of a subsidiary	-	133,333		
Disposal of a subsidiary	-	(11,276)		
Cash dividends distributed by subsidiaries	(84,449)	(70,024)		
Equity transactions	85,219	-		
Ending balance	<u><u>\$ 933,515</u></u>	<u><u>\$ 842,465</u></u>		

24. REVENUE

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

	<u>For the Year Ended December 31, 2019</u>		<u>For the Year Ended December 31, 2020</u>	
Contract revenue				
Sales of inventories	\$ 24,417,214	\$ 27,449,718		
Telecommunications service revenue	47,518,693	47,835,523		
Other revenue	7,370,769	77,794,420		
Other operating revenue	82,339,177	1,706,545		
	<u><u>\$ 79,500,965</u></u>	<u><u>\$ 83,865,872</u></u>		
a. Contract information				
Refer to Note 4 - revenue recognition for information on revenue recognition for contracts.				
b. Contract balances				
December 31, 2019				
Contract assets	\$ 7,274,473	\$ 6,655,168		
Bundle sale of goods	924,052	\$ 5,433,852		
Others	<u><u>(135,925)</u></u>	<u><u>(135,925)</u></u>		
Less: Allowance for impairment loss				
	<u><u>\$ 8,062,600</u></u>	<u><u>\$ 6,519,243</u></u>		
December 31, 2020				
Contract assets - current	\$ 4,840,684	\$ 4,186,206		
Contract assets - noncurrent	3,221,916	2,333,037		
	<u><u>\$ 8,062,600</u></u>	<u><u>\$ 6,519,243</u></u>		
				<u><u>\$ 5,297,927</u></u>
Contract liabilities				
Goods	\$ 174,842	\$ 119,538		
Services	2,204,726	2,131,740		
	<u><u>\$ 2,379,568</u></u>	<u><u>\$ 2,251,278</u></u>		
Contract liabilities - current	\$ 2,190,246	\$ 2,040,678		
Contract liabilities - noncurrent	<u><u>189,322</u></u>	<u><u>20,600</u></u>		
				<u><u>\$ 2,464,272</u></u>
For details of notes receivable and accounts receivable, refer to Note 9.				

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

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Contract assets		
Transfers of beginning balance to accounts receivable	<u>\$ 4,130,414</u>	<u>\$ 4,075,086</u>
The Group measures the loss allowance for contract assets at an amount equal to lifetime ECLs. The expected credit losses on contract assets are estimated using an allowance matrix by reference to past default experience with the debtor and an analysis of the debtor's current financial position, adjusted for the general economic conditions of the industry in which the debtor operates, the unemployment rate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date.		
Expected credit loss rate	0.06%-9.41%	0.08%-8.97%
Gross carrying amount	\$ 8,198,525	\$ 6,655,168
Allowance for impairment loss (Lifetime ECLs)	(135,925)	(135,925)
	<u>\$ 8,062,600</u>	<u>\$ 6,519,243</u>

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

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

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

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
From contract liabilities at the start of the year		
Goods	\$ 118,434	\$ 311,018
Services	1,200,423	1,292,140
	<u>\$ 1,318,857</u>	<u>\$ 1,603,158</u>

c. Assets related to contract costs

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Current Costs to fulfil a contract (included in other current assets)	\$ 10,554	\$ <u>—</u>
Noncurrent Incremental costs of obtaining a contract	<u>\$ 3,490,644</u>	<u>\$ 3,398,107</u>
1) Costs to fulfil a contract		
The Group provides project business services, and the direct costs which are used to fulfill future performance obligations are recognized as costs to fulfill a contract within the expected recoverable scope (accounted for as other current assets). Costs to fulfill a contract are reclassified as operating costs in the contract period, in line with the revenue recognition method.		
2) Incremental costs of obtaining a contract		
The Group considered its past experience and believes the commission and subsidies paid for obtaining contracts are wholly recoverable. Total expenses recognized were \$2,971,893 thousand and \$2,469,923 thousand for the years ended December 31, 2020 and 2019, respectively.		
d. Disaggregation of revenue		
Refer to Note 41 for information about the disaggregation of revenue.		
e. Partially completed contracts		
The transaction prices, excluding any estimated amounts of variable consideration that are constrained, allocated to the performance obligations that are not fully satisfied and the expected timing for recognition of revenue are as follows:		
	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Telecommunications service contracts		
Fulfillment in 2020	\$ 15,878,531	\$ 15,875,588
Fulfillment in 2021	8,770,795	8,770,795
Fulfillment in 2022 and beyond	11,042,895	2,185,780
	<u>\$ 26,921,426</u>	<u>\$ 26,832,163</u>

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

## 25. CONSOLIDATED NET INCOME

The items included in consolidated net income are as follows:

### d. Financial costs

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
<b>a. Other income</b>		
Interest income	\$ 66,543	\$ 83,565
Dividend income	60,768	9,932
Government grants	31,088	32,098
Rental income	<u>30,208</u>	<u>35,249</u>
	<u><u>\$ 188,607</u></u>	<u><u>\$ 160,844</u></u>
<b>b. Other gains and losses</b>		
Gains on fair value changes of financial assets at FVTPL	\$ 61,301	\$ 47,325
Others	<u>210,242</u>	<u>84,130</u>
	<u><u>\$ 271,543</u></u>	<u><u>\$ 131,455</u></u>
<b>c. Depreciation and amortization</b>		
Depreciation expense categorized by function		
Property, plant and equipment	\$ 8,052,995	\$ 9,736,006
Right-of-use assets	3,594,408	3,646,237
Intangible assets	<u>1,052,571</u>	<u>1,008,140</u>
	<u><u>\$ 12,699,974</u></u>	<u><u>\$ 14,390,383</u></u>
Amortization expense categorized by function		
Operating costs	\$ 10,293,917	\$ 11,822,101
Marketing expenses	<u>1,353,486</u>	<u>1,560,142</u>
	<u><u>\$ 11,647,403</u></u>	<u><u>\$ 13,382,243</u></u>
<b>d. Financial costs</b>		
Interest on financial liabilities measured at amortized cost	\$ 614,034	\$ 359,202
Interest on lease liabilities	74,249	78,429
Interest on compensation arising from lawsuits	<u>-</u>	<u>42,305</u>
Other financial costs	<u>6,237</u>	<u>33,762</u>
	<u><u>\$ 694,520</u></u>	<u><u>\$ 513,698</u></u>
<b>e. Employee benefits expense</b>		
Retirement benefits	\$ 170,387	\$ 213,733
Defined contribution plans	<u>14,000</u>	<u>(126,556)</u>
Defined benefit plans (Note 22)	<u>184,387</u>	<u>87,177</u>
Other employee benefits		
Salary	5,663,107	5,728,068
Insurance	526,034	514,934
Others	<u>322,830</u>	<u>337,114</u>
	<u><u>6,511,971</u></u>	<u><u>6,580,116</u></u>
	<u><u>\$ 6,696,358</u></u>	<u><u>\$ 6,667,293</u></u>

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
<b>f. Compensation of employees and remuneration of directors</b>		
Far East Tone distributes compensation of employees and remuneration of directors at the rates of 1% to 2% and no higher than 1%, respectively, of net profit before income tax, compensation of employees and remuneration of directors. For the years ended December 31, 2020 and 2019, the compensation of employees and the remuneration of directors represented 2% and 0.72%, respectively, of net profit before income tax, compensation of employees and remuneration of directors.		
The accrued compensation of employees and remuneration of directors for the years ended December 31, 2020 and 2019 were as follows:		
Categorized by function		
Operating costs	\$ 1,086,270	\$ 1,173,765
Operating expenses	<u>5,610,088</u>	<u>5,493,528</u>
	<u><u>\$ 6,696,358</u></u>	<u><u>\$ 6,667,293</u></u>

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
<b>Depreciation expense categorized by function</b>		
Operating costs	\$ 10,293,917	\$ 11,822,101
Operating expenses	<u>1,353,486</u>	<u>1,560,142</u>
	<u><u>\$ 11,647,403</u></u>	<u><u>\$ 13,382,243</u></u>
<b>Amortization expense categorized by function</b>		
Operating costs	\$ 239,417	\$ 264,587
Marketing expenses	249,313	197,174
General and administrative expenses	<u>563,841</u>	<u>546,379</u>
	<u><u>\$ 1,052,571</u></u>	<u><u>\$ 1,008,140</u></u>
<b>Compensation of employees</b>		
Remuneration of directors		
	<u><u>\$ 205,762</u></u>	<u><u>\$ 213,933</u></u>
	<u><u>\$ 74,074</u></u>	<u><u>\$ 77,016</u></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.

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, 2019 and 2018.

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

## 26. INCOME TAX

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

The major components of income tax expense were as follows:

### For the Year Ended December 31

2020                    2019

Current tax	\$ 1,747,821	\$ 2,165,742
Deferred tax	<u>25</u>	<u>38,034</u>
	<u><u>\$ 1,747,846</u></u>	<u><u>\$ 2,203,776</u></u>

Income tax expense recognized in profit or loss

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

### For the Year Ended December 31

2020                    2019

Profit before tax	\$ 10,192,468	\$ 11,011,519
Income tax expense computed at the statutory tax rate	\$ 2,506,097	\$ 2,537,017
Add (deduct) tax effects of:		
Investments accounted for using the equity method	(457,157)	(280,842)
Others	12,239	15,584
Prior year's adjustments	<u>(313,333)</u>	<u>(67,983)</u>
Income tax expense recognized in profit or loss	<u><u>\$ 1,747,846</u></u>	<u><u>\$ 2,203,776</u></u>

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. When calculating the tax on unappropriated earnings, the Group only deducts the amount of the unappropriated earnings that has been reinvested in capital expenditure.

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

For the Year Ended December 31

2020                    2019

#### Deferred tax

In respect of the current year  
Financial assets at fair value through other comprehensive income  
Remeasurement of defined benefit plan

Income tax recognized in other comprehensive income

\$ 12,508

c. Deferred income tax assets and liabilities

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

For the year ended December 31, 2020

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred income tax assets</u>				
Allowance for impairment loss	\$ 258,910	\$ 41,215	\$ 8,172	\$ 300,125
Defined benefit obligation	<u>95,507</u>	<u>4,519</u>	<u>4,483</u>	<u>108,198</u>
Others	<u>467,811</u>	<u>(45,156)</u>		427,138
	<u><u>\$ 822,228</u></u>	<u><u>\$ 578</u></u>	<u><u>\$ 12,655</u></u>	<u><u>\$ 835,461</u></u>
<u>Deferred income tax liabilities</u>				
Amortization of goodwill	\$ 2,056,606	\$ 891	\$ -	\$ 2,056,606
Investment properties	112,620	(288)	147	113,511
Others	3,874			3,733
	<u><u>\$ 2,173,100</u></u>	<u><u>\$ 603</u></u>	<u><u>\$ 147</u></u>	<u><u>\$ 2,173,850</u></u>

For the year ended December 31, 2019

	Acquisition Through Business Combinations	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred income tax assets</u>				
Allowance for impairment loss	\$ 358,623	\$ -	\$ (97,13)	\$ -
Defined benefit obligation	<u>130,128</u>	<u>-</u>	<u>(32,009)</u>	<u>(2,612)</u>
Others	<u>365,271</u>	<u>11,209</u>	<u>91,777</u>	<u>95,507</u>
	<u><u>\$ 854,022</u></u>	<u><u>\$ 11,209</u></u>	<u><u>\$ (39,945)</u></u>	<u><u>\$ 467,811</u></u>
<u>Deferred income tax liabilities</u>				
Amortization of goodwill	\$ 2,056,606	\$ -	\$ -	\$ 2,056,606
Investment properties	112,616	(1,915)	4	112,620
Others	3,876	2,560	(446)	3,874
	<u><u>\$ 2,172,598</u></u>	<u><u>\$ 2,560</u></u>	<u><u>\$ (1,911)</u></u>	<u><u>\$ 2,173,100</u></u>

d. Deductible temporary differences and unused loss carryforwards for which no deferred income tax assets have been recognized in the consolidated balance sheets

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>Net Income for the Year</b>		
Loss carryforwards	\$ -	\$ 85,124
Expiry in 2019	\$ -	\$ 84,325
Expiry in 2020	23,459	89,324
Expiry in 2021	58,803	58,971
Expiry in 2022	47,873	47,873
Expiry in 2023	108,659	108,659
Expiry in 2024	307,602	307,602
Expiry in 2025	247,175	247,175
Expiry in 2026	341,075	341,075
Expiry in 2027	333,297	333,297
Expiry in 2028	218,315	220,455
Expiry in 2029	215,689	-
Expiry in 2030	1,901,947	1,923,880
Unrealized gains or losses on property, plant and equipment	408,404	420,905
Investment gains or losses	200,645	1,139,129
Others	208,344	143,755
	<b>\$ 2,719,340</b>	<b>\$ 3,627,669</b>
<b>Unused Amount</b>		
Loss carryforwards as of December 31, 2020 comprised:		
e. Information about unused loss carryforwards		
<b>Expiry Year</b>		
2021	\$ 23,459	
2022	58,803	
2023	47,873	
2024	108,659	
2025	307,602	
2026	247,175	
2027	341,075	
2028	333,297	
2029	218,315	
2030	215,689	
	<b>\$ 1,901,947</b>	

## 27. EARNINGS PER SHARE

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>Net Income for the Year</b>		
Net income attributable to Far EastTone	\$ 8,354,128	\$ 8,734,984
Effect of potentially dilutive common stock:	-	-
Compensation of employees	-	-
Earnings used in the calculation of diluted earnings per share	<u>\$ 8,354,128</u>	<u>\$ 8,734,984</u>
<b>Weighted Average Number of Common Stock Outstanding</b>		
(In Thousands of Shares)		
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Weighted average number of common stock used in the calculation of basic earnings per share	3,258,501	3,258,501
Effect of potentially dilutive common stock:	-	-
Compensation of employees	-	-
Weighted average number of common stock used in the calculation of diluted earnings per share	<u>3,790</u>	<u>3,424</u>
Weighted average number of common stock used in the calculation of basic earnings per share		
Effect of potentially dilutive common stock:	-	-
Compensation of employees	-	-
Weighted average number of common stock used in the calculation of diluted earnings per share	<u>3,262,291</u>	<u>3,261,925</u>
Since Far EastTone offered to settle the compensation paid to employees in cash or stock, Far EastTone 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 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.		
<b>28. BUSINESS COMBINATIONS</b>		
a. Subsidiaries acquired		
f. Income tax assessments		
Income tax returns of Far EastTone through 2018 have been assessed by the tax authorities.		
Income tax returns of Nextlink Technology through 2017 have been assessed by the tax authorities.		
Income tax returns of NCIC, KGFX.com, ARCOA, YSDT, ISSDU, Yuan Cing, Microfusion Technology, Data Express, Linkwell, Home Master and Prime Ecopower through 2018 have been assessed by the tax authorities. Income tax returns of Yuan Bao and New Diligent through 2019 have been assessed by the tax authorities.		

	<b>Subsidiary</b>	<b>Principal Activity</b>	<b>Date of Acquisition</b>	<b>Proportion of Voting Equity Interests Acquired</b>	<b>Consideration Transferred</b>
	Nextlink Technology Co., Ltd.	Electronic information services	March 4, 2019	70%	\$ 420,000

In line with Far EastTone's overall strategy of increasing the market share of the fast growing cloud services market, the board of directors of NCIC (100%-owned subsidiary of Far EastTone) resolved on November 5, 2018 to acquire Nextlink Technology Co., Ltd. (Nextlink Technology), and the acquisition was completed on March 4, 2019.

b. Considerations transferred

**Nextlink Technology**

Cash

c. Assets acquired and liabilities assumed at the date of acquisition

**Nextlink Technology**

Cash

Current assets  
Noncurrent assets  
Current liabilities  
Noncurrent liabilities

\$ 420,000

\$ 182,630

d. Noncontrolling interests

The fair value of the noncontrolling interests of Nextlink Technology (30% of total equity of Nextlink Technology) was measured using the market approach by reference to the fair value of the noncontrolling interests on the date of acquisition, which was \$133,333 thousand.

e. Goodwill recognized on the acquisition

**Nextlink Technology**

Cash

Consideration transferred  
Plus: Noncontrolling interests (30% in Nextlink Technology)  
Less: Fair value of identifiable net assets acquired

Goodwill recognized on the acquisition

Current assets  
Noncurrent assets  
Current liabilities  
Net assets disposed of

\$ 370,703

The goodwill generated from the acquisition of Nextlink Technology mainly represents the benefits of expected synergies of mergers, revenue growth, future market developments and the assembled workforces of Nextlink Technology. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

f. Net cash outflow on the acquisition of a subsidiary

**Nextlink Technology**

Consideration received  
Less: Cash and cash equivalent balances acquired

\$ 420,000

(68,196)

\$ 351,804

g. Impact of acquisitions on the results of the Group

From March 4, 2019, the acquisition date, to December 31, 2019, the financial results of the acquiree, which are included in the consolidated statements of comprehensive income, are as follows:

<b>Nextlink Technology</b>	
Operating revenue	<u>\$ 1,176,325</u>
Net loss	<u><u><u>\$ (515)</u></u></u>

Had the business combination been in effect at the beginning of the reporting period, the Group's operating revenue and net income for the year ended December 31, 2019 would have been \$84,031,913 thousand and \$8,811,257 thousand, respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2019, nor is it intended to be a projection of future results.

## 29. DISPOSAL OF SUBSIDIARIES

On April 15, 2019, the Group entered into an agreement to dispose of Omusic Co., Ltd. (Omusic), which provides electronic information services. The disposal was completed on April 30, 2019, the date the control of Omusic was passed to the acquirer.

a. Consideration received from the disposal

<b>Omusic</b>	
Cash	<u>\$ 10,500</u>

b. Analysis of assets and liabilities on the date control was lost

<b>Omusic</b>	
Current assets	\$ 99,632
Noncurrent assets	989
Current liabilities	(78,092)
Net assets disposed of	<u><u><u>\$ 22,549</u></u></u>

c. Loss on disposal of a subsidiary

<b>Omusic</b>	
Consideration received	\$ 10,500
Net assets disposed of	(22,549)
Noncontrolling interests	11,276
Loss on disposal	<u><u><u>\$ (773)</u></u></u>

d. Net cash outflow on disposal of a subsidiary

	For the year ended December 31, 2019
<b>Onmusic</b>	
Consideration received in cash	\$ 10,500
Less: Cash and cash equivalent balances disposed of	<u>(50,303)</u>
	<u>\$ (39,803)</u>
<b>30. EQUITY TRANSACTIONS WITH NONCONTROLLING INTERESTS</b>	

### 30. 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>
	<u>\$ 85,219</u>

Differences recognized from equity transactions

	December 31, 2020	December 31, 2019		
	Carrying Amount	Carrying Amount		
	Fair Value	Fair Value		
<b>Financial liabilities</b>				
Bonds payable	\$ 33,771,854	\$ 33,972,196		
	\$ 30,271,462	\$ 30,427,690		
<b>2) Fair value hierarchy</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>

### 31. CASH FLOW INFORMATION

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

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

	For the year ended December 31, 2020	December 31, 2020	December 31, 2019	December 31, 2019	December 31, 2019
	Cash Flows from Financing Activities	Changes in Noncash Transactions	New Leases	Others	Total
<b>Lease liabilities</b>					
(including the current and noncurrent portion)	<u>\$ 7,899,717</u>	<u>\$ (3,572,180)</u>	<u>\$ 4,093,012</u>	<u>\$ (189,840)</u>	<u>\$ (74,249)</u>
	<u>\$ 3,327,537</u>	<u>\$ 1,564,060</u>	<u>\$ 3,214,166</u>	<u>\$ (78,429)</u>	<u>\$ 7,899,717</u>
<b>Financial liabilities</b>					
Bonds payable	\$ 30,427,690				\$ 30,427,690

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

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

1) Fair value hierarchy

	<b>December 31, 2020</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Financial assets at fair value through profit or loss			<b>Total</b>
Mutual funds	\$ <u>690,639</u>	\$ <u>—</u>	\$ <u>690,639</u>
Financial assets at fair value through other comprehensive income	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>
Domestic/foreign unlisted common stock	\$ <u>—</u>	\$ <u>809,560</u>	\$ <u>809,560</u>
	<b>December 31, 2019</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Financial assets at fair value through profit or loss			<b>Total</b>
Mutual funds	\$ <u>629,338</u>	\$ <u>—</u>	\$ <u>629,338</u>
Financial assets at fair value through other comprehensive income	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>
Domestic/foreign unlisted common stock	\$ <u>—</u>	\$ <u>447,735</u>	\$ <u>447,735</u>

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

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

<b>For the Year Ended December 31, 2020</b>	<b>Financial Instruments at Fair Value Through Other Comprehensive Income</b>
Beginning balance	\$ <u>447,735</u>
Additions	\$ <u>500,000</u>
Recognized in other comprehensive income	(126,504)
Remittance of cash due to capital reduction	(13,500)
Effects of foreign currency exchange differences	<u>1,829</u>
Ending balance	\$ <u>809,560</u>

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

	<b>Financial Instruments at Fair Value Through Other Comprehensive Income</b>
Beginning balance	\$ <u>1,868</u>
Recognized in other gains and losses	(1,868)
Recognized in other comprehensive income	—
Effect of foreign currency exchange differences	(5,923)
Ending balance	\$ <u>432,111</u>

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

	<b>Financial Instrument</b>	<b>Valuation Techniques and Inputs</b>
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.	
Domestic/foreign unlisted common stock	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.	
Financial assets at fair value through other comprehensive income	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

	<b>Financial Instrument</b>	<b>Valuation Techniques and Inputs</b>
Domestic/foreign unlisted common stock	Domestic/foreign unlisted common stock	a) Asset-based approach. Valuation based on the fair value of an investee, calculated through each investment of the investee using the income approach, market approach or a combination of the two approaches, while also taking the liquidity premium into consideration.
Financial assets at fair value through other comprehensive income	Foreign exchange swap contracts	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.
Domestic/foreign unlisted common stock	Financial Instruments at Fair Value Through Other Comprehensive Income	Cash flow is discounted. Future cash flows are estimated based on observable spot exchange rates at the end of the reporting period and contract rates, discounted at a 0% rate; the counterparties' high credit ratings and short contract terms indicate a low credit risk of counterparties.

c. Categories of financial instruments

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).

	<u>December 31</u> <u>2020</u>	<u>2019</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss	\$ 690,639	\$ 629,338
Financial assets at amortized cost (Note 1)	16,691,289	19,805,530
Financial assets at fair value through other comprehensive income	809,560	447,735
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	87,273,410	47,248,091

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 seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies which were approved by the board of directors, which provide written principles on managing foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and nonderivative financial instruments, and the investment of excess liquidity. The compliance with policies and exposure limits are reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Group's significant financial activities are reviewed by the board of directors of the entities in the Group in accordance with related rules and the 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.

- 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 foreign exchange swap contracts and investing in foreign currency deposits at the appropriate time. The notional amounts of the aforesaid contracts do not exceed that of the hedged item.

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 positive number shown in the currency impact table below indicates an increase in pre-tax profit associated with the NTD strengthening 5% against the U.S. dollar. For a 5% weakening of the NTD against the U.S. dollar, there would be an equal and opposite impact on pre-tax profit, and the balances below would be negative.

	<u>USD Impact</u>	<u>For the Year Ended December 31</u>
	<u>2019</u>	<u>2020</u>
5% change in profit or loss		
USD	\$ (30,745)	\$ (37,504)

Hedge accounting

The Group's hedging strategy is to enter into foreign exchange swap contracts to avoid exchange rate exposure for a certain portion of its foreign currency-denominated assets. Those transactions are designated as fair value hedges. The Group adjusts the portion hedged taking into consideration the market trends and hedging costs.

As of December 31, 2020 and 2019, there is no unsettled balance of financial instruments for hedging.

- 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:

	<u>December 31</u>	<u>2019</u>
	<u>2020</u>	<u>2019</u>
Fair value interest rate risk		
Financial assets	\$ 2,894,941	\$ 6,601,674
Financial liabilities	80,678,181	43,681,347
Cash flow interest rate risk		
Financial assets	5,592,104	5,634,662
Financial liabilities	2,110,000	200,000

#### 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 financial assets and financial liabilities with fixed interest rates, their fair values will change as the market interest rates change. For financial assets and financial liabilities with floating interest rates, their effective interest rates will change as the market interest rates change.

Had interest rates been 25 basis points higher/lower and all other variables been held constant, the income before income tax for the years ended December 31, 2020 and 2019 would have increased/decreased by \$8,705 thousand and \$13,587 thousand, respectively, which were mainly affected by bank deposits and borrowings with floating interest rates.

#### c) Other price risk

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 and will consider hedging the risk exposure should the need arise.

#### 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 years ended December 31, 2020 and 2019 would have increased/decreased by \$34,532 thousand and \$31,467 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 years ended December 31, 2020 and 2019 would have increased/decreased by \$40,478 thousand and \$22,387 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 utilized overdraft and bank loan facilities amounted to \$38,831,375 thousand and \$36,851,388 thousand as of December 31, 2020 and 2019, 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>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	8,156,460	8,267,314	2,813,456	5,400,893	52,965
	<u>\$82,429,952</u>	<u>\$84,250,910</u>	<u>\$ 415,7846</u>	<u>\$ 71,749,019</u>	<u>\$ 8,344,045</u>
<u>December 31, 2019</u>					
Short-term borrowings	\$ 490,000	\$ 490,814	\$ 490,814	-	-
Short-term bills payable	354,635	355,000	355,000	-	-
Long-term borrowings	4,475,778	37,224	44,385,54	-	-
Bonds payable	31,583,080	2,812,470	20,255,775	8,514,835	-
Lease liabilities	7,899,717	8,030,075	5,183,066	27,825	-
	<u>\$43,415,814</u>	<u>\$ 44,934,747</u>	<u>\$ 6,514,692</u>	<u>\$ 29,877,395</u>	<u>\$ 8,542,660</u>

Additional information about the maturity analysis for lease liabilities:

	Relationship with the Group				
	Related Party				
	December 31, 2020				
Within 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	
Lease liabilities	\$ 2,813,456	\$ 5,400,893	\$ 49,410	\$ 1,829	\$ 1,726
Within 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	
Lease liabilities	\$ 2,819,184	\$ 5,183,066	\$ 27,825	\$ -	\$ -

### 34. 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

	Relationship with the Group				
	Related Party				
Far Eastern New Century Corporation (FENC)	Ultimate parent company				
Far Eastern Electronic Toll Collection Co., Ltd.	Subsidiary of FENC				
Ding Ding Integrated Marketing Service Co., Ltd.	Subsidiary of FENC				
Far Eastern International Leasing Corp.	Other related party (equity-method investee of subsidiary of FENC)				
Telecommunication and Transportation Foundation	Other related party (Far EastOne's donation is over one third of the foundation's fund)				
Far Eastern Apparel Co., Ltd.	Subsidiary of FENC				
Far Cheng Human Resources Consultant Corp.	Subsidiary of FENC				
Far Eastern Resource Development Co., Ltd.	Subsidiary of FENC				
Pacific Sogo Department Stores Co., Ltd. (SOGO)	Other related party (same chairman as parent company's)				
Far Eastern Big City Shopping Malls Co., Ltd.	Other related party (subsidiary of SOGO)				
Far Eastern Citysuper Co., Ltd.	Other related party (same chairman as parent company's)				
Ya Tung Department Store Co., Ltd.	Other related party (same chairman as parent company's)				
Fu Dar Transportation Corporation	Other related party (same chairman as parent company's)				
Fu-Ming Transportation Co., Ltd.	Other related party (same chairman as parent company's)				
YDT Technology International Co., Ltd.	Subsidiary of FENC				
Nan Hwa Cement Corporation	Other related party (same chairman as parent company's)				
Ya Tung Ready Mixed Concrete Co., Ltd.	Other related party (same chairman as parent company's)				
Oriental Securities Corporation Ltd.	Other related party (Equity-method investee of FENC)				

(Continued)

	Relationship with the Group				
	Related Party				
Yuan Ding Co., Ltd.	Subsidiary of FENC				
Far Eastern Department Stores Co., Ltd.	Other related party (same chairman as Far EastOne's)				
Asia Cement Co., Ltd.	Other related party (same chairman as Far EastOne's)				
Oriental Union Chemical Corporation	Other related party (same chairman as Far EastOne's)				
Far Eastern Ai Mai Co., Ltd.	Other related party (same chairman as Far EastOne's)				
Far Eastern Hospital	Other related party (same chairman as Far EastOne's)				
Oriental Institute of Technology	Other related party (same chairman as Far EastOne's)				
Far Eastern Plaza Hotel	Subsidiary of FENC				
Yuan-Ze University	Other related party (same chairman as Far EastOne's)				
U-Ming Marine Transport Corporation	Other related party (same chairman as Far EastOne's)				
Chiahui Power Corporation	Other related party (same chairman as Far EastOne's)				
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 Kwock 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 Really Management Co., Ltd.	Subsidiary of FENC				
Ding & Ding Management Consult 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's)				
FETC International Co., Ltd.	Subsidiary of FENC				
Far Eastern Polytex (Vietnam) Ltd.	Subsidiary of FENC				
Deutsche Far Eastern Asset Management Co., Ltd. (DFEAMC)	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				
Yuan Ding Investment Co., Ltd	Subsidiary of FENC				
Drive Catalyst SPC-SP Tranche Three	Associate				

(Continued)

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

Related Party	Relationship with the Group	
Far Eastern Memorial Foundation	Other related party (substantive related party)	
Far Eastern Petrochemical (Yangzhou) Ltd.	Other related party (substantive related party)	
HIM International Music Inc. (HIM)	Other related party (juristic-person supervisor of subsidiary, but no longer a related party since April 30, 2019)	
Universal Music Taiwan Ltd.	Other related party (juristic-person director of subsidiary, but no longer a related party since April 30, 2019)	
Forward Music Co., Ltd.	Other related party (juristic-person director of subsidiary, but no longer a related party since April 30, 2019)	
Sony Music Entertainment Taiwan Ltd.	Other related party (juristic-person director of subsidiary, but no longer a related party since April 30, 2019)	
Otiga Technologies Ltd. (Otiga)	Other related party (juristic-person supervisor of subsidiary, but no longer a related party since April 30, 2019)	(Concluded)
b. Operating revenue		
	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
FENC	\$ 43,961	\$ 38,330
Subsidiaries of FENC	212,382	137,959
Other related parties	<u>337,134</u>	<u>297,948</u>
	<u>\$ 593,477</u>	<u>\$ 474,437</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		
	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Operating costs		
FENC	\$ 277	\$ 40
Subsidiaries of FENC	22,101	19,681
Other related parties	<u>74,325</u>	<u>66,393</u>
	<u>\$ 96,703</u>	<u>\$ 86,114</u>
Operating expenses		
FENC		
Subsidiaries of FENC	\$ 110,233	\$ 103,063
Other related parties	224,100	213,316
	<u>187,298</u>	<u>99,247</u>
	<u>\$ 521,631</u>	<u>\$ 415,626</u>
d. Property transactions		
	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Acquisition of property, plant and equipment and intangible assets	\$ 23,298	\$ 20,979
Subsidiaries of FENC	<u>14,574</u>	<u>47,706</u>
Other related parties		
	<u>\$ 37,872</u>	<u>\$ 68,685</u>
e. Lease arrangements - the Group is lessee		
	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Acquisition of right-of-use assets	\$ 32,045	\$ 14,550
Other related parties		
	<u>\$ 32,045</u>	<u>\$ 14,550</u>

	<u>December 31</u>		<u>2020</u>	<u>2019</u>
Lease liabilities - current				
FENC	\$ 2,939	\$ 3,208		
Subsidiaries of FENC	30,417	37,776		
Other related parties	<u>18,294</u>	<u>24,456</u>		
	<u><u>\$ 51,650</u></u>	<u><u>\$ 65,440</u></u>		
Lease liabilities - noncurrent				
FENC	\$ 1,128	\$ 4,493		
Subsidiaries of FENC	13,820	45,484		
Other related parties	<u>15,067</u>	<u>26,867</u>		
	<u><u>\$ 30,015</u></u>	<u><u>\$ 76,844</u></u>		
<b>For the Year Ended December 31</b>				
	<u>2020</u>	<u>2019</u>		
Financial costs	\$ 49	\$ 92		
FENC	611	1,107		
Subsidiaries of FENC	<u>306</u>	<u>535</u>		
	<u><u>\$ 966</u></u>	<u><u>\$ 1,734</u></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				
	<u>December 31</u>		<u>2019</u>	
	<u>2020</u>	<u>2019</u>		
Other related parties				
FEIB	<u><u>\$ 4,408,565</u></u>	<u><u>\$ 2,925,180</u></u>		
The Group had bank deposits in FEIB. These deposits included the proceeds of Far EastTone's sale of prepaid cards and NCUC'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				
	<u>December 31</u>		<u>2019</u>	
	<u>2020</u>	<u>2019</u>		
Accounts receivable - related parties (included in accounts receivable)				
FENC	\$ 1,541	\$ 4,726		
Subsidiaries of FENC	38,172	36,001		
Other related parties	<u>289,899</u>	<u>204,211</u>		
	<u><u>\$ 329,612</u></u>	<u><u>\$ 244,938</u></u>		
(Continued)				
h. Refundable deposits (included in other noncurrent assets)				
	<u>December 31</u>		<u>2019</u>	
	<u>2020</u>	<u>2019</u>		
Refundable deposits				
Subsidiaries of FENC	\$ 20,743	\$ 66,361		
Other related parties	<u>2,215</u>	<u>1,451</u>		
	<u><u>\$ 22,958</u></u>	<u><u>\$ 67,812</u></u>		
<b>For the Year Ended December 31</b>				
	<u>2020</u>	<u>2019</u>		
Interest income				
Subsidiaries of FENC	\$ 22 22	\$ 22		
Other related parties				
FEIB	17,983	25,695		
Others	<u>4,164</u>	<u>3</u>		
	<u><u>\$ 22,169</u></u>	<u><u>\$ 25,720</u></u>		
Other gains				
Other related parties				
Yuan-Ze University				
Financial costs				
Other related parties				
	<u><u>\$ 80,000</u></u>	<u><u>\$ -</u></u>		
	<u><u>\$ 206</u></u>	<u><u>\$ 977</u></u>		

## j. Remuneration of key management personnel

The remuneration of directors and other members of key management personnel during the years ended December 31, 2020 and 2019 was as follows:

	<u>For the Year Ended December 31</u>	<u>2019</u>
	<u>2020</u>	<u>2019</u>
Short-term benefits		
Post-employment benefits		
	\$ 269,082	\$ 274,739
	<u>3,109</u>	<u>3,200</u>
	<u>\$ 272,191</u>	<u>\$ 277,939</u>

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

**35. ASSETS PLEDGED OR MORTGAGED**

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

	<u>December 31</u>	<u>2019</u>
	<u>2020</u>	<u>2019</u>
Other financial assets - current		
Other noncurrent assets		
Property, plant and equipment, net		
	\$ 408,912	\$ 621,122
	531	-
	<u>104,461</u>	<u>-</u>
	<u>\$ 513,904</u>	<u>\$ 621,122</u>

**36. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS**

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

## a. Significant commitments

	<u>December 31</u>	<u>2019</u>
	<u>2020</u>	<u>2019</u>
Unpaid acquisition of property, plant and equipment and intangible assets under contracts	\$ 8,635,068	\$ 4,241,999
Unpaid acquisition of inventories under contracts	<u>\$ 3,588,647</u>	<u>\$ 3,895,806</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:

	<u>December 31</u>	<u>2019</u>
	<u>2020</u>	<u>2019</u>
Lease commitments	\$ 323,370	\$ 247,816

c. The Group provided \$0 and \$100,000 thousand as bank guarantees for its purchases from suppliers as of December 31, 2020 and 2019, respectively.

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

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

- e. In order to increase the efficient utilization of Far EastTone's spectrum and enhance the competitiveness of Far EastTone in maintaining consumer interests, on November 5, 2020, the board of directors of Far EastTone 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 EastTone and APTC whereby Far EastTone 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 EastTone'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.

**37. 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:

**38. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

In order to enhance the efficiency of the usage of assets, the board of directors of Far EastTone resolved on February 25, 2021 that NCIC, Far EastTone's subsidiary, should authorize its chairman to sell a part of its properties located in the Neihu District of Taipei City for an amount no lower than the appraised value.

### 39. 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:

	December 31, 2020		December 31, 2019	
	Foreign Currency	Carrying Amount	Foreign Exchange Rate	Net Foreign Exchange Gains (Losses)
Financial assets				
Monetary items				
USD	\$ 34,237	28.48 (USD:NTD)	\$ 975,082	
Nonmonetary items	32,864	28.48 (USD:NTD)	935,968	
USD	4,116	6.507 (USD:RMB)	117,229	
Financial liabilities				
Monetary items				
USD	12,647	28.48 (USD:NTD)	360,173	
Financial assets				
Monetary items				
USD	\$ 41,079	29.98 (USD:NTD)	\$ 1,231,561	
Nonmonetary items	30,026	29.98 (USD:NTD)	900,192	
USD	5,000	6.964 (USD:RMB)	149,900	
Financial liabilities				
Monetary items				
USD	16,060	29.98 (USD:NTD)	481,471	

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 Year Ended December 31	
	2020	2019
	Functional Currency	Net Foreign Exchange Gains (Losses)
	NTD	\$ (1,262)
	RMB	(3,859)
	HKD	(3,486)
		<u>\$ (8,607)</u>
		Net Foreign Exchange Gains (Losses)
	NTD	1 (NTD:NTD)
	RMB	4,282 (RMB:NTD)
	HKD	3,809 (HKD:NTD)
		<u>4,472 (RMB:NTD)</u>
		<u>3,945 (HKD:NTD)</u>
		<u>\$ (6,824)</u>
		<u>788</u>
		<u>(12,096)</u>
		<u><u>\$ (8,132)</u></u>

### 40. 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: Schedule C
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Schedule D
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Schedule E
- 9) Trading in derivative instruments: Note 33
- 10) Significant transactions between Far EastOne and its subsidiaries and among subsidiaries: Schedule F
- b. Information on investees: Schedule G

## 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 H
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses; Schedule F

- a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
- b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
- c) The amount of property transactions and the amount of the resultant gains or losses.
- d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
- e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
- f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.

- d. Information on major stockholders: List all stockholders with ownership of 5% or greater showing the name of the stockholder, the number of shares owned, and percentage of ownership of each stockholder; Schedule I

**41. SEGMENT INFORMATION**

Products and services from which reportable segments derive their revenue:

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

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

Segment operating income represented the profit generated by each operating segment, which included specifically attributable segment revenue, costs, expenses, interest revenue, other revenue, equity in investees' net income and loss, financial costs, other expense 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.

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

	For the Year Ended December 31, 2020		
	Mobile Services Business	Fixed-line Services Business	Sales Business
Revenue generated from external customers	\$ 42,532,877	\$ 9,299,217	\$ 27,668,871
Revenue generated within the Group (None)	<u>239,546</u>	<u>2,560,879</u>	<u>46,339</u>
Total revenue	<u><u>\$ 42,772,423</u></u>	<u><u>\$ 11,560,096</u></u>	<u><u>\$ (2,546,764)</u></u>
Segment operating income	<u><u>\$ 7,196,845</u></u>	<u><u>\$ 2,033,088</u></u>	<u><u>\$ 3,162,143</u></u>
	<u><u><u>\$ 2,200,228</u></u></u>	<u><u><u>\$ 2,200,228</u></u></u>	<u><u><u>\$ 10,192,468</u></u></u>

	For the Year Ended December 31, 2019		
	Mobile Services Business	Fixed-line Services Business	Sales Business
Revenue generated from external customers	\$ 45,330,653	\$ 8,967,784	\$ 29,567,435
Revenue generated within the Group (None)	<u>292,052</u>	<u>2,485,998</u>	<u>46,613</u>
Total revenue	<u><u>\$ 45,622,705</u></u>	<u><u>\$ 11,453,782</u></u>	<u><u>\$ (2,824,663)</u></u>
Segment operating income	<u><u>\$ 7,023,035</u></u>	<u><u>\$ 1,956,473</u></u>	<u><u>\$ 3,635,602</u></u>
	<u><u><u>\$ 1,603,591</u></u></u>	<u><u><u>\$ 1,603,591</u></u></u>	<u><u><u>\$ 11,011,519</u></u></u>

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

## b. Geographical information

The Group's revenues are generated mostly from its domestic business. Overseas revenues are primarily generated from international calls and data services.

Consolidated geographic information for revenues was as follows:

	For the Year Ended December 31		
	2020	2019	
ROC Overseas	\$ 76,554,466 2,946,499	\$ 80,621,126 3,244,746	
	<u><u><u>\$ 79,500,965</u></u></u>	<u><u><u>\$ 33,865,872</u></u></u>	

## c. Information on major customers

There was no customer that accounted for at least 10% of the Group's total operating revenue in both 2020 and 2019.

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

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

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

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

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

### MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

(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	December 31, 2020			Highest Shares/Units Held During the Year
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	
Far EastOne Telecommunications Co., Ltd.	Stock App Works Fund II Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	7,500,000	\$ 68,251	11.11	\$ 68,251
	CDIB Capital Innovation Accelerator Limited	-	Financial assets at fair value through other comprehensive income - noncurrent	9,000,000	91,491	10.71	91,491
	LINE Bank Taiwan Limited	-	Financial assets at fair value through other comprehensive income - noncurrent	50,000,000	456,110	5.00	456,110
ARCOA Communication Co., Ltd.	Stock THI consultants	-	Financial assets at fair value through other comprehensive income - noncurrent	1,213,594	12,190	18.32	12,190
	Web Point Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	160,627	1,618	0.63	1,618
New Century InfoComm Tech Co., Ltd.	Stock Kaohsiung Rapid Transit Corporation Bank Pro E-service Technology Co., Ltd.	Other related party	Financial assets at fair value through other comprehensive income - noncurrent	8,858,191	49,872	3.18	49,872
	Stock certificate Changing.ai Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	450,000	4,500	3.33	4,500
Overseas funds	Opas Fund Segregated Portfolio Tranche A Opas Fund Segregated Portfolio Tranche B	Other related party Other related party	Financial assets at fair value through other comprehensive income - noncurrent	500,000	8,299	2.50	8,299
Digital United (Cayman) Ltd.	Stock certificate TBCASoft, Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	13,491,781	498,042	-	498,042
			Financial assets at fair value through profit or loss - current	5,000,000	192,597	-	192,597
			Financial assets at fair value through profit or loss - current	980,435	117,229	6.77	117,229
			Financial assets at fair value through other comprehensive income - noncurrent				980,435

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

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

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

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NTS300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Number of Shares	Amount	Acquisition (Note A)	Number of Shares	Amount	Disposal	Carrying Amount	Gain (Loss) on Disposal	Ending Balance
					Number of Shares	Amount									
Far East One Telecommunications Co., Ltd.	Stock LINE Bank Taiwan Limited	Financial assets at fair value through other comprehensive income - noncurrent Investments accounted for using the equity method	LINE Bank Taiwan Limited	-	-	\$ 100,000 (Note A)	50,000,000	\$ 400,000	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 456,110 (Note B)
	Yuanshi Digital Technology Co., Ltd.	Yuanshi Digital Technology Co., Ltd.	Yuanshi Digital Technology Co., Ltd.	Subsidiary	90,014,424 (Note C)	(582,357) (Note C)	80,000,000	800,000	-	-	-	-	-	-	107,004,329 (Note D)

Note A: The amount is the cost of acquisition.

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

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

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

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

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

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

Note A: All interconnection revenue, costs and collection of international direct dial revenue between 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.

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

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
Far EastOne Telecommunications Co., Ltd.	ARCOA Communication Co., Ltd. Far EastOne Property Insurance Agent Co., Ltd.	Subsidiary Subsidiary	\$ 410,620 102,682	8.78 5.49	\$ - -	-	\$ 410,620 34,294	\$ - -
New Century InfoComm Tech Co., Ltd.	Far EastOne Telecommunications Co., Ltd.	Parent company	8,584,937	(Note)	-	-	211,710	-
ARCOA Communication Co., Ltd.	Far EastOne Telecommunications Co., Ltd. YuanShi Digital Technology Co., Ltd.	Parent company Subsidiary of Far EastOne Telecommunications Co., Ltd.	874,204 110,406	7.05 9.81	-	-	421,719 110,395	-
	Home Master Technology Ltd.	Subsidiary of DataExpress Infotech Co., Ltd.	330,303	3.11	-	-	97,755	-

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

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

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)

### SCHEDULE F

Number (Note A)	Company Name (Note B)	Counterparty	Flow of Transactions (Note B)	Transaction Details		Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	
0	Far EasTone Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd.	1	Accounts receivable - related parties Other receivables - related parties Refundable deposits Accounts payable - related parties Other payables - related parties Contract liabilities Operating revenue Operating costs Operating expenses Nonoperating income and gains Nonoperating expenses	\$ 1,320 90,885 3,532 6,657 8,578,280 22,214 176,957 2,117,225 64,982 54,306 50,405 408,678	Note F Note F
		ARCOA Communication Co., Ltd.	1	Accounts receivable - related parties Other receivables - related parties Accounts payable - related parties Other payables - related parties Contract liabilities Operating revenue Operating costs Operating expenses Nonoperating income and gains Nonoperating expenses	1,942 818,720 55,484 21,168 1,133,697 6,040,011 486,455 3,614 7,635 1,216	Note F Note F Note F Note F Note F Note F Note F Note F Note F Note F
		KGEEx.com Co., Ltd.	1	Accounts receivable - related parties Other receivables - related parties Other payables - related parties Operating revenue Operating expenses Nonoperating income and gains Nonoperating expenses	8,228 46,138 75,311 1,233 11,629 18,366 92,642 8,438 2,033 65,430 28,888 4,652 118,102	Note F Note F
		Yuan Cing Co., Ltd.	1	Other receivables - related parties Other payables - related parties Operating expenses	8,199	Note F
		DataExpress Infotech Co., Ltd.	1	Other receivables - related parties Other payables - related parties Operating revenue Operating costs Operating expenses		(Continued)
		Linkwell Tech. Ltd.	1			

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)
1	Home Master Technology Ltd. Information Security Service Digital United Inc.	1 1 1 1 1 1 1 1 1 1	Other payables - related parties Operating expenses Other receivables - related parties Accounts payable - related parties Other payables - related parties Operating revenue Operating costs Operating expenses Accounts receivable - related parties Other receivables - related parties Accounts payable - related parties Other payables - related parties Operating revenue Operating costs Operating expenses Nonoperating income and gains Other receivables - related parties Operating revenue Accounts receivable - related parties Other receivables - related parties Operating revenue	\$ 31,075 73,140 3,338 10,219 18,248 1,223 19,139 14,087 26,541 7,643 8,631 6,341 149,779 3,406 3,401 2,332 1,478 2,308 95,990 6,692 282,045	\$ 31,075 73,140 3,338 10,219 18,248 1,223 19,139 14,087 26,541 7,643 8,631 6,341 149,779 3,406 3,401 2,332 1,478 2,308 95,990 6,692 282,045	Note F Note F Note F Note F Note F Note F Note F Note F Note F Note F	- - - - - - - - - -
				Sinolead Enterprise Limited Yuan Cing Co., Ltd.			
				Information Security Service Digital United Inc.			
				YuanShi Digital Technology Co., Ltd.			
				DataExpress Infotech Co., Ltd.			
				Nextlink Technology Co., Ltd.			

(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.	Microfusion Technology Co., Ltd.	3	Accounts payable - related parties Operating costs	\$ 6,838 17,722	Note F Note F	-
		KGE.com Co., Ltd. Yuanshi Digital Technology Co., Ltd.	3	Operating expenses Accounts receivable - related parties Other payables - related parties Operating revenue	1,055 110,406 3,691 34,109	Note F Note F Note F Note F	-
		DataExpress Infotech Co., Ltd.	3	Accounts receivable - related parties Accounts payable - related parties Operating revenue	1,541 10,739 5,569	Note F Note F Note F	-
		Home Master Technology Ltd.	3	Operating costs Nonoperating income and gains Accounts receivable - related parties Operating revenue	17,729 1,376 330,027 923,095	Note F Note F Note F Note F	-
3	Yuan Cing Co., Ltd.	Yuanshi Digital Technology Co., Ltd. Yuan Bao Fintech Co., Ltd.	3	Accounts receivable - related parties Operating revenue Accounts receivable - related parties Operating revenue	1,071 13,939 2,902 2,902	Note F Note F Note F Note F	1
4	DataExpress Infotech Co., Ltd.	Linkwell Tech. Ltd. Home Master Technology Ltd.	3	Operating revenue Operating costs Nonoperating income and gains Accounts receivable - related parties Other receivables - related parties Accounts payable - related parties Operating revenue Operating costs Nonoperating income and gains	20,776 41,025 1,281 1,337 3,598 1,329 11,975 3,332 11,310	Note F Note F Note F Note F Note F Note F Note F Note F	-
5	Linkwell Tech. Ltd. (Note E)	Home Master Technology Ltd.	3	Operating revenue	3,683	Note F	-
6	Yuanshi Digital Technology Co., Ltd.	Information Security Service Digital United Inc. Nextlink Technology Co., Ltd. Microfusion Technology Co., Ltd.	3	Other payables - related parties Operating expenses Operating expenses Operating expenses	1,000 1,601 1,219 1,498	Note F Note F Note F Note F	-
7	Nextlink Technology Co., Ltd.	Microfusion Technology Co., Ltd. Nextlink (HK) Technology Co., Ltd.	3	Other receivables - related parties Operating revenue Operating costs Nonoperating income and gains Accounts receivable - related parties Other receivables - related parties Operating revenue Nonoperating income and gains	17,784 2,142 6,585 18,737 6,015 22,000 35,840 22,000	Note F Note F Note F Note F Note F Note F Note F Note F	-

(Continued)

Number (Note A)	Company Name	Counterparty	Transaction Details			
			Flow of Transactions (Note B)	Financial Statement Account	Amount	Payment Terms
8	Microfusion Technology Co., Ltd.	Nextlink (HK) Technology Co., Ltd. Nextlink (Shanghai) Technology Co., Ltd.	3	Accounts receivable - related parties Operating revenue Operating costs Accounts receivable - related parties	\$ 44,558 143,525 1,538 4,984	Note F Note F Note F Note F
			3			-

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

1. “0” for Far East Tone Telecommunications Co., Ltd. (“Far East Tone”).
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, the amount is shown as a percentage of consolidated total assets as of December 31, 2020; while revenue, costs and expenses are shown as a percentage of consolidated total operating revenue for the year ended December 31, 2020.

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

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

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

(Concluded)

## SCHEDULE G

## FAR EASTSTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note	Highest Shares/Units Held During the Year
				December 31, 2020	December 31, 2019	Number of Shares	Percentage of Ownership (%)	Carrying Amount				
Far East Tone Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd.	Taiwan	Sales of communications products and office equipment	\$ 22,249,283	\$ 22,249,283	2,100,000,000	100.00	\$ 26,974,867	\$ 2,016,549	\$ 1,912,998	A	2,100,000,000
	ARCOA Communication Co., Ltd.	Taiwan	Telecommunications services	\$ 1,305,802	\$ 82,762,221	61,63	61.63	\$ 679,411	\$ 168,637	\$ 46,948	A	82,762,221
KGEx.com Co., Ltd.	Yuanchi Digital Technology Co., Ltd.	Taiwan	Telecommunications services	2,340,472	2,340,472	68,897,234	99.99	903,588	160,901	\$ 68,897,234	A	107,004,329
	Yuan Cing Co., Ltd.	Taiwan	Electronic information services	1,686,169	886,169	107,004,329	96.18	(66,543)	(195,262)	(180,688)	A and E	2,000,000
	Far Eastern Info Service (Holding) Ltd.	Taiwan	Call center services	-	-	2,000,000	100.00	40,712	16,326	4,811	A	1,200
	Yuan Bao FinTech Co., Ltd.	Bermuda	Investments	92,616	92,616	1,200	100.00	52,045	(96)	(7,635)	A	6,000,000
		Taiwan	Data processing services and electronic information services	60,000	60,000	6,000,000	100.00	52,045	(7,635)	(7,635)	A	
		Taiwan	Property insurance agent	5,000	5,000	500,000	100.00	64,587	59,587	59,587	A	500,000
		Taiwan	Electronic information services and electronic toll collection services	2,542,396	2,542,396	118,250,967	39.42	1,269,488	541,492	205,707	B	118,250,967
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	139,500	139,500	5,446,644	15.00	38,681	(15,685)	(1,990)	B	5,446,644
	Yuan Hsin Digital Payment Co., Ltd.	Taiwan	Other financing and supporting services	600,000	600,000	16,451,538	21.98	123,425	(186,923)	(56,074)	B	23,302,111
ARCOA Communication Co., Ltd.	DataExpress Infotech Co., Ltd.	Taiwan	Sale of communications products	141,750	141,750	13,895,664	70.00	246,341	95,205	-	C	13,895,664
New Century InfoComm Tech Co., Ltd.	New Diligent Co., Ltd.	Taiwan	Investments	540,000	540,000	54,000,000	100.00	82,075	(46,330)	-	C	54,000,000
	Information Security Service Digital United Inc.	Cayman Islands	Security and monitoring services via internet	148,777	148,777	10,249,047	100.00	129,170	17,482	-	C	10,249,047
	Digital United (Cayman) Ltd.	Taiwan	Investments	317,446	317,446	10,320,000	100.00	163,344	3,691	-	C	10,320,000
	Yuanhsin Digital Technology Co., Ltd.	Taiwan	Electronics information services	20,000	20,000	79,985	0.67	(146)	(195,262)	(15,685)	A	2,499,617
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	46,500	46,500	1,815,548	5.00	12,894	(12,894)	-	B	1,815,548
	Prime EcoPower Co., Ltd.	Taiwan	Energy technology services	160,000	160,000	16,000,000	100.00	127,430	(13,018)	-	C	16,000,000
	Drive Catalyst SPC-SP Tranche One	Cayman Islands	Investments	123,220	123,220	4,000	25.00	108,173	(27,519)	-	B	4,000
	Drive Catalyst SPC-SP Tranche Three	Cayman Islands	Investments	122,300	122,300	4,000	25.00	128,857	(5,572)	-	B	4,000
	Nextlink Technology Co., Ltd.	Taiwan	Electronics information services	420,000	420,000	3,430,000	70.00	428,018	43,098	-	C	3,430,000
New Diligent Co., Ltd.	Sino Lead Enterprise Limited	Hong Kong	Telecommunications services	125	125	30,000	100.00	290	(4)	-	C	30,000
	Far Eastern New Diligent Company Ltd.	British Virgin Islands	Investments	330,598	330,598	-	100.00	20,068	(4,369)	-	C	-
	New Diligent Hong Kong Co., Ltd.	Hong Kong	Investments	3,051	3,051	-	100.00	2,291	(418)	-	C	-
	Linkwell Tech. Ltd.	Taiwan	Sale of communications products	-	10,000	-	-	1,443	-	C and F	-	
	Home Master Technology Ltd.	Taiwan	Sale of communications products	10,000	10,000	-	100.00	47,290	28,050	-	C	-
DataExpress Infotech Co., Ltd.	Microfusion Technology Co., Ltd.	Taiwan	Electronic information services	17,000	17,000	2,600,000	100.00	30,209	13,747	-	C	2,600,000
	Nextlink Technology Co., Ltd.	Hong Kong	Electronic information services	973	973	-	100.00	8,463	3,331	-	C	-
	Microfusion (HK) Technology Co., Ltd.	Hong Kong	Electronic information services	1,494	1,494	-	100.00	1,109	(341)	-	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 H.

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

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

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

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note A)	Accumulated Remittance of Funds		Accumulated Remittance for Investment from Taiwan as of December 31, 2020	Outward Remittance for Investment from Taiwan as of December 31, 2020	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020
				Outward	Inward						
Digital United Information Technologies (Shanghai) Ltd.	Design, research, installment and maintenance of computer software and systems	\$ 88,288 (US\$ 3,100,000)	2	\$ 88,288 (US\$ 3,100,000)	\$ -	\$ 88,288 (US\$ 3,100,000)	\$ -	\$ 6,398 (US\$ 192,296 (Note D))	\$ 100.00 (201)	\$ 5,987 (218)	\$ - (RMB 1,368,000)
Far Eastern Tech-info Ltd. (Shanghai)	Computer software, data processing and network information services	\$ 170,880 (US\$ 6,000,000)	2	\$ 170,880 (US\$ 6,000,000)	\$ -	\$ 192,296 (US\$ 72,000)	\$ -	\$ 192,296 (Note D) (201)	\$ - (218)	\$ - (201)	\$ - (Note E)
Nextlink (Shanghai) Technologies Co., Ltd.	Electronic information services	\$ 2,051 (US\$ 72,000)	2	\$ 2,051 (US\$ 72,000)	\$ -	\$ 2,051 (US\$ 72,000)	\$ -	\$ 2,051 (US\$ 72,000)	\$ 70.00 (218)	\$ 1,207 (218)	\$ - (HK\$ 333,000)

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

Note A: Method of investment is as follows:

1. 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 Far Eastern Info Service (Holding) Ltd., Digital United (Cayman) Ltd., Far Eastern New Diligent Company Ltd. and Nextlink (HK) Technology Co., Ltd.
3. Others.

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

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

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

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

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

INFORMATION ON MAJOR STOCKHOLDERS  
DECEMBER 31, 2020

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

Note: The information on major stockholders presented in the above table lists the major stockholders whose combined shareholdings of ordinary and preference shares are at least 2% 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.

## **5. 2020 Independent Auditors' Report, Standalone Financial Statements and Notes**

revenue recognition. Due to the complexity of revenue calculation, the recognition of mobile telecommunications service revenue is considered a key audit matter.

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

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

1. Reviewed the contracts of mobile subscribers to confirm the accuracy of the information in the billing system.
2. Tested the accuracy of the billing calculation.
3. Tested the completeness and accuracy of the calculation and billing of monthly fees and airline fees.
4. Tested the completeness and accuracy of the calculation and billing of value-added service fees.

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

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

1. For the billed amounts, we compared whether there is any difference between the reports generated from the accounting system and the billing system.
2. For the unbilled amounts, we recalculated the service revenue for services provided as of the balance sheet date based on the applied charge rates to confirm the accuracy of the amounts.

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

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

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

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

## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

We have audited the accompanying financial statements of Far East Tone Telecommunications Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2020 and 2019, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the financial statements for the year ended December 31, 2020 is described as follows:

#### Recognition of Mobile Telecommunications Service Revenue

Mobile telecommunications service revenue is the main source of the Company's revenue, and it accounts for 63% of the Company's total revenue for the year ended December 31, 2020. The calculation of mobile telecommunications service revenue relies heavily on automated systems and includes complicated and huge amounts of data transmission. In order to meet market demands and remain competitive, the Company often launches different combinations of products and services which make the calculation of revenue more complex and directly affect the accuracy and timing of

### Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with statements that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 25, 2021

### Notice to Readers

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

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

## FAR EASTONE TELECOMMUNICATIONS CO., LTD.

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

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

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

## FAR EASTONE TELECOMMUNICATIONS CO., LTD.

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

	2020	%	2019	%
OPERATING REVENUE (Notes 4, 21 and 30)	\$ 61,423,568	100	\$ 66,101,283	100
OPERATING COSTS (Notes 4, 9, 22 and 30)	<u>39,628,929</u>	<u>64</u>	<u>43,417,660</u>	<u>66</u>
GROSS PROFIT	<u>21,794,639</u>	<u>36</u>	<u>22,683,623</u>	<u>34</u>
OPERATING EXPENSES (Notes 4, 21, 22 and 30)				
Marketing	8,650,790	14	8,231,574	12
General and administrative	3,806,196	6	3,954,929	6
Expected credit losses	<u>264,815</u>	<u>1</u>	<u>259,724</u>	<u>-</u>
Total operating expenses	<u>12,721,801</u>	<u>21</u>	<u>12,446,227</u>	<u>18</u>
OPERATING INCOME	<u>9,072,838</u>	<u>15</u>	<u>10,237,396</u>	<u>16</u>
NONOPERATING INCOME AND EXPENSES (Notes 4, 13, 22 and 30)				
Other income	210,752	-	124,891	-
Other gains and losses	<u>146,812</u>	<u>-</u>	<u>74,891</u>	<u>-</u>
Financial costs	<u>(727,899)</u>	<u>(1)</u>	<u>(525,040)</u>	<u>(1)</u>
Share of the gains of subsidiaries and associates	<u>2,155,984</u>	<u>3</u>	<u>1,212,146</u>	<u>2</u>
Losses on disposal of property, plant and equipment and intangible assets	<u>(724,768)</u>	<u>(1)</u>	<u>(748,565)</u>	<u>(1)</u>
Total nonoperating income and expenses	<u>1,060,881</u>	<u>1</u>	<u>168,323</u>	<u>-</u>
INCOME BEFORE INCOME TAX	10,133,719	16	10,405,719	16
INCOME TAX (Notes 4 and 23)	<u>1,779,391</u>	<u>3</u>	<u>1,670,735</u>	<u>3</u>
NET INCOME	<u>8,354,128</u>	<u>13</u>	<u>8,734,984</u>	<u>13</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 19, 20 and 29)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(32,453)	-	11,070	-
Unrealized (losses) gains on investments in equity instruments designated as at fair value through other comprehensive income	(69,349)	-	7,456	-
Share of the other comprehensive (loss) income of subsidiaries and associates	<u>(31,739)</u>	<u>-</u>	<u>19,599</u>	<u>-</u>
	<u>(133,541)</u>	<u>-</u>	<u>38,125</u>	<u>-</u>

(Continued)  
 OTHER COMPREHENSIVE INCOME (LOSS)  
 (Notes 4, 19, 20 and 29)  
 Items that will not be reclassified subsequently to  
 profit or loss:  
 Remeasurement of defined benefit plans  
 Unrealized (losses) gains on investments in equity  
 instruments designated as at fair value through  
 other comprehensive income  
 Share of the other comprehensive (loss) income of  
 subsidiaries and associates

## FAR EASTONE TELECOMMUNICATIONS CO., LTD.

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

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

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

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

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)**

							Other Equity (Notes 4 and 20)		
Capital Stock			Retained Earnings				Other Equity (Notes 4 and 20)		
Number of Shares (In Thousands)	Amount	Capital Surplus (Notes 4 and 20)	Legal Reserve (Notes 4 and 20)	Special Reserve (Notes 4 and 20)	Unappropriated Earnings (Notes 4 and 20)	Comprehensive Income	Through Other Financial Instruments	Unrealized Gains (Losses) on Financial Assets at Fair Value	
BALANCE AT JANUARY 1, 2019	3,258,501	\$ 32,585,008	\$ 5,820,041	\$ 18,487,851	\$ 626,328	\$ 15,766,913	\$ 4,197	\$ 808	\$ 26,352
Effects of retrospective application and retrospective restatement	-	-	-	-	-	(54,754)	-	-	(54,754)
BALANCE AT JANUARY 1, 2019 AS RESTATED	3,258,501	32,585,008	5,820,041	18,487,851	626,328	15,712,159	4,197	808	26,352
Appropriation of the 2018 earnings	-	-	-	938,135	-	(938,135)	-	-	-
Legal reserve	-	-	-	-	(19,598)	19,598	-	-	-
Special reserve	-	-	-	-	-	(12,219,378)	-	-	(12,219,378)
Cash dividends - NT\$33.75 per share	-	-	-	-	-	-	-	-	-
Net income for the year ended December 31, 2019	-	-	-	-	-	8,734,984	-	-	8,734,984
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	13,753	(13,914)	24,372	(38,606)
BALANCE AT DECEMBER 31, 2019	3,258,501	32,585,008	5,820,041	19,425,986	606,730	11,322,981	(9,717)	25,180	(12,254)
Appropriation of the 2019 earnings	-	-	-	873,498	(7,742)	(873,498)	-	-	-
Legal reserve	-	-	-	-	-	7,742	-	-	-
Special reserve	-	-	-	-	-	(10,456,529)	-	-	(10,456,529)
Cash dividends - NT\$33.209 per share	-	-	-	-	-	-	-	-	(133,599)
Cash dividends from capital surplus - NT\$0.041 per share	-	-	(133,599)	-	-	-	-	-	-
Changes in equity from investments in associates accounted for using the equity method	-	14,979	-	-	(8,499)	-	-	-	6,480
Net income for the year ended December 31, 2020	-	-	-	-	8,354,128	-	-	-	8,354,128
Other comprehensive (loss) income for the year ended December 31, 2020	-	-	-	-	(32,430)	(10,881)	(101,111)	8,900	(135,522)
Changes in ownership interests of a subsidiary	-	-	-	-	(85,219)	-	-	-	(85,219)
BALANCE AT DECEMBER 31, 2020	3,258,501	\$ 32,585,008	\$ 5,701,421	\$ 20,299,484	\$ 598,988	\$ 8,228,676	\$ (20,598)	\$ (75,931)	\$ (3,354)
									\$ 67,313,694

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

## FAR EASTONE TELECOMMUNICATIONS CO., LTD.

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

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 10,133,719	\$ 10,405,719
Adjustments for:		
Depreciation	9,519,215	11,135,462
Amortization	881,253	842,021
Amortization of concessions	3,861,598	2,835,884
Expected credit losses	264,815	259,724
Financial costs	727,899	525,040
Interest income	(31,670)	(34,524)
Dividend income	(55,618)	(5,400)
Share of the gains of subsidiaries and associates	(2,155,984)	(1,212,146)
Losses on disposal of property, plant and equipment and intangible assets	724,768	748,565
Losses on disposal of a subsidiary	-	773
Reversal of write-down of inventories	(48,399)	(9,759)
Losses on changes in fair value of investment properties	24,365	4,827
Gains on modifications of lease arrangements	(840)	(1,260)
Net changes in operating assets and liabilities	(1,484,860)	(1,217,446)
Contract assets	36,623	(14,775)
Notes receivable	125,941	(362,045)
Accounts receivable	(353,898)	12,739
Accounts receivable - related parties	(66,107)	(26,479)
Other receivables - related parties	(91,644)	645,778
Inventories	(21,474)	(87,135)
Prepaid expenses	(95,984)	(29,217)
Other current assets	(151,610)	(1,893,301)
Incremental costs of obtaining a contract	139,716	(401,285)
Contract liabilities	(5,696)	4,730
Notes payable	1,428,007	484,313
Accounts payable	(122,563)	302,188
Accounts payable - related parties	(469,359)	(495,465)
Other payables	15,343	(20,367)
Provisions	(1,589)	(13,051)
Other current liabilities	(115,949)	(695,370)
Net defined benefit liabilities	(17,972)	(160,042)
Cash generated from operations	22,586,246	21,528,696
Interest received	39,436	33,378
Dividends received	1,589,731	2,245,086
Interest paid	(700,293)	(481,543)
Income taxes paid	(945,116)	(3,344,987)
Net cash generated from operating activities	22,570,040	19,980,630

(Continued)

## FAR EASTONE TELECOMMUNICATIONS CO., LTD.

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

	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	\$ 11,135,462	\$ 881,253
Remittance of cash due to capital reduction of financial assets at fair value through other comprehensive income	13,500	(16,397)
Acquisition of financial assets at amortized cost	-	-
Proceeds from the disposal of financial assets at amortized cost	56,704	-
Acquisition of investments accounted for using the equity method	-	(60,000)
Increase in prepayments for an investment	-	(105,000)
Net cash inflow on disposal of a subsidiary	-	10,500
Acquisition of property, plant and equipment	(8,332,484)	(3,874,384)
Proceeds from the disposal of property, plant and equipment	27,808	15,291
Increase in refundable deposits	(196,154)	(458,670)
Decrease in refundable deposits	225,908	262,539
Acquisition of intangible assets	(42,668,385)	(707,198)
Decrease (increase) in other financial assets	1,009,619	(2,695)
Increase in other noncurrent assets	(3,799)	(11,001,501)
Net cash used in investing activities	(50,227,283)	(5,937,515)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	100,000	(1,500,000)
Increase (decrease) in short-term bills payable	99,986	(99,720)
Proceeds from the issuance of bonds payable	5,991,480	8,088,850
Repayment of bonds payable	(2,500,000)	(3,200,000)
Proceeds from long-term borrowings	53,043,222	4,400,000
Repayment of long-term borrowings	(17,797,294)	(700,000)
Increase in guarantee deposits received	34,349	38,150
Decrease in guarantee deposits received	(401,285)	(53,963)
Increase (decrease) in financing obtained from other payables - related parties	(156,274)	(156,274)
Repayment of the principal portion of lease liabilities	4,100,000	(3,350,756)
Cash dividends paid	(10,590,128)	(12,219,378)
Acquisition of partial interest of a subsidiary	(800,000)	-
Net cash generated from (used in) financing activities	28,174,585	(13,160,798)
INCREASE IN CASH AND CASH EQUIVALENTS	477,306	882,317
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>2,133,722</u>	<u>1,251,405</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 2,611,028</u>	<u>\$ 2,133,722</u>

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

(Concluded)

## FAR EASTONE TELECOMMUNICATIONS CO., LTD.

**NOTE TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

### 1. ORGANIZATION AND OPERATIONS

Far Eastone Telecommunications Co., Ltd. (the “Company”) was incorporated in the Republic of China (ROC) on April 11, 1997 and began commercial operations on January 20, 1998. The Company’s stock was initially listed and commenced trading on the over-the-counter (OTC) securities exchange (also known as the Taipei Exchange, TPEX) of the ROC on December 10, 2001, but later ceased trading on the TPEx and transferred listing of its stock on the Taiwan Stock Exchange (TWSE) on August 24, 2005. The Company provides wireless communications, internet and international simple resale (ISR) services and also sells cellular phone equipment and accessories. As of December 31, 2020 and 2019, Far Eastern New Century Corporation (“Far Eastern New Century”) and its affiliates directly and indirectly owned 38.28% of the Company’s stock. Since Far Eastern New Century and its subsidiaries have the power to cast the majority of votes at the board of directors’ meeting of the Company, Far Eastern New Century has control over the Company’s finances, operations and personnel affairs. Thus, Far Eastern New Century is the ultimate parent company of the Company.

The Company provides second-generation (2G) wireless communications services under type I licenses issued by the Directorate General of Telecommunications (DGT) of the ROC. These licenses allowed the Company to provide services for 15 years starting from 1997. The National Communications Commission (NCC) approved the renewal of the licenses when they were due. However, 2G wireless communication services were terminated on June 30, 2017. In 1997, the DGT also issued the Company a type II license to provide internet and ISR services until December 2021. Through the completion of the merger with Yuan-Ze Telecommunications Co., Ltd. on May 2, 2005, the Company acquired a third-generation (3G) wireless communications license, which was issued by the DGT and was valid through December 31, 2018.

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

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

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on February 25, 2021.

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

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

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

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

<u>New IFRSSs</u>	<u>Effective Date</u>	<u>Announced by IASB</u>
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”;	Effective immediately upon promulgation by the IASB January 1, 2021	
c. New IFRSSs in issue but not yet endorsed and issued into effect by the FSC		

Note 1: Unless stated otherwise, the above New IFRSSs 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 measurement on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoption of IFRSSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

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

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

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

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

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

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Statement of Compliance

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

##### Basis of Preparation

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

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

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

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

##### Classification of Current and Noncurrent Assets and Liabilities

Current assets include:

- Assets held primarily for the purpose of trading;
  - Assets expected to be realized within 12 months after the reporting period; and
  - Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.
- Current liabilities include:
- Liabilities held primarily for the purpose of trading;
  - Liabilities due to be settled within 12 months after the reporting period; and
  - Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

##### Foreign Currencies

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

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

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

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

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

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

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

#### Inventorys

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

#### Investments in Subsidiaries

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

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

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

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

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

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

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

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

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

#### Investments in Associates

An associate is an entity over which the Company has significant influence and which is not a subsidiary. The Company uses the equity method to account for its investments in associates.

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

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

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

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

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

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

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

#### **Property, Plant and Equipment**

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

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

The depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effects of any changes in estimates accounted for on a prospective basis.

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

#### **Investment Properties**

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

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

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

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

#### **Goodwill**

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

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

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

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

#### **Intangible Assets**

a. Intangible assets acquired separately

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

b. Intangible assets acquired in a business combination

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

c. Derecognition of intangible assets

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

#### **Assets Related to Contract Costs**

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

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

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

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

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

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

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

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

#### Financial Instruments

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

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

##### a. Financial assets

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

###### 1) Measurement category

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

###### a) Financial assets at amortized cost

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

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

- Significant financial difficulty of the issuer or the borrower;
- Breach of contract, such as a default;
- It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

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

##### b) Investments in equity instruments at FVTOCI

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

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

- The Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.
- Impairment of financial assets and contract assets

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

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

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

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

- Internal or external information show that the debtor is unlikely to pay its creditors.
- When a financial asset is more than 120 days past due, unless the Company has reasonable and corroborative information to support a more lagged default criterion.

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

### 3) Derecognition of financial assets

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

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

### b. Equity instruments

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

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

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

### c. Financial liabilities

#### 1) Subsequent measurement

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

#### 2) Derecognition of financial liabilities

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

### Provisions

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

#### a. Decommissioning, restoration and similar liabilities

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

- Its purchase price;
- Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

- The initial measurement of lease liabilities;
- The initial estimate of the costs of dismantling and removing the right-of-use asset and restoring the site on which it is located.

#### b. Warranties

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

### Revenue Recognition

The Company identifies contracts with customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied. Revenue from the sale of goods comes from sales of mobile telecommunication devices and accessories. Sales of mobile telecommunication devices and accessories are recognized as revenue when the goods are delivered to the customer because that is the time when the customer obtains control of the goods and bears the risks of obsolescence. Accounts receivable are recognized concurrently.

Telecommunications service revenue from cellular services and call transfer fees from other telecommunications companies and carriers are billed in arrears and are recognized based upon minutes of traffic processed when the services are provided in accordance with contract terms. Telecommunications revenue is recognized as follows: (a) monthly fees are recognized as income when services are rendered at the amount allocated from the transaction price of the related contracts on a relative stand-alone selling price basis, and (b) prepaid and recharge services are recognized as income based upon actual usage by customers. As the Company provides telecommunication value-added services, the customer simultaneously receives and consumes the benefits provided by the Company's satisfaction of performance obligations. Consequently, related revenue is recognized when services are rendered.

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

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

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

#### Leasing

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

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

- The Company as lessor

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

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

- The Company as lessee

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

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

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets and the end of the lease terms. Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term resulting in a change in future lease payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Company accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the balance sheets.

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

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

#### Borrowing Costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other than that stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

#### Government Grants

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

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

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

#### **Employee Benefits**

##### a. Short-term employee benefits

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

##### b. Retirement benefits

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

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

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

##### c. Termination benefits

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

#### **Taxation**

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

##### a. Current tax

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

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

##### b. Deferred tax

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with these investments are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and such temporary differences are expected to reverse in the foreseeable future.

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

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

##### c. Current and deferred taxes

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

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

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

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

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

#### **Critical Accounting Judgments**

##### Lease terms

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

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

	December 31	2020	2019
a. Estimated impairment of financial assets			
Noncurrent			
Investments in equity instruments at FVTOCI	\$ 615,852	\$ 198,701	
These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.			
b. Impairment of property, plant and equipment, right-of-use assets, intangible assets (other than goodwill) and incremental costs of obtaining a contract			
c. Impairment testing of assets, the Company evaluates and decides on certain assets' independent cash flows, the useful lives of the assets, and the probable future profit or loss which is based on subjective judgment, utilized asset mode, and telecommunications industry characteristics. Any changes in national and local economic conditions or the Company's strategy may cause significant impairment loss.			
d. Impairment of goodwill			
Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The calculation of the value in use requires the Company's management to estimate the future cash flows expected to arise from each cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.			
e. Income tax			
As of December 31, 2020 and 2019, the realizability of the deferred tax assets (liabilities) mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets (liabilities) may arise, which would be recognized in profit or loss for the year in which such a reversal takes place.			

## 8. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	December 31	2020	2019
Notes receivable			
At amortized cost			
Gross carrying amount	\$ -	\$ 36,623	
Less: Allowance for impairment loss	<u>\$ -</u>	<u>\$ -</u>	
Notes receivable - operating			
At amortized cost			
Gross carrying amount	\$ -	\$ 36,623	
Less: Allowance for impairment loss	<u>\$ -</u>	<u>\$ -</u>	
Accounts receivable (including related parties)			
At amortized cost			
Gross carrying amount	\$ 6,882,504	\$ 6,889,037	
Less: Allowance for impairment loss	<u>(664,318)</u>	<u>(633,993)</u>	
\$ 6,218,186	\$ 6,255,044		

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

	December 31	2020	2019
Cash on hand	\$ 7,991	\$ 8,825	
Checking and demand deposits	2,603,037	2,124,897	
	<u>\$ 2,611,028</u>	<u>\$ 2,133,722</u>	

## 6. CASH AND CASH EQUIVALENTS

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

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

## Key Sources of Estimation Uncertainty

### a. Estimated impairment of financial assets

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

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

### c. Impairment of goodwill

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

### d. Income tax

As of December 31, 2020 and 2019, the realizability of the deferred tax assets (liabilities) mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets (liabilities) may arise, which would be recognized in profit or loss for the year in which such a reversal takes place.

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

The Company's expected credit loss rate ranges of receivables which were not overdue and receivables which were overdue were 0.70%-7.00% and 9.71%-100%, respectively.

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

December 31, 2020

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

December 31, 2019

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

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

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

#### Sale of Overdue Accounts Receivable

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

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

	Counterparty	Amount of Accounts Receivable Sold (Excluding Value-added Tax)	Proceeds from the Sale of Accounts Receivable (Excluding Value-added Tax)
<u>2020</u>	Chenxu Enterprise Management Consultants Co., Ltd.	<u>\$ 554,240</u>	<u>\$ 38,816</u>
<u>2019</u>	Good Management Consultant Co., Ltd.	<u>\$ 1,187,303</u>	<u>\$ 85,301</u>
		<u>December 31</u>	<u>2019</u>
		<u>2020</u>	<u>2019</u>
	Cellular phone equipment and accessories		
	Others		
		<u>December 31</u>	<u>2019</u>
		<u>2020</u>	<u>2019</u>
	Investments in subsidiaries		
	Investments in associates		
		<u>December 31</u>	<u>2019</u>
		<u>2020</u>	<u>2019</u>



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

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

## 2) Aggregate information of associates that are not individually material

### For the Year Ended December 31 2019

The Company's share of:	
Net loss for the year	\$ (75,487)
Other comprehensive loss	<u>(130)</u>
Total comprehensive loss for the year	<u>\$ (75,617)</u>

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

## 11. PROPERTY, PLANT AND EQUIPMENT

Cost	Freehold Land	Buildings	Operating Equipment	Computer Equipment	Other Equipment	Construction-in-progress	Total
Balance at January 1, 2020	\$ 1,161,082	\$ 2,256,489	\$ 56,891,346	\$ 10,203,007	\$ 3,634,289	\$ 1,041,297	\$ 75,687,510
Additions	-	-	(71,749)	(449,335)	8,891,749	8,891,749	(3,279,667)
Disposals	-	57,212	1,391,444	(3,250,461)	262,613	165,075	(3,973,242)
Reclassification							69,133
Balance at December 31, 2020	<u>\$ 1,121,824</u>	<u>\$ 2,123,834</u>	<u>\$ 60,275,574</u>	<u>\$ 10,116,285</u>	<u>\$ 3,611,682</u>	<u>\$ 229,255</u>	<u>\$ 80,675,130</u>
Accumulated depreciation							
Balance at January 1, 2020	\$ -	\$ (1,208,959)	\$ (41,586,596)	\$ (9,820,974)	\$ (3,278,073)	\$ -	\$ (65,816,602)
Depreciation expense	\$ -	\$ (65,612)	\$ (545,749)	\$ (500,320)	\$ (448,538)	\$ 181,534	\$ (6,150,150)
Disposals							3,178,322
Balance at December 31, 2020	<u>\$ 1,121,824</u>	<u>\$ 2,123,834</u>	<u>\$ 61,441,057,746</u>	<u>\$ 19,477,206</u>	<u>\$ 3,614,538</u>	<u>\$ 229,255</u>	<u>\$ 80,675,130</u>
Carrying amount at December 31, 2020	<u>\$ 1,121,824</u>	<u>\$ 2,123,834</u>	<u>\$ 16,590,947</u>	<u>\$ 663,532</u>	<u>\$ 346,920</u>	<u>\$ 229,255</u>	<u>\$ 21,887,130</u>

Cost	Freehold Land	Buildings	Operating Equipment	Computer Equipment	Other Equipment	Construction-in-progress	Total
Balance at January 1, 2019	\$ 1,150,522	\$ 2,257,790	\$ 56,257,585	\$ 11,099,865	\$ 4,100,303	\$ 1,207,021	\$ 76,073,086
Adjustments on initial application of IFRS 16	1,150,522	2,257,790	55,976,304	11,069,865	3,866,076	(234,222)	(515,398)
Balance at January 1, 2019 (restated)	<u>\$ 1,150,522</u>	<u>2,257,790</u>	<u>55,976,304</u>	<u>11,069,865</u>	<u>3,866,076</u>	<u>(234,222)</u>	<u>(515,398)</u>
Depreciation expense							
Disposals							
Reclassification							
Balance at December 31, 2019	<u>\$ 1,161,082</u>	<u>\$ 2,256,489</u>	<u>\$ 56,891,346</u>	<u>\$ 10,203,007</u>	<u>\$ 3,634,289</u>	<u>\$ 1,041,297</u>	<u>\$ 75,687,510</u>

### Accumulated depreciation and impairment

Balance at January 1, 2019	\$ -	\$ (1,151,687)	\$ (6,649,729)	\$ (5,016,949)	\$ (3,483,790)	\$ -	\$ (5,092,155)
Adjustments on initial application of IFRS 16	-	-	(1,151,687)	(1,151,687)	(1,151,687)	-	(3,432,745)
Balance at January 1, 2019 (restated)							
Depreciation expense	-	(66,210)	(6,251,121)	(6,251,121)	(6,251,121)	-	(3,418,380)
Disposals	-	10,618	1,516,468	1,516,468	1,516,468	-	(3,463,087)
Reclassification	-	(1,630)	(1,630)	(1,630)	(1,630)	-	(3,463,087)
Balance at December 31, 2019	<u>\$ 1,161,082</u>	<u>\$ 2,256,489</u>	<u>\$ 56,891,346</u>	<u>\$ 10,203,007</u>	<u>\$ 3,634,289</u>	<u>\$ 1,041,297</u>	<u>\$ 75,687,510</u>

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

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

## 12. LEASE ARRANGEMENTS

### a. Right-of-use assets

	Buildings	Other Equipment	Total
<u>Cost</u>			
Balance at January 1, 2020	\$ 15,747,415	\$ 300,463	\$ 16,047,878
Additions	3,831,198	110,552	3,941,750
Disposals	(4,023,083)	(101,956)	(4,155,039)
Balance at December 31, 2020	<u>\$ 15,525,530</u>	<u>\$ 309,059</u>	<u>\$ 15,834,589</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2020	\$ (7,971,776)	\$ (170,438)	\$ (8,142,214)
Depreciation expense	(3,279,667)	(89,398)	(3,369,065)
Disposals			
Balance at December 31, 2020	<u>\$ (7,453,798)</u>	<u>\$ (158,919)</u>	<u>\$ (7,612,717)</u>
<u>Carrying amount at December 31, 2020</u>	<u>\$ 8,071,732</u>	<u>\$ 150,140</u>	<u>\$ 8,221,872</u>
<u>Cost</u>			
Balance at January 1, 2019	\$ 15,912,996	\$ 329,131	\$ 16,242,127
Additions	3,373,592	83,596	3,457,188
Disposals	(3,539,173)	(112,264)	(3,651,437)
Balance at December 31, 2019	<u>\$ 15,747,415</u>	<u>\$ 300,463</u>	<u>\$ 16,047,878</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2019	\$ (7,887,020)	\$ (183,721)	\$ (8,070,741)
Depreciation expense	(3,337,935)	(94,810)	(3,432,745)
Disposals	(3,253,179)	108,093	3,361,272
Balance at December 31, 2019	<u>\$ (7,971,776)</u>	<u>\$ (170,438)</u>	<u>\$ (8,142,214)</u>
<u>Carrying amount at December 31, 2019</u>	<u>\$ 7,775,639</u>	<u>\$ 130,025</u>	<u>\$ 7,905,664</u>

b. Lease liabilities

**13. INVESTMENT PROPERTIES**

**Item**                   **Lease Term**                   **Discount Rate**

**December 31,**

**2020**

Buildings	2007.07.15-2040.09.30	0.53%-1.44%	\$ 7,619,107
Other Equipment	2018.01.18-2023.09.02	0.53%-0.89%	<u>151,038</u>
			<u><u>\$ 7,770,145</u></u>

**December 31,**

**2020**

Lease liabilities - current	\$ 2,603,141
Lease liabilities - noncurrent	<u>5,167,004</u>
	<u><u>\$ 7,770,145</u></u>

**December 31,**

**2019**

Buildings	2000.10.01-2029.09.19	0.71%-1.44%	\$ 7,388,065
Other Equipment	2017.01.03-2022.10.23	0.71%-0.89%	<u>133,973</u>
			<u><u>\$ 7,522,038</u></u>

**December 31,**

**2019**

Year 1	\$ 9,566	\$ 13,029
Year 2	7,160	9,564
Year 3	1,486	7,135
Year 4	-	1,486
Year 5	-	-
Year 6 onwards	-	-

\$ 7,522,038

c. Material lease activities and terms

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

d. Other lease information

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

**For the Year Ended December 31**

**2020**

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

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

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

**December 31**

**2020**

**2019**

\$ 641,246

\$ 734,944

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

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

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

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

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

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

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

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

#### 14. INTANGIBLE ASSETS

	Concessions	Computer Software	Goodwill	<b>Total</b>
<u>Cost</u>				
Balance at January 1, 2020	\$ 46,960,000	\$ 15,103,405	\$ 10,283,031	\$ 72,346,436
Additions	43,042,000	626,385	-	43,668,385
Disposals	-	(12,574)	-	(12,374)
<b>Balance at December 31, 2020</b>	<b>\$ 90,002,000</b>	<b>\$ 15,717,416</b>	<b>\$ 10,283,031</b>	<b>\$ 116,002,447</b>

(Continued)

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

Concessions	\$ 57,129,000	\$ 15,090,651	\$ 10,283,031	\$ 82,502,682
Additions	-	707,198	-	707,198
Disposals	(10,169,000)	(694,444)	-	(10,863,444)
<b>Balance at December 31, 2019</b>	<b>\$ 46,960,000</b>	<b>\$ 15,103,405</b>	<b>\$ 10,283,031</b>	<b>\$ 72,346,436</b>

Concessions

Computer software

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

14 to 21 years

3 to 7 years

As of December 31, 2020 and 2019, the carrying amount of property, plant and equipment, right-of-use assets, intangible assets and the incremental costs of obtaining a contract used by the Company was \$122,186,671 thousand and \$80,777,051 thousand, respectively. The Company's management estimated the recoverable amounts of core assets based on their value in use and considered the expected useful lives and thus based the cash flow forecast on the discount rates of 6.72% and 6.87% on December 31, 2020 and 2019, respectively. The operating revenue forecast was based on the expected effective customer base, expected sales and the Company's operating strategies and goals, taking into account the expected future growth rate of the telecom industry along with the projected advancement of the Company's own business. The Company's management believes that any reasonable change in the principal assumptions used in the calculation of the recoverable amounts would not result in the carrying amounts exceeding the recoverable amounts. The principal assumptions and the relevant measurement of the recoverable amounts of the Company are summarized as follows:

- b. Short-term bills payable

Commercial papers payable

Less: Unamortized discount

Interest rate range

As of December 31, 2020 and 2019, the carrying amount of property, plant and equipment, right-of-use assets, intangible assets and the incremental costs of obtaining a contract used by the Company was \$122,186,671 thousand and \$80,777,051 thousand, respectively. The Company's management estimated the recoverable amounts of core assets based on their value in use and considered the expected useful lives and thus based the cash flow forecast on the discount rates of 6.72% and 6.87% on December 31, 2020 and 2019, respectively. The operating revenue forecast was based on the expected effective customer base, expected sales and the Company's operating strategies and goals, taking into account the expected future growth rate of the telecom industry along with the projected advancement of the Company's own business. The Company's management believes that any reasonable change in the principal assumptions used in the calculation of the recoverable amounts would not result in the carrying amounts exceeding the recoverable amounts. The principal assumptions and the relevant measurement of the recoverable amounts of the Company are summarized as follows:

a. Expected future growth rate of the telecommunications industry

- 1) Mobile voice service (MVS): The anticipated MVS is measured based on the actual effective customer base and minutes of usage of previous years, taking into account the market trend.
  - 2) Mobile data service (MDS): The anticipated MDS is measured based on the proportion of MDS to the total telecommunication service revenue of previous years, taking into account the demands and changes of the market.

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

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

## 15. BORROWINGS

- a. Short-term borrowings

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

## 16. BONDS PAYABLE

December 31	2019
2020	
\$ 5,198,304	\$ 2,499,356
- 4,498,076	5,196,626
1,998,135	4,496,618
2,997,441	1,997,627
4,996,193	2,996,623
4,995,240	4,995,136
3,096,037	4,994,066
4,994,267	3,095,410
998,161	-
<u>33,771,854</u>	<u>30,271,462</u>
	2,499,356
	<u><u>33,771,854</u></u>
	<u><u>\$ 27,772,106</u></u>

## 18. PROVISIONS

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

## 19. RETIREMENT BENEFIT PLANS

### a. Defined contribution plan

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

### b. Defined benefit plan

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

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

## 17. OTHER LIABILITIES

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

	<u><b>December 31</b></u>	<u><b>2019</b></u>
Present value of defined benefit obligation	\$ 1,632,994	\$ 1,549,967
Fair value of plan assets	(\$1,123,905)	(\$1,063,472)
<b>Net defined benefit liabilities</b>	<b>\$ 509,089</b>	<b>\$ 486,495</b>
Movements in net defined benefit liabilities (assets) were as follows:		
	<u><b>Net Defined Benefit Liabilities (Assets)</b></u>	
Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	
\$ 1,549,967	\$ (1,063,472)	\$ 486,495
Balance at January 1, 2020		
Service cost	9,084	9,084
Current service cost	15,377	-
Net interest expense (income)	24,461	4,704
Recognized in profit or loss	(10,673)	(10,673)
Remeasurement	-	13,788
Return on plan assets (excluding amounts included in net interest)	(31,826)	(31,826)
Actuarial loss - changes in financial assumptions	39,231	-
Actuarial loss - experience adjustments	33,161	-
Recognized in other comprehensive income	72,392	(31,826)
Contributions from the employer	-	(31,350)
Benefits paid	(13,826)	(13,416)
Balance at December 31, 2020	\$ 1,632,994	\$ (1,123,905)
Balance at January 1, 2019	\$ 1,656,501	\$ (996,127)
Service cost		
Current service cost	9,802	-
Net interest expense (income)	18,681	(12,423)
(Gain) loss on settlement	(152,088)	7,615
Recognized in profit or loss	(123,605)	(4,808)
Remeasurement		
Return on plan assets (excluding amounts included in net interest)	-	(34,114)
Actuarial loss - changes in financial assumptions	191	(34,114)
Actuarial loss - experience adjustments	20,086	191
Recognized in other comprehensive income	20,277	20,086
Contributions from the employer	-	(34,114)
Benefits paid	(3,206)	(31,629)
Balance at December 31, 2019	\$ 1,549,967	\$ (1,063,472)

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

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the corporate/government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.
- The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<u><b>December 31</b></u>	<u><b>2019</b></u>
Discount rate	0.75%	1.00%
Expected rate of salary increase	1.50%	1.50%
If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:		
	<u><b>December 31</b></u>	<u><b>2019</b></u>
Discount rates		
0.25% increase	\$ (39,230)	\$ (40,127)
0.25% decrease	\$ 40,605	\$ 41,594
Expected rates of salary increase/decrease		
0.25% increase	\$ 40,210	\$ 41,292
0.25% decrease	\$ (39,048)	\$ (40,038)
The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.		
	<u><b>December 31</b></u>	<u><b>2019</b></u>
Discount rates		
0.25% increase	\$ 31,820	\$ 32,103
0.25% decrease	9.8 years	10.7 years
The average duration of the defined benefit obligation		

## 20. EQUITY

- a. Capital stock

- 1) Common stock

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

Since 2004, part of the Company's issued common stock have been trading on the Luxembourg Stock Exchange in the form of GDRs. One GDR unit represents 15 shares of the Company's common stock. As of December 31, 2020 and 2019, there were 198 thousand and 194 thousand units of GDRs outstanding, representing 2,967 thousand and 2,917 thousand common stock, respectively.

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

- a) The exercise of voting rights;

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

- b. Capital surplus

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

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

- c. Retained earnings and dividend policy

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

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

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

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

The appropriations of earnings for 2019 and 2018, which had been approved in the stockholders' meetings on June 19, 2020 and June 18, 2019, respectively, were as follows:

	For the Year Ended December 31	
	2019	2018
Legal reserve	\$ 873,498	\$ 938,135
Special reserve	(7,442)	(19,598)
Cash dividends	10,456,529	12,219,378
Cash dividends per share (NT\$)	3,209	3,75

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

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

	For the Year Ended December 31, 2020	2020
	2020	2019
Legal reserve	\$ 822,798	\$ 822,798
Special reserve	124,528	124,528
Cash dividends	7,279,491	7,279,491
Cash dividends per share (NT\$)	2,234	2,234

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Contract revenue	\$ 16,911,336	\$ 19,466,438
Sales of inventories	38,865,154	40,852,861
Telecommunications service revenue	4,082,328	4,285,667
Other revenue	59,888,818	64,604,966
Other operating revenue	1,564,750	1,496,317
	<u><u>\$ 61,423,568</u></u>	<u><u>\$ 66,101,283</u></u>

## 21. REVENUE

In addition to distributing cash dividends at NTS2,234 per share from the unappropriated earnings, the Company's board of directors proposed the cash distribution of \$3,310,637 thousand from the additional paid-in capital from business combinations at NTS1,016 per share. Therefore, the Company's stockholders will receive NT\$3.25 per share in 2021.

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

### d. Special reserve

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

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

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

For details of notes receivable and accounts receivable, refer to Note 8.  
The changes in the balances of contract assets and contract liabilities primarily resulted from the timing difference between the Company's satisfaction of performance obligations and the respective customer's payment; other significant changes are as follows:

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

The Company measures the loss allowance for contract assets at an amount equal to lifetime ECLs. The expected credit losses on contract assets are estimated using an allowance matrix by reference to past default experience with the debtor and an analysis of the debtor's current financial position, adjusted for the general economic conditions of the industry in which the debtor operates, the unemployment rate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date.

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

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

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

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

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

## 22. NET INCOME

c. Assets related to contract costs

	<u>December 31</u>	<u>2019</u>
	<u>2020</u>	<u>2019</u>
Current Costs to fulfill a contract (included in other current assets)	<u>\$ 10,554</u>	<u>\$ -</u>
Noncurrent Incremental costs of obtaining a contract	<u>\$ 4,151,595</u>	<u>\$ 3,999,985</u>
Dividend income	\$ 55,618	\$ 5,400
Management service revenue	48,163	49,207
Rental income	39,670	33,662
Interest income	37,670	34,524
Government grants	29,631	32,098
<b>Total</b>	<b><u>\$ 210,752</u></b>	<b><u>\$ 154,891</u></b>

## 1) Costs to fulfill a contract

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

### 2) Incremental costs of obtaining a contract

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

### d. Disaggregation of revenue

Refer to Statements of Major Accounting Items Statement 10 for information about the disaggregation of revenue.

### e. Partially completed contracts

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

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

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

## 22. NET INCOME

The items included in net income are as follows:

### a. Other income

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

b. Other gains and losses

	For the Year Ended December 31	
	2020	2019
Communication records and others	\$ 146,812	\$ 74,891
c. Depreciation and amortization		
Property, plant and equipment	\$ 6,150,150	\$ 7,702,717
Right-of-use assets	3,369,065	3,432,745
Intangible assets	881,253	842,021
	<u>\$ 10,400,468</u>	<u>\$ 11,977,483</u>
Depreciation expense categorized by function		
Operating costs	\$ 8,494,808	\$ 9,905,769
Operating expenses	<u>1,024,407</u>	<u>1,229,693</u>
	<u><u>\$ 9,519,215</u></u>	<u><u>\$ 11,135,462</u></u>
Amortization expense categorized by function		
Operating costs	\$ 149,913	\$ 176,960
Marketing expenses	211,603	161,340
General and administrative expenses	<u>519,737</u>	<u>503,721</u>
	<u><u>\$ 881,253</u></u>	<u><u>\$ 842,021</u></u>
d. Financial costs		

	For the Year Ended December 31	
	2020	2019
Interest on financial liabilities measured at amortized cost	\$ 655,078	\$ 390,271
Interest on lease liabilities	70,780	74,574
Interest on compensation arising from lawsuits	-	42,305
Other financial costs	<u>2,041</u>	<u>17,890</u>
	<u><u>\$ 727,899</u></u>	<u><u>\$ 525,040</u></u>

e. Employee benefits expense

	For the Year Ended December 31, 2020	
	Costs or Expenses Deduction	
Retirement benefits		
Defined contribution plans	\$ 29,825	\$ 58,580
Defined benefit plans	4,652	9,136
Other employee benefits		
Salary	559,694	3,472,753
Insurance	50,126	325,554
Remuneration of directors	-	78,995
Others	<u>14,470</u>	<u>210,858</u>
	<u><u>\$ 658,767</u></u>	<u><u>\$ 4,155,876</u></u>
	<u><u>\$ 1,280,825</u></u>	
	<u><u>\$ 6,095,468</u></u>	

	For the Year Ended December 31, 2019	
	Costs or Expenses Deduction	
Retirement benefits		
Defined contribution plans	\$ 30,105	\$ 102,882
Defined benefit plans	3,636	(132,049)
Other employee benefits		
Salary	673,042	3,398,799
Insurance	53,860	312,760
Remuneration of directors	-	82,814
Others	<u>17,742</u>	<u>222,911</u>
	<u><u>\$ 778,385</u></u>	<u><u>\$ 3,988,117</u></u>
	<u><u>\$ 1,168,022</u></u>	
	<u><u>\$ 5,934,524</u></u>	

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

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

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

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

## f. Compensation of employees and remuneration of directors

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

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

<u>For the Year Ended December 31</u>	<u>2019</u>
Compensation of employees	\$ 205,762
Remuneration of directors	\$ 74,074
	<u>\$ 279,833</u>
	<u>\$ 77,016</u>

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

There was no difference between the amounts of compensation of employees and the remuneration of directors resolved by the board of directors and the respective amounts recognized in the financial statements for the years ended December 31, 2019 and 2018.

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

## 23. INCOME TAX

## a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

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

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

	<u>For the Year Ended December 31</u>	<u>2019</u>
Income before tax	\$ 10,133,719	<u>\$ 10,405,719</u>
Income tax expense computed at the statutory tax rate	\$ 2,026,744	\$ 2,081,144
Add (deduct) tax effects of:		
Investments accounted for using the equity method	(431,197)	<u>(256,917)</u>
Others	(255)	<u>1,808</u>
Prior year's adjustments	184,299	<u>(155,300)</u>
Income tax expense recognized in profit or loss	<u>\$ 1,779,591</u>	<u>\$ 1,670,735</u>
Deferred tax		
In respect of the current year		<u>\$ 8,113</u>
Remeasurement of defined benefit plan		<u>\$ (2,767)</u>
c. Deferred income tax assets and liabilities		
The movements of deferred income tax assets and deferred income tax liabilities were as follows:		
	<u>For the Year Ended December 31</u>	<u>2020</u>
For the year ended December 31, 2020		
Current tax	\$ 1,628,425	
Deferred tax	42,310	
	<u>\$ 1,670,735</u>	
Income tax expense recognized in profit or loss	<u>\$ 1,670,735</u>	
Deferred income tax assets		
Allowance for impairment loss	\$ 255,558	\$ 28,812
Defined benefit obligation	95,725	(3,594)
Others	305,099	42,803
	<u>\$ 656,382</u>	<u>\$ 68,021</u>
Recognized in Other Comprehensive Income	<u>\$ 8,113</u>	<u>\$ 8,113</u>
Closing Balance		<u>\$ 732,516</u>

(Continued)

#### 24. EARNINGS PER SHARE

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

	Net Income for the Year			For the Year Ended December 31	
	2020	2019		2020	2019
Deferred income tax liabilities				\$ 8,354,128	\$ 8,734,984
Amortization of goodwill	\$ 2,056,606	\$ -	\$ 2,056,606		
Investment properties	15,659	597	-	16,256	
	<u>\$ 2,072,265</u>	<u>\$ 597</u>		<u>\$ 2,072,862</u>	
				(Concluded)	
<b>For the year ended December 31, 2019</b>					
	Weighted Average Number of Common Stock Outstanding			(In Thousands of Shares)	
	2020	2019		2020	2019
Deferred income tax assets					
Allowance for impairment loss	\$ 355,273	\$ (99,715)	\$ 255,558	3,258,501	3,258,501
Defined benefit obligation	130,501	(32,009)	95,725		
Others	215,685	89,414	305,099	3,790	3,424
	<u>\$ 701,459</u>	<u>\$ (42,310)</u>	<u>\$ 656,382</u>	<u>3,262,291</u>	<u>3,261,925</u>
Deferred income tax liabilities					
Amortization of goodwill	\$ 2,056,606	\$ -	\$ 2,056,606		
Investment properties	15,659	-	15,659		
	<u>\$ 2,072,265</u>	<u>\$ -</u>	<u>\$ 2,072,265</u>		

#### 25. DISPOSAL OF SUBSIDIARIES

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

d. Income tax assessments

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

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

On April 15, 2019, the Company entered into an agreement to dispose of Onmusic Co., Ltd. (Onmusic), which provides electronic information services. The disposal was completed on April 30, 2019, the date the control of Onmusic was passed to the acquirer. For details about the disposal of Onmusic, refer to Note 29 of the consolidated financial statements of the Company as of and for the year ended December 31, 2020.

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

The above transaction was accounted for as an equity transaction since the Company did not lose control over the subsidiary. Refer to Note 30 of the consolidated financial statements of the Company as of and for the year ended December 31, 2020 for related information.

## 27. CASH FLOW INFORMATION

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

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

	For the year ended December 31, 2020			For the year ended December 31, 2019		
	Balance on January 1, 2020	Cash Flows from Financing Activities	Changes in Noncash Transactions New Leases	Interest Paid	Balance on December 31, 2020	Interest Paid
Lease liabilities (including the current and noncurrent portion)	\$ 7,522,038	\$ (3,350,756)	\$ 3,856,180	\$ (186,537)	\$ (70,730)	\$ 7,770,145

For the year ended December 31, 2019

	For the year ended December 31, 2019			For the year ended December 31, 2020		
	Balance on January 1, 2019	Cash Flows from Financing Activities	Changes in Noncash Transactions New Leases	Interest Paid	Balance on December 31, 2019	Interest Paid
Lease liabilities (including the current and noncurrent portion)	\$ 7,809,243	\$ (3,414,737)	\$ 3418,957	\$ (216,851)	\$ (74,574)	\$ 7,522,038

## 28. CAPITAL MANAGEMENT

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

## 29. FINANCIAL INSTRUMENTS

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

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

	December 31		
	2020	2019	
	Carrying Amount	Fair Value	Carrying Amount
Financial liabilities			

	December 31		
	2020	2019	
	Carrying Amount	Fair Value	Carrying Amount
Bonds payable	\$ 33,771,854	\$ 33,972,196	\$ 30,271,462
			\$ 30,427,690

2) Fair value hierarchy

	December 31, 2020			December 31, 2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial liabilities						
Bonds payable	\$ 33,972,196	\$ —	\$ 33,972,196	\$ 33,972,196	\$ —	\$ 33,972,196
Financial liabilities						
Bonds payable	\$ 30,427,690	\$ —	\$ 30,427,690	\$ 30,427,690	\$ —	\$ 30,427,690

	December 31, 2020			December 31, 2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets at fair value through other comprehensive income						
Domestic unlisted common stock	\$ —	\$ —	\$ 615,852	\$ —	\$ 615,852	\$ 615,852
Financial assets at fair value through other comprehensive income						
Domestic unlisted common stock	\$ —	\$ —	\$ 198,701	\$ —	\$ 198,701	\$ 198,701

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

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

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

<u>Financial Instrument</u>	<u>Valuation Techniques and Inputs</u>
Domestic unlisted common stock	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>

c. Categories of financial instruments

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

	<u>For the Year Ended December 31</u>	<u>USD Impact</u>
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.	2020 \$ (30,084)	2019 \$ (37,994)

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

d. Financial risk management objectives and policies

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

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

1) Market risk

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

a) Foreign currency risk

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

Sensitivity analysis

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

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

## b) Interest rate risk

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

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

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

## Sensitivity analysis

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

Had interest rates been 25 basis points higher/lower and all other variables been held constant, the income before income tax for the years ended December 31, 2020 and 2019 would have decreased/increased by \$18,258 thousand and \$3,346 thousand, respectively, which were mainly affected by bank deposits and borrowings with floating interest rates.

## c) Other price risk

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

## Sensitivity analysis

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

If equity prices had been 5% higher/lower, the pre-tax other comprehensive income for the years ended December 31, 2020 and 2019 would have increased/decreased by \$30,793 thousand and \$9,335 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

## 2) Credit risk

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

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

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

## 3) Liquidity risk

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

The Company relies on bank borrowings as a significant source of liquidity. The Company's unutilized overdraft and bank loan facilities amounted to \$34,225,535 thousand and \$33,545,951 thousand as of December 31, 2020 and 2019, respectively.

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

	Carrying Amount	Contractual Cash Flows	Within 1 Year	1-5 Years	More than 5 Years
<u>December 31, 2020</u>					
Short-term borrowings	\$ 100,000	\$ 100,056	\$ 100,056	-	-
Short-term bills payable	99,986	100,000	100,000	-	-
Other payables - related parties	8,000,000	8,034,092	8,034,092	-	-
Long-term borrowings	39,445,928	40,045,954	252,800	39,793,154	-
Bonds payable	33,711,854	35,071,460	321,770	26,521,735	8,227,955
Lease liabilities	<u>7,770,145</u>	<u>7,876,948</u>	<u>2,656,397</u>	<u>5,171,757</u>	<u>48,794</u>
	<u>\$ 89,387,913</u>	<u>\$ 91,228,510</u>	<u>\$ 11,465,115</u>	<u>\$ 71,486,646</u>	<u>\$ 8,276,749</u>
<u>December 31, 2019</u>					
Other payables - related parties	\$ 3,900,000	\$ 3,921,905	\$ 3,921,905	-	-
Long-term borrowings	4,475,778	3,722	4,438,554	-	-
Bonds payable	31,583,080	2,812,470	20,255,775	8,514,835	-
Lease liabilities	<u>7,522,038</u>	<u>7,644,294</u>	<u>2,643,387</u>	<u>4,973,507</u>	<u>27,400</u>
	<u>\$ 46,093,300</u>	<u>\$ 47,625,057</u>	<u>\$ 9,414,996</u>	<u>\$ 29,667,836</u>	<u>\$ 8,542,335</u>

Additional information about the maturity analysis for lease liabilities:

	Related Party					Relationship with the Company	
	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years		
December 31, 2020						Far Eastern Electronic Toll Collection Co., Ltd.	Subsidiary of FENC
Lease liabilities	\$ 2,656,397	\$ 5,171,757	\$ 45,239	\$ 1,829	\$ 1,726	Ding Ding Integrated Marketing Service Co., Ltd.	Subsidiary of FENC
December 31, 2019						Far Eastern International Leasing Corp.	Other related party (equity-method investee of subsidiary of FENC)
Lease liabilities	\$ 2,643,387	\$ 4,973,507	\$ 27,400	\$ -	\$ -	Telecommunication and Transportation Foundation	Other related party (the Company's foundation) 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.	Other related party (same chairman as parent company's)
						Pacific Sogo Department Stores Co., Ltd. (SOGO)	Subsidiary of SOGO
						Far Eastern Big City Shopping Malls Co., Ltd.	Other related party (same chairman as parent company's)
						Far Eastern Citysuper Co., Ltd.	Other related party (same chairman as parent company's)
						Ya Tung Department Store Co., Ltd.	Other related party (same chairman as parent company's)
						Fu Dar Transportation Corporation	Other related party (same chairman as parent company's)
						Fu-Ming Transportation Co., Ltd.	Other related party (same chairman as parent company's)
						YDT Technology International Co., Ltd.	Subsidiary of FENC
						Nan Hwa Cement Corporation	Other related party (same chairman as parent company's)
						Ya Tung Ready Mixed Concrete Co., Ltd.	Other related party (same chairman as parent company's)
						Oriental Securities Corporation Ltd.	Other related party (equity-method investee of FENC)
						Yuan Ding Co., Ltd.	Subsidiary of FENC
						Far Eastern Department Stores Co., Ltd.	Other related party (same chairman as the Company's)
						Asia Cement Co., Ltd.	Other related party (same chairman as the Company's)
						Oriental Union Chemical Corporation	Other related party (same chairman as the Company's)
						Far Eastern Ai Mai Co., Ltd.	Other related party (same chairman as the Company's)
						Far Eastern Hospital	Other related party (same chairman as the Company's)
						Oriental Institute of Technology	Other related party (same chairman as the Company's)
						Far Eastern Plaza Hotel	Subsidiary of FENC
						Yuan-Ze University	Other related party (same chairman as the Company's)
						U-Ming Marine Transport Corporation	Other related party (same chairman as the Company's)
						Chiaihui Power Corporation	Other related party (same chairman as the Company's)
						(Continued)	(Continued)

Related Party	Relationship with the Company	<u>For the Year Ended December 31</u>	
		2020	2019
Far Eastern International Bank (FEIB)	Other related party (the Company's chairman is FEIB's vice chairman)	\$ 1,850	\$ 2,194
Far Eastern Construction Co., Ltd.	Subsidiary of FENC	27,748	34,754
Fu Kwok Garment Manufacturing Co., Ltd.	Subsidiary of FENC	1,82,340	816,897
Oriental Petrochemical (Taiwan) Co., Ltd.	Subsidiary of FENC	<u>43,082</u>	<u>43,191</u>
Air Liquide Far Eastern Co., Ltd.	Other related parties		
Far Eastern General Contractor Inc.	Investee of FENC		
Oriental Resources Development Limited	Subsidiary of FENC		
Far Eastern Fibertech Co., Ltd.	Subsidiary of FENC		
Far Eastern Realty Management Co., Ltd.	Subsidiary of FENC		
Ding & Ding Management Consultant Co., Ltd.	Other related party (substantive related party)		
Yuan Hsin Digital Payment Co., Ltd.	Subsidiary of FENC		
Far Eastern Memorial Foundation	Other related party (substantive related party)		
Far Eastern Polyclinic of Far Eastern Medical Foundation	Other related party (same chairman as the Company's)		
FETC International Co., Ltd.	Subsidiary of FENC		
Kaohsiung Rapid Transit Corporation	Other related party (substantive related party)		
Everest Textile Co., Ltd.	Other related party (substantive related party)		
Systex Corporation	Other related party (substantive related party)		
Oriental Green Materials Limited	Subsidiary of FENC		
HIM International Music Inc. (HIM)	Other related party (juristic-person supervisor of subsidiary, but no longer a related party since April 30, 2019)		
Universal Music Taiwan Ltd.	Other related party (juristic-person director of subsidiary, but no longer a related party since April 30, 2019)		
Forward Music Co., Ltd.	Other related party (juristic-person director of subsidiary, but no longer a related party since April 30, 2019)		
Sony Music Entertainment Taiwan Ltd.	Other related party (juristic-person director of subsidiary, but no longer a related party since April 30, 2019)		
Otiga Technologies Ltd. (Otiga)	Other related party (juristic-person supervisor of subsidiary, but no longer a related party since April 30, 2019)		

(Concluded)

## b. Operating revenue

Related Party	Relationship with the Company	<u>For the Year Ended December 31</u>	
		2020	2019
FENC		\$ 1,894,020	\$ 897,036
Subsidiaries of FENC			
Subsidiaries			
Other related parties			

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

## c. Operating costs and expenses

Related Party	Relationship with the Company	<u>For the Year Ended December 31</u>	
		2020	2019
Operating costs			
FENC		\$ 277	\$ 40
Subsidiaries of FENC		17,044	14,837
Subsidiaries			
ARCOA			
Others			
Other related parties			

Related Party	Relationship with the Company	<u>For the Year Ended December 31</u>	
		2020	2019
Operating expenses			
FENC		\$ 109,924	\$ 102,682
Subsidiaries of FENC		117,307	178,826
Subsidiaries		936,320	753,493
Other related parties		110,561	26,586

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

d. Property transactions

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

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

e. Lease arrangements - the Company is lessee

	<u>For the Year Ended December 31</u>	<u>2019</u>
Acquisition of right-of-use assets		
Other related parties	\$ 32,045	\$ 14,550

	<u>December 31</u>	<u>2019</u>
Lease liabilities - current		
FENC	\$ 2,939	\$ 3,207
Subsidiaries of FENC	30,361	33,226
Other related parties	17,638	23,199
	<u>\$ 50,938</u>	<u>\$ 59,622</u>
Lease liabilities - noncurrent		
FENC	\$ 1,128	\$ 4,494
Subsidiaries of FENC	13,749	45,356
Other related parties	14,677	25,753
	<u>\$ 29,554</u>	<u>\$ 75,602</u>

	<u>For the Year Ended December 31</u>	<u>2019</u>
Financial costs		
FENC	\$ 49	\$ 92
Subsidiaries of FENC	606	980
Subsidiaries	-	31
Other related parties	289	504
	<u>\$ 944</u>	<u>\$ 1,607</u>
All the terms and conditions of the above lease contracts conformed to normal business practices.		
f. Bank deposits, financial assets at amortized cost and other financial assets		
	<u>\$ 1,850,429</u>	<u>\$ 1,864,477</u>
Other related parties		
FEIB		
The Company had bank deposits in FEIB. These deposits included a portion of the proceeds of the Company's sale of prepaid cards and international calling cards, which were consigned to FEIB as a trust fund and included in other financial assets - current.		
g. Receivables and payables - related parties		
Accounts receivable - related parties		
FENC	\$ 9	\$ 9
Subsidiaries of FENC	2,158	4,551
Subsidiaries	540,274	148,373
Other related parties	9,117	44,727
	<u>\$ 551,558</u>	<u>\$ 197,660</u>
Other receivables - related parties		
Subsidiaries of FENC	\$ 3,537	\$ 3,252
Subsidiaries		
NCIC	90,885	17,468
ARCOA	1,942	26,695
Others	34,484	18,242
Other related parties	127,311	62,405
	<u>\$ 3,391</u>	<u>5,877</u>
	<u>\$ 134,239</u>	<u>\$ 71,534</u>

	<u>December 31</u>		<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Accounts payable - related parties	\$ -	\$ 703		
Subsidiaries of FENC			Rental income	
Subsidiaries			Subsidiaries of FENC	\$ 48
ARCOA	818,720	929,440	Subsidiaries	\$ 48
Others	26,232	36,097	NCIC	10,901
Other related parties	844,952	965,537	Yuan Cing	1,754
		1,275	Others	1,289
	<u>\$ 844,952</u>	<u>\$ 967,515</u>		<u>\$ 13,944</u>
Other payables - related parties (not including loans from related parties)				
FENC	\$ 23,153	\$ 22,436	Other gains	
Subsidiaries	73,831	75,549	Other related parties	\$ 80,000
NCIC	578,280	600,826	Yuan-Ze University	<u>\$ -</u>
Others	203,198	154,496	All the terms and conditions of the above rental contracts conformed to normal business practices.	
	<u>8,573</u>	<u>755,322</u>		
	<u>\$ 887,035</u>	<u>\$ 860,467</u>	j. Loans from related parties (included in other payables - related parties)	
Other related parties				
			<u>December 31</u>	
			<u>2020</u>	<u>2019</u>
Refundable deposits				
Subsidiaries	\$ 20,534	\$ 20,449		
Subsidiaries	4,430	4,430	<u>For the Year Ended December 31</u>	
Other related parties	2,170	1,406	<u>2020</u>	<u>2019</u>
	<u>\$ 27,134</u>	<u>\$ 26,285</u>		
i. Others				
Management service revenue				
Subsidiaries	\$ 22	\$ 22		
Interest income				
Subsidiaries of FENC	10,904	16,808		
Other related parties	4,164	3	<u>December 31</u>	
FEIB			<u>2020</u>	<u>2019</u>
Others	15,068	16,811		
	<u>\$ 15,090</u>	<u>\$ 16,833</u>		

	<u>December 31</u>		<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Rental income				
Subsidiaries				
NCIC	9,694	8,067		
Yuan Cing	3,205	2,412		
Others	20,966	2,565		
	<u>\$ 244,531</u>	<u>\$ 251,085</u>		
Short-term benefits				
Post-employment benefits				
k. Remuneration of key management personnel				
The Company obtained loans at rates comparable to market interest rates for the loans from NCIC. The interest expense was \$50,405 thousand and \$45,984 thousand for the years ended December 31, 2020 and 2019, respectively.				
l. Assets pledged or mortgaged				
Assets pledged or mortgaged, i.e., used as collateral for litigation, were as follows:				
Subsidiaries	\$ 242,119	\$ 248,520		
Others	2,412	2,565		
	<u>\$ 244,531</u>	<u>\$ 251,085</u>		
m. Management service revenue				
Subsidiaries	\$ 22	\$ 22		
Interest income				
Subsidiaries of FENC	10,904	16,808		
Other related parties	4,164	3	<u>December 31</u>	
FEIB			<u>2020</u>	<u>2019</u>
Others	15,068	16,811		
	<u>\$ 15,090</u>	<u>\$ 16,833</u>		

### 31. ASSETS PLEDGED OR MORTGAGED

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

### 32. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

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

a. Significant commitments

	December 31	2020	2019
Unpaid acquisition of property, plant and equipment and intangible assets under contracts	\$ 7,480,029	\$ 2,405,444	
Unpaid acquisition of inventories under contracts	\$ 2,531,588	\$ 2,756,032	

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

	December 31	2020	2019
Lease commitments	\$ 465,504	\$ 287,775	

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

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

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

### 33. OTHER ITEMS

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

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

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

b. (In Thousands, Except Exchange Rate)

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

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

	For the Year Ended December 31	2019
Net Foreign Exchange Gains (Losses)	\$ 2,802	\$ (10,765)

### 35. SEPARATELY DISCLOSED ITEMS

- a. Information about significant transactions
  - 1) Financing provided to others: Schedule A
  - 2) Endorsements/guarantees provided: None
  - 3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures): Schedule B
  - 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Schedule C
  - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
  - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
  - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Schedule D
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Schedule E
  - 9) Trading in derivative instruments: None
  - b. Information on investees: Schedule F
  - c. Information on investments in mainland China
    - 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Schedule G
    - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None
      - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
      - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
      - c) The amount of property transactions and the amount of the resultant gains or losses.
      - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
      - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
- f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.
- d. Information on major stockholders: List all stockholders with ownership of 5% or greater showing the name of the stockholder, the number of shares owned, and percentage of ownership of each stockholder: Schedule H

**FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES**  
**FINANCING PROVIDED TO OTHERS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
 (In Thousands of New Taiwan Dollars)

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

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

**SCHEDULE B****FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES****MARKETABLE SECURITIES HELD****DECEMBER 31, 2020**

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

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2020			Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	
Far EastOne Telecommunications Co., Ltd.	Stock App Works Fund II Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	7,500,000	\$ 68,251	11.11	\$ 68,251
	CDB Capital Innovation Accelerator Limited	-	Financial assets at fair value through other comprehensive income - noncurrent	9,000,000	91,491	10.71	91,491
	LINE Bank Taiwan Limited	-	Financial assets at fair value through other comprehensive income - noncurrent	50,000,000	456,110	5.00	456,110
	Stock THI consultants	-	Financial assets at fair value through other comprehensive income - noncurrent	1,213,594	12,190	18.32	12,190
ARCOA Communication Co., Ltd.	Web Point Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	160,627	1,618	0.63	1,618
	Stock 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
New Century InfoComm Tech Co., Ltd.	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
	Stock certificate Changing.ai Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	500,000	8,299	2.50	8,299
Overseas funds Opas Fund Segregated Portfolio Tranche A	Opas Fund Segregated Portfolio Tranche A	Other related party	Financial asset at fair value through profit or loss - current	13,491,781	498,042	-	498,042
	Opas Fund Segregated Portfolio Tranche B	Other related party	Financial asset at fair value through profit or loss - current	5,000,000	192,597	-	192,597
	Stock certificate TBCASoft, Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	980,435	117,229	6.77	117,229
Digital United (Cayman) Ltd.							B

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

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

## FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance Number of Shares Amount	Acquisition (Note A) Number of Shares Amount	Disposal Number of Shares Amount	Carrying Amount	Gain (Loss) on Disposal	Ending Balance Number of Shares Amount
Far East One Telecommunications Co., Ltd.	Stock LINE Bank Taiwan Limited	Financial assets at fair value through other comprehensive income - noncurrent Investments accounted for using the equity method	LINE Bank Taiwan Limited	-	\$ 100,000 (Note A)	50,000,000 \$ 400,000	-	\$ -	\$ -	\$ 456,110 (Note B)
	YuanShi Digital Technology Co., Ltd.		YuanShi Digital Technology Co., Ltd.	Subsidiary	90,014,424 (Note C)	(582,357) (Note C)	80,000,000 800,000	-	-	-

Note A: The amount is the cost of acquisition.

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

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

Note D: A total of 63,010,955 shares were deducted from the ending balance of the number of shares held, which were eliminated due to YuanShi Digital Technology Co., Ltd.'s capital reduction to offset its accumulated deficit.

## FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

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

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

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

**SCHEDULE E****FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**  
**DECEMBER 31, 2020**  
**(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
Far EastOne Telecommunications Co., Ltd.	ARCOA Communication Co., Ltd. Far EastOne Property Insurance Agent Co., Ltd.	Subsidiary Subsidiary	\$ 410,620 102,682	8.78 5.49	\$ - -	-	\$ 410,620 34,294	\$ - -
New Century InfoComm Tech Co., Ltd.	Far EastTone Telecommunications Co., Ltd.	Parent company	8,584,937	(Note)	-	-	211,710	-
ARCOA Communication Co., Ltd.	Far EastTone Telecommunications Co., Ltd. Yuanshi Digital Technology Co., Ltd.	Parent company of Far EasTone Telecommunications Co., Ltd. Subsidiary of Far EasTone Telecommunications Co., Ltd.	874,204 110,406	7.05 9.81	-	-	421,719 110,395	-
	Home Master Technology Ltd.	Subsidiary of DataExpress InfoTech Co., Ltd.	330,303	3.11	-	-	97,755	-

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

## FAR EASTSTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount			As of December 31, 2020			Share of Profit (Loss) of the Investee	Note
				December 31, 2020	December 31, 2019	Number of Shares	Percentage of Ownership (%)	Carrying Amount			
Far East Tone Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd.	Taiwan	Telecommunications services	\$ 22,249,283	\$ 22,249,283	2,100,000,000	100.00	\$ 26,74,867	\$ 2,016,549	\$ 1,912,998	A
ARCOA Communication Co., Ltd.		Taiwan	Sales of communications products and office equipment	1,305,802	1,305,802	82,762,221	61.63	67,941	168,637	46,948	A
KGfx.com Co., Ltd.		Taiwan	Telecommunications services	2,340,472	2,340,472	68,897,234	99.99	90,588	160,925	160,901	A
Yuan Cing Co., Ltd.		Taiwan	Electronic information services	1,686,169	886,169	107,004,329	96.18	(66,543)	(195,262)	(180,588)	A and E
Far Eastern Info Service (Holding) Ltd.		Taiwan	Call center services	-	-	2,000,000	100.00	40,712	16,326	16,326	A
Yuan Bao FinTech Co., Ltd.		Bermuda	Investments	92,616	92,616	1,200	100.00	4,811	(96)	(96)	A
		Taiwan	Data processing services and electronic information services	60,000	60,000	6,000,000	100.00	52,045	(7,635)	(7,635)	A
Far East Tone Property Insurance Agent Co., Ltd.		Taiwan	Property insurance agent	5,000	5,000	500,000	100.00	64,587	59,587	59,587	A
Far Eastern Electronic Toll Collection Co., Ltd.		Taiwan	Electronic information services and electronic toll collection services	2,542,396	2,542,396	118,250,967	39.42	1,269,488	541,492	205,707	B
Ding Ding Integrated Marketing Service Co., Ltd.		Taiwan	Marketing	139,500	139,500	5,446,644	15.00	38,681	(15,685)	(1,990)	B
Yuan Hsin Digital Payment Co., Ltd.		Taiwan	Other financing and supporting services	600,000	600,000	16,451,538	21.98	123,425	(186,923)	(56,074)	B
ARCOA Communication Co., Ltd.	DataExpress Infotech Co., Ltd.	Taiwan	Sale of communications products	141,750	141,750	1,389,5664	70.00	46,341	95,205	-	C
New Century InfoComm Tech Co., Ltd.		Taiwan	Investments	540,000	540,000	54,000,000	100.00	82,075	(4,630)	-	C
		Taiwan	Security and monitoring services via internet	148,777	148,777	10,249,047	100.00	129,170	129,170	-	C
		Cayman Islands	Investments	317,446	317,446	10,320,000	100.00	163,344	3,691	3,691	C
		Taiwan	Electronic information services	20,000	20,000	749,885	0.67	(466)	(195,262)	-	A
		Taiwan	Marketing	46,500	46,500	18,153,588	5.00	12,894	(15,685)	-	B
		Taiwan	Energy technology services	160,000	160,000	16,000,000	100.00	127,430	(13,018)	-	C
		Cayman Islands	Investments	123,220	123,220	4,000	25.00	108,173	(27,519)	-	B
		Cayman Islands	Investments	122,300	122,300	4,000	25.00	128,857	(5,572)	-	B
		Taiwan	Electronic information services	420,000	420,000	3,450,000	70.00	428,018	43,098	-	C
New Diligent Co., Ltd.	Sino Lead Enterprise Limited	Hong Kong	Telecommunications services	125	125	30,000	100.00	290	(4)	-	C
		British Virgin Islands	Investments	330,598	330,598	-	100.00	20,068	(4,369)	-	C
		Hong Kong	Investments	3,051	3,051	-	100.00	2,291	(418)	-	C
DataExpress Infotech Co., Ltd.		Taiwan	Sale of communications products	-	10,000	-	-	-	-	-	C and F
		Taiwan	Sale of communications products	10,000	10,000	-	100.00	47,290	1,443	-	C
Nextlink Technology Co., Ltd.	Microfusion Technology Co., Ltd.	Taiwan	Electronic information services	17,000	17,000	2,600,000	100.00	30,209	13,747	-	C
		Hong Kong	Electronic information services	973	973	-	100.00	8,463	3,331	-	C
		Hong Kong	Electronic information services	1,494	1,494	-	100.00	1,109	(341)	-	C

Note A: Subsidiary.

Note B: Investee of the Company or NCIC, accounted for using the equity method.

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

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

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

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

## FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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

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

Note A: Method of investment is as follows:

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

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

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

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

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

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

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

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

# 遠傳五大核心價值





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Please refer to QR Code

