

遠傳 FET

只有遠傳 沒有距離
靠得更近 想得更遠

Far EastOne
Telecommunications Co., Ltd
2019 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



精 實 Fit

轉 型 Transform

再成長 Grow

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Letter to Shareholders

Dear Shareholders,

Reflecting on 2019, FET remains committed to providing a high-quality customer experience and innovative application services. With Big Data, artificial intelligence (AI) and Internet of Things (IoT) as the core elements for transformation and upgrade, we have continued to promote growth of profitable digital services for both consumers and corporate clients. After 23 years, FET has also reinterpreted its brand image. As well as "Closing the Distance", we also need to "Come Closer to Customers" and "For Every Thought, We Go Further". Creating a richer mobile experience, bringing users closer to their ideal life.

Facing the arrival of the new 5G era in 2020, FET's general plan of action is to continue development and application of Big Data, AI and IoT, supplemented by cloud and information security services to advance business in the new economy. Our colleagues worked hard to deliver a robust business performance in 2019. Consolidated revenue reached NT\$83.866 billion, consolidated EBITDA (earnings before interest, taxes, depreciation, and amortization) and net income were NT\$29.152 billion and NT\$8.735 billion respectively. EPS (earnings per share) was NT\$2.68, as we continue to create the greatest value for our shareholders.

Welcoming the new 5G era, FET aims to drive growth in the new economy by developing Cloud, Information Security, Big Data, AI and IoT

FET uses Big Data to enhance customers' network experiences and provide smart services. FET applied this to smart transportation planning in order to help local governments build smart cities. We are developing AI technology to improve network efficiency through smart network operations management and traffic prediction and planning. FET also uses IoT to develop smart platforms to provide varied and comprehensive customer services. This technology is not only used for internal operations; FET has used Big Data and AI to help police uncover fraud with outstanding results, earning us praise from the Criminal Investigation Bureau.

For individual customers, FET launched its smart speaker island-wide in June 2018. In early 2019, FET released two new models of the portable smart speaker which were created using Big Data and AI technology: the "Little Smart Speaker" and "Little Fox". In addition to the enhanced "speech assistance ecosystem", the overall layout of the "smart control ecosystem" announced in September will see successive releases of smart household network equipment expand connections with household appliance brands and integrate IoT into the smart home.

For its corporate clients, FET is actively exploring various innovative application scenarios for integrating 5G with Big Data, AI and IoT technology. At the Taipei 5G Summit, FET exhibited the first practical application of integrated AI inspection technology and 5G high-speed networking in manufacturing. At the 2019 Smart City Expo, FET transmitted 8K VR high-definition media via 5G and unveiled over 20 innovative services. At the 2019 Taiwan Healthcare+ Expo, FET collaborated with Far Eastern Memorial Hospital on the two main themes of "Long Distance Diagnosis" and "IoT Smart Hospital". These themes demonstrated innovative medical applications of Big Data, AI and IoT technology in clinics, wards, nursing homes, at home and in roaming treatment vehicles.

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In terms of promoting smart cities, FET took on the "Thousand Magnet Project", a smart parking system by the Industrial Development Bureau, MOEA, and named it "Parking Go". Magnetic detection equipment was installed in 30,000 outdoor parking bays in 7 counties around Taiwan to effectively monitor parking turnover rates. FET also used 5G, Big Data, AI and IoT technology in smart city operations, enabling Taoyuan to become the global leader in the comprehensive adoption of smart streetlamps in just one year by retrofitting 160,000 smart lamps.

FET sets many “first” milestones by expanding diverse innovation applications and is ready for 5G commercialization

In early 2019, FET worked with Ericsson to complete the first 4G LTE and 5G NR combined test at the New Taipei City FET outdoor site, a new milestone in Taiwan's development of 5G! In the age of 5G, the public will be able to access entertainment instantly with no time lag. FET worked with 17 Media to broadcast the interactive show "Star Producer", becoming the first telecommunications company to broadcast live on 5G. On New Year's Eve, FET created Taiwan's largest 5G outdoor site in Taipei City Hall Square. The main stage used FET's 5G technology to display a fantastic song and dance show to kick off the commercialization of 5G in 2020.

FET has worked to expand 5G technology and cooperated with various industry partners on the new technology, including working with Taipei City Government in 2019 to build Taiwan's first 5G open test field, and working with Family Mart to install 5G bandwidth facilities in their "Tech 2.0 Store". FET joined forces with MediaTek to create a 5G chip testing environment to accelerate the rapid entry of 5G chips onto the global market. We also forged alliances with three major medical centers: Far Eastern Memorial Hospital, Hualien Tzu Chi Hospital and Kaohsiung Medical University Chung-Ho Memorial Hospital to launch the nation's first demonstration of 5G long distance diagnosis.

Creating the FET mobile life circle. Incorporating collaboration between: borders, fields of expertise, industries by innovating, upgrading, transformation and reconstructing

FET launched its digital transformation plan for 2020, showing its commitment to researching new technologies and innovative applications, strengthening internal personnel training and alliances with external partners, while at the same time collaborating across borders, fields of expertise, and industries to allow consumers to enjoy a more convenient digital life.

At the beginning of the year, FET became a member of the Taiwan University Entrepreneurship Center Company Accelerator. The new exclusive entrepreneur service platform allows both sides to jointly develop digital solutions with market strength. Immediately afterwards, FET joined forces with Microsoft to host the FET Hackathon Competition. New ideas from over a hundred innovators have been applied in the workplace, making employees the best promoters of innovation. These small steps toward innovation and transformation taken by colleagues represented a giant leap forward for FET!

FET is also seeking cooperation on various digital services that will excite customers and has teamed up with American chip manufacturer Qualcomm to launch the "FET Kids Smart Watch", which exclusively supports the smart speaker assistant. As a leader in the telecommunications market, not only was FET the first in Taiwan to support Google Play Store payments, and the first in Asia to offer Apple iTunes Store payments; in 2019 it also became the only telecommunications company in Taiwan to provide Microsoft Store payments as well. FET has also worked with Pili Glove Puppetry, exclusively releasing Pili Drama on our platform friDay Video. friDay Video also created the mini-film Out of Box to make young people "dream FET". FET invited the stars of the South Korean soap opera "At Eighteen" to Taiwan, and also collaborated with Gogoro Network, Clean Clothes Company and UNIQLO to launch various international projects. The "friDay photobook" service was also released in collaboration with Japan's largest telecommunications company NTT DOCOMO. Together, these collaborative works create an FET digital world that resonates with the public.

For its service users, FET is constantly seeking transformation opportunities in cross-industry alliances. In 2019 it collaborated with Louisa Coffee on digital experience coffee shops at Chungli in Taoyuan and at Hsinchu Station. We also worked with on an exhibition store with 7-Eleven, creating the first telecoms and convenience store digital retail experience. FET also redefined the "convenience economy", introducing iPad mobile sales services, providing personal mobile services for applications, data and digital content. We are continuing development of smart service machines, as 70% of users rely on machines for services. In preparation for the coming 5G era, we hope to give all consumers the chance to experience the combined application of tech and retail using new forms of digital convenience for both physical convenience and smart living.

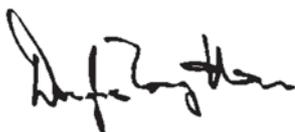
FET is bridging the gap towards customers and bringing FET services closer to their hearts. Winning multiple awards for excellent customer service.

FET is bridging the gap towards customers and bringing FET services closer to their hearts. By creating sustainable retail stores in the service industry, FET encourages sales colleagues to care about community innovation, environmental sustainability, energy saving and carbon reduction. To give the highest consideration to our customers, we say that "service only has a starting point, and satisfaction has no end". Its consideration and care have made FET the only company in Taiwan to win a gold medal for service eight years in a row. FET continues to provide innovative and quality services and receives recognition for its long-term efforts. For example, in 2019 the company was honored with "First Prize for Outstanding Company" in the National Yushan Brand Awards, becoming the only telecommunications company to win the award. At the 2019 "Outstanding Customer Service Awards", in the company category FET had the best customer service and best application of innovative customer service system; in the team category, FET won best customer service team, best customer service tech assistance team and best training team. FET also won the 2019 Next Magazine "Service Favor Award". FET is devoted to becoming the leading name in Taiwan's telecommunications industry. By integrating Far Eastern Group and external innovation resources and continuing to offer a diverse range of digital goods and services, we aim to become the consumer's first choice of digital partner.

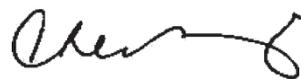
Integrating the UN Sustainable Development Goals into FET's "5Go Sustainability" plan. Putting global sustainable strategy into FET's management practices.

FET takes sustainability as one of its corporate objectives, and follows the United Nations Sustainable Development Goals (SDGs) with its core ICT strengths. Specific actions focusing on environment, society and economy are used to actively enact sustainability strategies. The long-term development targets set out in the 2018-2025 strategy (Go Prosperous, Go Caring, Go Inclusive, Go Innovative and Go Eco) pursue sustainable growth. FET's efforts at sustainable corporate management have received recognition from domestic and foreign sustainability evaluation agencies: in 2019 the company was listed for the first time in the Dow Jones Sustainability World Index, winning fourth place among global telecommunications companies; FET has also been listed on the Dow Jones emerging markets index 4 years in a row, and in the top 5% of stock market corporate governance evaluation for 5 years in a row; "Global Views Monthly" corporate social responsibility (CSR) survey model prize for three consecutive years; came as one of the top ten companies in CommonWealth Magazine's "CSR Award 2019"; won the Global Corporate Sustainability Award (GCSA) sustainability prize in "Integrated Reporting" category for the first time; ranked 5th in Taiwan's top ten sustainable businesses; won 10 prizes in 4 categories in the Taiwan Corporate Sustainability Awards; TPKC FET Cloud Computing Center won the 3rd Platinum Award for Excellent Intelligent Green Architectural Design in Taiwan; the first telecommunications company to win silver in the "National Corporate Environmental Award" for its energy saving and carbon reduction; won the annual "National Sustainable Development Award"; won "HR Asia" Best Asian Employer Award for the second year in a row for continued improvement of its working environment and staff experience. These outstanding achievements represent FET's determination and success in promoting sustainable development. Looking to the future, FET will expedite innovation, breakthrough and transformation, forging ahead to a 5G future with 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 all and the public, and wish you good health and all the best.

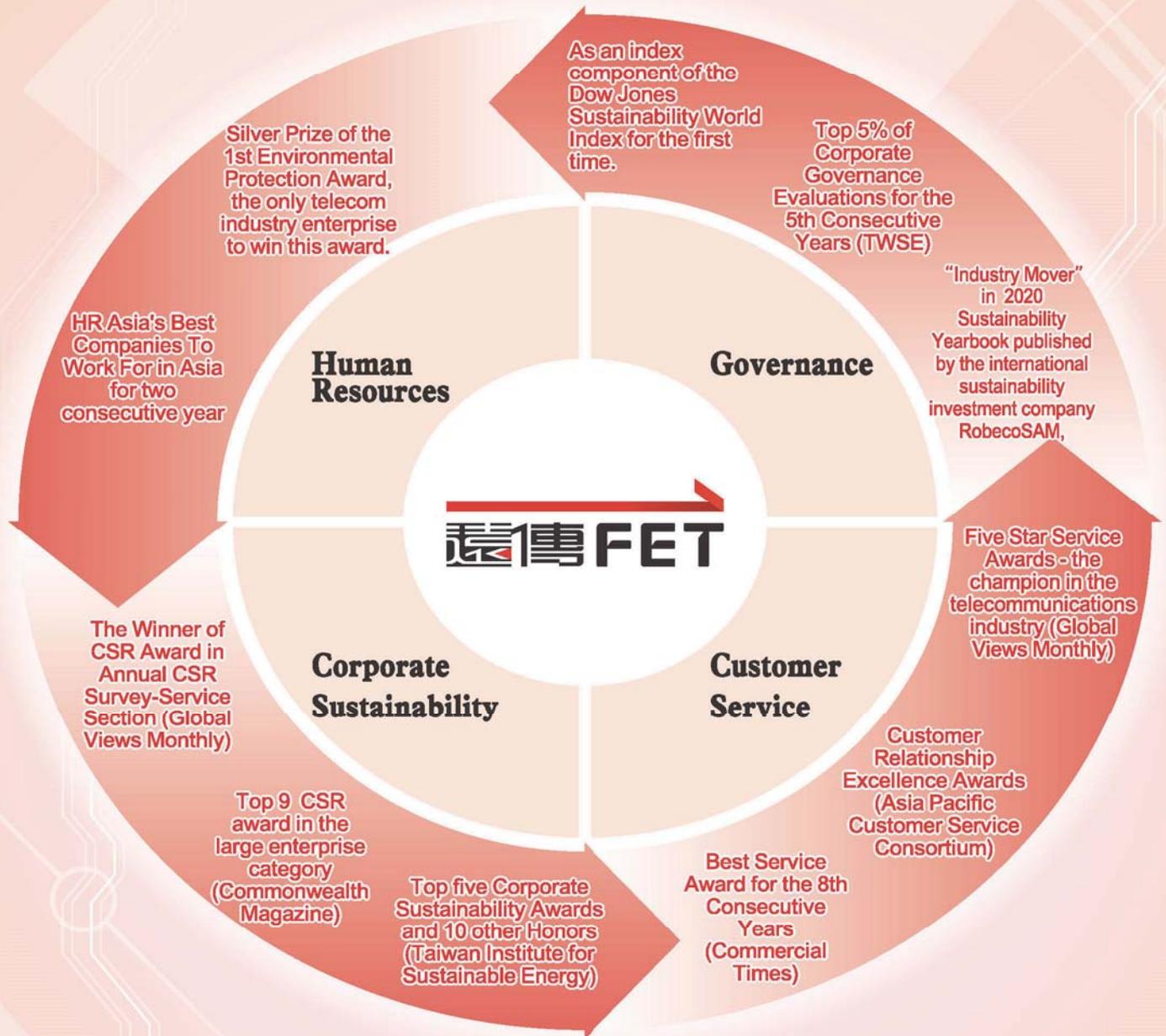


Douglas Hsu
Chairman



Chee Ching
President

2019 Major Honors and Awards



FET Garnered around 40 Recognitions in 2019

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:

- 2020/05 Approved the 5G business plan and information security maintenance plan, obtained business permits, actively established the 5G network
- 2020/04 Ranked top 5% of the "Corporate Governance Evaluation" result hosted by Taiwan Stock Exchange Corporation for the sixth consecutive year
- 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
- 2019/11 Launched the first 5G remote diagnosis and treatment forward-looking program in cooperation with three major medical centers, including Far Eastern Memorial Hospital, Hualien Tzu Chi Hospital and Kaohsiung Medical University Memorial Hospital, Chung-Ho Memorial branch.
- 2019/10 Received the 2019 CSEA Outstanding Customer Service Award by Taiwan Contact Center Development Association (TCCDA)
- 2019/10 FET uncovered fraudsters by using core technologies, such as big data and AI, which have shown remarkable efficiency and FET was commended by the Criminal Investigation Bureau
- 2019/10 Established the "5G Open Testing Area" and "Telecommunication Network for Business Experiment and R&D" in cooperation with the Taipei City Government
- 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
- 2019/09 Ranked top 10 in the Large Enterprise Division of the Excellence in Corporate Social Responsibility Award hosted by Common Wealth magazine
- 2019/03 Acquired shares of Nextlink Technology Co., Ltd., entered the cloud service market
- 2019/02 Launched "friDay Photobook," a new photobook value-added service
- 2019/02 FET successfully passed the test of the first 5G data call in Taiwan
- 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
- 2019/01 Built Taiwan's first "Clean Energy Battery Charging Station" in cooperation with CPC Corporation
- 2018/12 "FET 5G Pioneer Team" was established to build an industry chain in the 5G vehicle ecosystem
- 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
- 2018/06 Launched the first "FET Smart Speakers," with a distinctive Taiwanese Mandarin accent.
- 2018/05 Established mid and long term sustainability goals and formulated sustainability strategy blueprint for 2018 to 2015.

- 2018/01 Continued to be recognized as the fastest mobile network provider in Taiwan for the second half of 2017 by the SpeedTest website
- 2018/01 Launched “FET FriDay CoBranded Card” in cooperation with Taishin International Bank
- 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
- 2017/09 Launched the first dual-frequency tracking device “BoBee” that combines exclusive calculation of telecom base stations with GPS location
- 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
- 2017/07 Joined the IIRC IR Business Network, becoming Taiwan’s first corporate member of the IIRC to jointly promote common guidelines for international consolidated reports
- 2017/02 Launched the 4G Smart City Flagship Project in cooperation with Tainan City Government, the only candidate from Taiwan shortlisted for the “Glomo Awards 2017” organized by Groupe Speciale Mobile Association (GSMA)
- 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
- 2015/06 Published the first consolidated report in Taiwan, implemented 4G sustainable development
- 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
- 2013/01 The Taiwan Strait Express-1 (TSE-1), jointly built by six telecommunication companies in Taiwan and China, established a connection between the FET Tamsui Submarine Cable Station and China, minimizing the distance of international communication
- 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/WCMA 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.

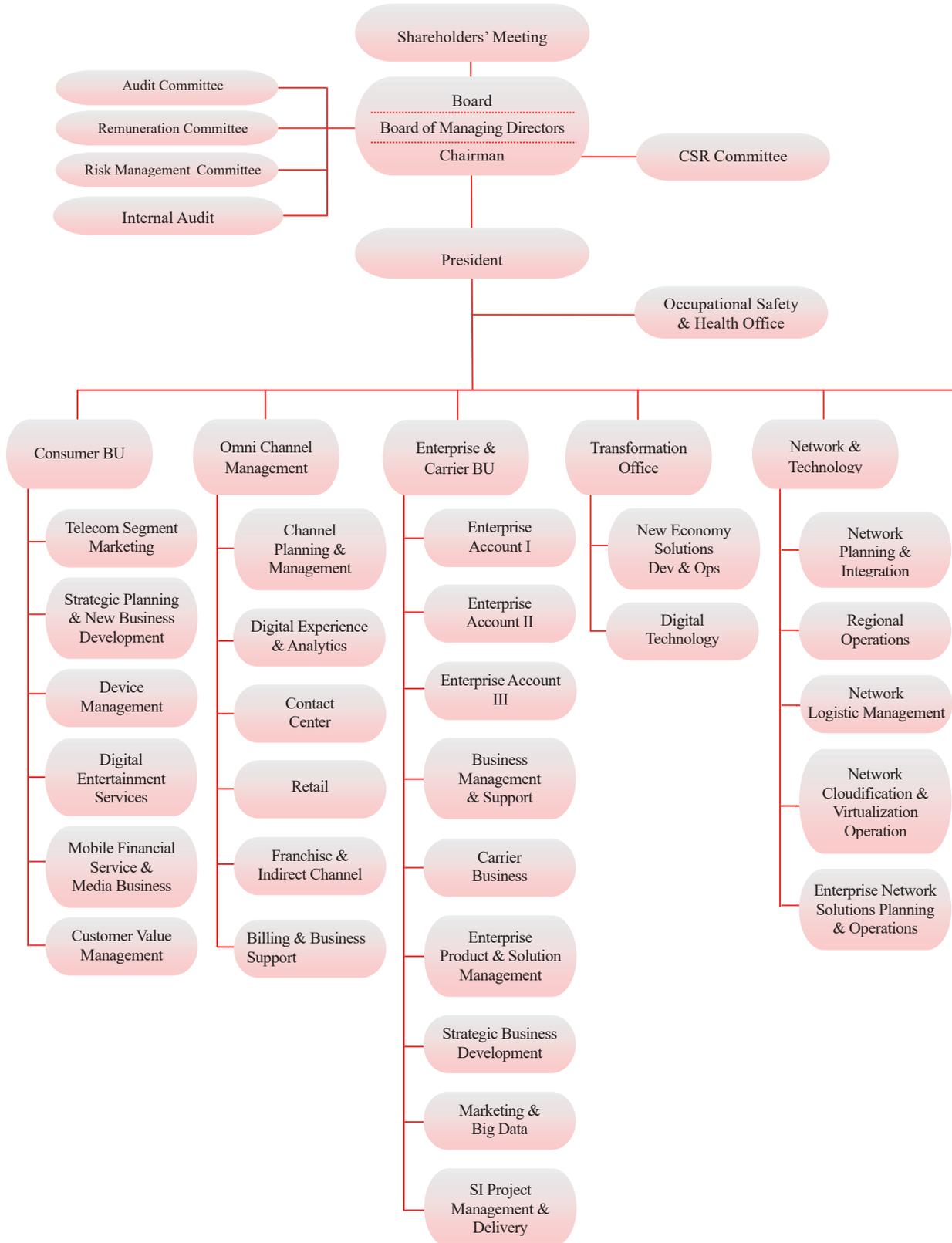


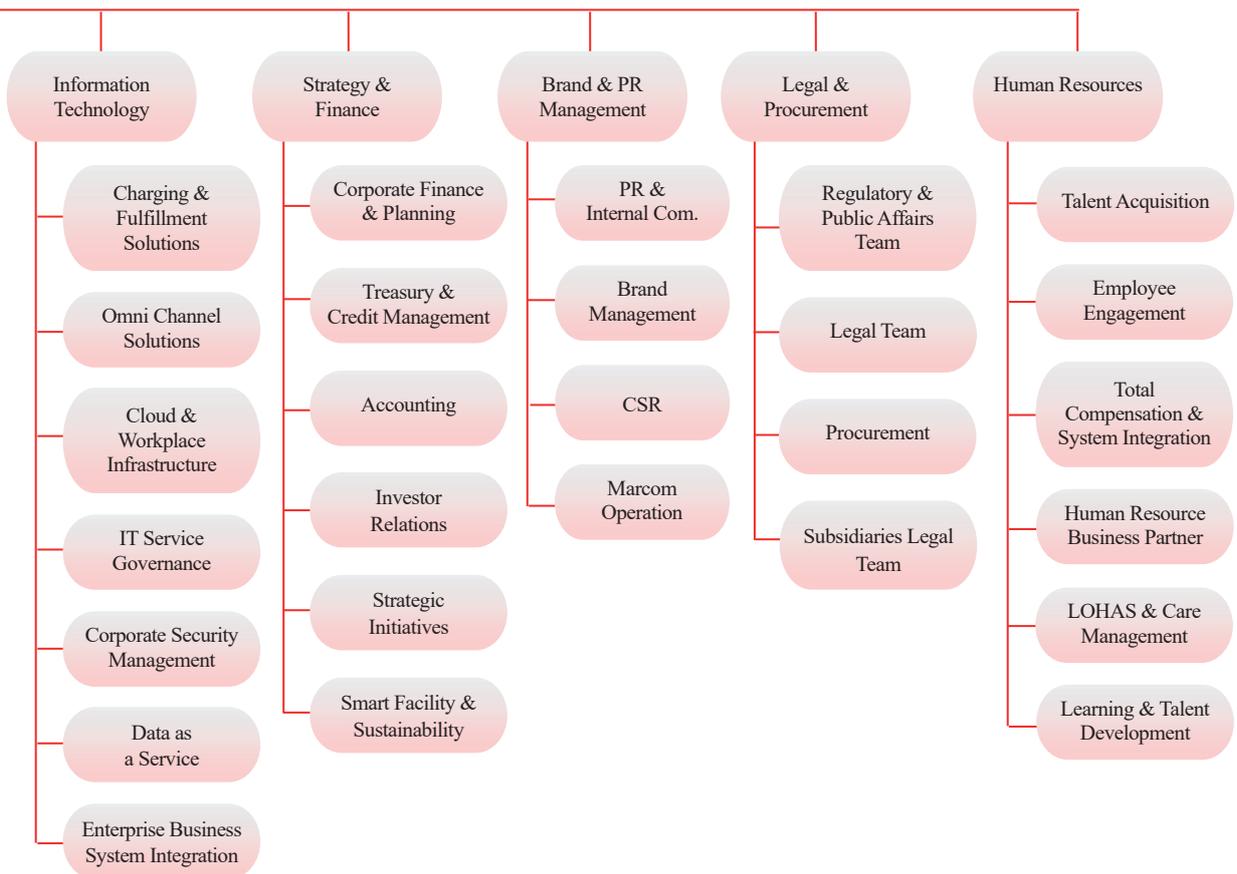
Corporate Governance

- 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)**
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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 business and products of Telecom segment, Digital segment, Home segment and Consumer Analytics & Insights.
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.
Strategy & Finance	Responsible for finance, accounting, tax, risk management, investor relations, collection and sustainable management and Intelligent facilities administration, new business development and corporate strategy formulation and execution.
Brand & PR Management	Responsible for media communications, corporate social responsibility, business and marketing public relation issues, brand management and other related matters.
Legal & Procurement	Responsible for legal litigation, IP, regulatory, contract management, corporate security, the public affairs and procurement.
HR	Responsible for human resources management, training, human capital, engagement, recruitment, employee relations, compensation and benefits, health and safety, human resources information system.
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

2020/04/21

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	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	None
0 *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	None
0 *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	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; Member of the Hong Kong Special Administrative Region Exchange Fund Advisory Committee, member of its Currency Board and Investment Sub-Committees and Chairman of its Governance Sub-Committee; Vice-Chairman, Our Hong Kong Foundation; Member and Chairman of the Prize Recommendation Committee, the LUI Che Woo Prize Company; Chairman, Board of Directors, The Chinese University of Hong Kong (Shenzhen) Finance Institute, aka Shenzhen Finance Institute	None	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.	Chung Laung Liu	Male	2018/06/14	3	2015/06/18	0	0	0	0
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.

2020/04/21

	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	Sc. D., Massachusetts Institute of Technology; President and Mei Yi Che Honorary Chair Professor of National Tsing Hua University, Taiwan; Professor Emeritus of University of Illinois at Urbana-Champaign, U.S.A.	William M. W. Mong Honorary Chair Professor, National Tsing Hua University, Taiwan; Director of United Microelectronics Corporation; Independent Director of Microelectronics Technology Inc.; Independent Director of Powerchip Semiconductor Corporation; Director of Macronix International Co., Ltd.; Director of UBI Pharma Inc.; Independent Director of Accton Technology Corp.	None	None	None	None
	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, USA Senior Manager, Global Business Office, Tokyo, Nippon Telegraph and Telephone Corporation ("NTT", DOCOMO's parent company)	Senior Manager, Platform Solutions Department, Smart-life 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 nd 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

2020/04/21

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	
		An instructor or higher in a department of commerce, law, finance, accounting, or other academic department related to company operations at 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 specialty needed for company operations.	Having work experience in the area of commerce, law, finance, or accounting, or other experience needed for company operations	1	2	3	4	5	6	7	8	9	10	11	12		
Douglas Hsu				V			V							V		V		None
Peter Hsu				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	V	None
Chung Laung Liu		V		V			V	V	V	V	V		V	V	V	V	V	3
Tim Pan				V			V	V	V	V	V	V	V	V	V	V	V	None
Champion Lee				V				V	V					V	V	V		None
Jeff Hsu				V				V		V				V		V		None
Nobutaka Kurata				V			V	V	V	V	V	V	V	V	V	V	V	None
Bonnie Peng		V		V			V	V	V	V	V	V	V	V	V	V	V	None
Toon Lim				V			V	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 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 a 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 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		√	√	√	√	√	√	√	√	*
Peter Hsu	Male	R.O.C.	Business		√	√	*	√	√	√	√	√	√
Jan Nilsson	Male	Sweden	Telecom		√	√	√	√	√	√	√	√	*
Nobutaka Kurata	Male	Japan	Telecom		√	√	*	√	√	√	√	√	*
Lawrence Juen Yee LAU	Male	Hong Kong (China)	Economic	Professor of Economics	√	√	√	√	√	√	√	√	*
Champion Lee	Male	R.O.C.	Finance		√	√	√	√	√	√	√	√	*
Jeff Hsu	Male	U.S.A.	Business		*	√	*	√	√	√	√	√	*
Tim Pan	Male	R.O.C.	Technology		*	√	*	√	√	√	√	√	√
Chung Laung Liu	Male	R.O.C.	Technology	Professor of Electrical Engineering	√	√	*	√	√	√	√	√	√
Bonnie Peng	Female	R.O.C.	Telecom	Professor of Journalism	√	√	*	√	√	√	√	√	*
Toon Lim	Male	Singapore	Telecom		√	√	*	√	√	√	√	√	*

* is referred to possessing partial ability.

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

Note 2: The independent directors account for 27% of the Board.

Note 3: The female director accounts for 9% of the Board

Note 4: One independent director has been served on the board for over 9 years. 2 independent directors have been served on the board under 6 years.

Note 5: The age of 6 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

2019/12/31

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%), Cathay Life Insurance Co., Ltd. (4.08%), Fubon Life Insurance Co., Ltd. (2.26%), Public Service Pension Fund Management Board (1.96%), Yuan Ding Investment Co., Ltd. (1.05%), TransGlobe Life Insurance Inc. (1.01%), Yu Yuan Investment Co., Ltd. (0.94%), Ding Shen Investment Corp. (0.94%), Asia Investment Corp. (0.92%), VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS (0.91%)
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

2019/12/31

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%), Cathay Life Insurance Co., Ltd. (2.12%), China Life Insurance Co., Ltd. (1.85%), Douglas Hsu (1.71%), Nan Shan Life Insurance Co., Ltd. (1.68%), Der Ching Investment Corporation (1.55%)
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%), Labor Pension Fund Committee of Far Eastern New Century Corporation (1.51%), Far Eastern Department Stores Co., Ltd. (1.49%), The 2nd-tier new Labor Pension Preparation Fund(1.47%), Yuan-Ze University (1.41%), Shin Kong Life Insurance Co., Ltd. (1.33%), Far Eastern Memorial Foundation (1.31%), Yu Yuan Investment Co., Ltd. (1.29%), Yu Chang Investment Co., Ltd. (1.26%)
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%)
TransGlobe Life Insurance Inc	Chung, Wei Yi Co., Ltd.(100%)
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%), Asia Cement Co., Ltd. (5.65%), Yuan-Ze University (4.75%), PJ Asset Management Co., Ltd. (4.06%), Yuan Tong Investment Co., Ltd. (2.80%), Fubon Life Insurance Co., Ltd. (2.36%), Norges Bank (2.20%), The committee of Employee Pension Fund of Far Eastern Department Stores Co., Ltd. (2.11%), Yu Yuan Investment Co., Ltd. (2.06%), Tranquil Enterprise Ltd.(1.88%)
Fubon Life Insurance Co., Ltd.	Fubon Financial Holding Co., Ltd. (100%)
Nan Shan Life Insurance Co., Ltd.	First Commercial Bank Trustee Account For Representative of Ruen Chen Investment Holding Co., Ltd. (60%), Ruen Chen Investment Holding Co., Ltd. (29.54%), Y. T. Du (2.97%), RUEN TAI SHING Co., Ltd. (0.30%), RUEN HUA DYEING & WEAVING Co., Ltd. (0.27%), RUENTEX DEVELOPMENT Co., Ltd. (0.23%), RUENTEX INDUSTRIES Ltd. (0.21%), Taishin International Bank Trust Account of Nan Shan Life Insurance Co., Ltd. (0.21%), Yen Sin Corporation (0.16%), Ruentex Leasing Co., Ltd. (0.13%)
Cathay Life Insurance Co., Ltd.	Cathay Financial Holding Co., Ltd. (100%)
Yu Yuan Investment Co., Ltd.	Asia Cement Co., Ltd. (30.02%), 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%)
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 VP, Consumer BU	R.O.C.	T.Y. Yin	Male	2018.01.01	0	0.00	0	0.00
Executive VP, Omni Channel Management	R.O.C.	Maxwell Cheng	Male	2018.01.01	18	0.00	0	0.00
Executive VP, Enterprise & Carrier BU	R.O.C.	Philip Tseng	Male	2017.02.21	0	0.00	0	0.00
Executive VP, NT	R.O.C.	Herman Rao	Male	2008.02.01	16,682	0.00	0	0.00
Executive VP IT	R.O.C.	Eton Shu	Male	2018.01.01	0	0.00	0	0.00
Executive VP & CFO, Strategy & Finance	R.O.C.	Sherman Lee	Male	2018.03.01	0	0.00	0	0.00
Sr. VP, Legal & Procurement	R.O.C.	Vivian Lee	Female	2018.01.03	0	0.00	0	0.00

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Shares held in Name of Others	Major Education and Experience		Current Position with Other Company	Managers are Spouse or Consanguinity within 2 Degrees to Each Other			Note (Note1)
	Shares	%		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.	None	None	None	None
0	0.00	CFO of KG Telecom; Dell Inc.; M.S., Business Administration, Indiana University, U.S.A.	Chairman of DataExpress Infotech Co., Ltd.; Director of ARCOA Communications Co., Ltd.; Chairman of Home Master Technology Ltd.; Director of Digital United (Cayman) Ltd.; Director of FarEastern New Diligent Company Ltd.; Director of Far Eastern Info Service(Holding) Ltd.; Supervisor of Far Eastern Tech-info Ltd.(Shanghai); Chairman of Yuanshi Digital Technology Co., 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.; Director of Yuan Bao Fintech Co., Ltd. Director 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; Director of Far Eastern Tech-info Ltd.(Shanghai); 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	EVP of Quanta Cloud Technology; Master of Business Administration, Strategy & Operations, The Wharton School, University of Pennsylvania, U.S.A.	Director of Yuanshi Digital Technology Co., 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) Chairman 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.	None	None	None	None
0	0.00	VP, Head of Ericsson Commercial Management, Ericsson Sweden; M.S., LL.M, Intellectual Property Law. John Marshall Law School, Chicago, Illinois;	Director of KGEx.com Co., Ltd.; Director of Yuan Cing Co., Ltd.; Director of ARCOA Communications Co., Ltd.; Director of Nextlink Technology Co., Ltd	None	None	None	None

Title	Nationality	Name	Gender	Effective Date	Current Shareholding		Shares held by Spouse & Minor	
					Shares	%	Shares	%
VP, Consumer BU	R.O.C.	Lopes Lu	Female	2019.04.01	155	0.00	0	0.00
VP, Consumer BU	R.O.C.	Andy Tu	Male	2018.01.01	0	0.00	0	0.00
VP, Consumer BU	R.O.C.	Belinda Chen	Female	2018.01.01	5,070	0.00	0	0.00
VP, Consumer BU	R.O.C.	Jessica Sung	Female	2020.04.16	0	0.00	0	0.00
VP, Consumer BU	R.O.C.	Jessie Teng	Female	2018.01.01	0	0.00	0	0.00
VP, Omni Channel Management	R.O.C.	Brian Chao	Male	2020.03.01	0	0.00	0	0.00
VP, Omni Channel Management	R.O.C.	Roger Lin	Male	2018.01.01	0	0.00	0	0.00
VP, Enterprise & Carrier BU	R.O.C.	Eric Li	Male	2010.10.05	0	0.00	0	0.00
VP, Enterprise & Carrier BU	R.O.C.	Mark Lee	Male	2014.10.01	0	0.00	0	0.00
VP, Enterprise & Carrier BU	R.O.C.	James Lee	Male	2007.07.01	676	0.00	0	0.00
VP, Enterprise & Carrier BU	R.O.C.	Andy Kuo	Male	2018.04.01	0	0.00	0	0.00
VP, Enterprise & Carrier BU	R.O.C.	Eddie Kao	Male	2020.04.01	0	0.00	0	0.00
VP, NT	R.O.C.	Bruce Yu	Male	2013.04.01	0	0.00	0	0.00
VP, Strategy & Finance	R.O.C.	Sharon Lin	Female	2018.03.01	11,076	0.00	0	0.00
VP, Strategy & Finance	R.O.C.	David Tsai	Male	2018.03.01	0	0.00	0	0.00

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Shares held in Name of Others	Major Education and Experience		Current Position with Other Company	Managers are Spouse or Consanguinity within 2 Degrees to Each Other			Note (Note1)
	Shares	%		Title	Name	Relation	
0	0.00	Assist. Marketing Manager, Standard Chartered Bank; Major in Accounting & Statistics, Ming-Chuan College	Director of ARCOA Communications Co., Ltd	None	None	None	None
0	0.00	Vice President of Samsung Electronics Taiwan & GM of IT & Mobile; MBA, Portland State University, Oregon, U.S.A.	Vice-President of Yuanshi Digital Technology 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	CPA of California, U.S.A.; MIS Manager of Janssen Cilag Taiwan, Johnson & Johnson; EMBA, National Taiwan University	Director of ARCOA Communications Co., Ltd.	None	None	None	None
0	0.00	Director of Taiwan High Speed Rail Corporation; M.S., Business Administration, Southern Methodist University, U.S.A.	None	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	Sales Representative of Carrier Corporation, Taiwan; Master of International Business of CYCU, Taiwan.	None	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-Set University; Taiwan.	Director of DataExpress Infotech Co., Ltd. Chairman of New Diligent Co., Ltd.; Director of Prime EcoPower Co., Ltd.; Director of Information Security Service Digital United, Inc. Director of Digital United Information Technology Co., Ltd. (Shanghai)	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	Director of Information Security Service Digital United, Inc 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.;	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. Director of Prime EcoPower Co., Ltd.;	None	None	None	None
0	0.00	Computer Science/New Jersey State University USA President of EUTOP Polymers Industries Ltd CHINA	None	None	None	None	None
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.	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.	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

Title	Nationality	Name	Gender	Effective Date	Current Shareholding		Shares held by Spouse & Minor	
					Shares	%	Shares	%
VP, Brand & PR Management	R.O.C.	Sabrina Lee	Female	2018.08.01	0	0.00	0	0.00
VP, HR	R.O.C.	Charlene Lin	Female	2020.02.10	0	0.00	0	0.00
Senior Director, Consumer BU	R.O.C.	Eric Chu	Male	2018.04.01	0	0.00	0	0.00
Senior Director, Consumer BU	R.O.C.	C. J. Lee	Female	2018.01.01	28,452	0.00	0	0.00
Senior Director, Consumer BU	R.O.C.	D.J. Chen	Male	2018.01.01	0	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.	Andy Kuo	Male	2018.01.01	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
Sr.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.	Tony Chen	Male	2018.08.01	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, NT	R.O.C.	Vivian Chiang	Female	2014.10.01	0	0.00	0	0.00
Senior Director, NT	R.O.C.	Jason Kuo	Male	2016.10.01	0	0.00	0	0.00
Senior Director, NT	R.O.C.	Dave Lu	Male	2016.10.01	0	0.00	0	0.00
Senior Director, NT	R.O.C.	James Yen	Male	2019.04.01	42,615	0.00	0	0.00
Senior Director, IT	R.O.C.	Leon Li	Male	2013.10.01	0	0.00	0	0.00
Senior Director, IT	R.O.C.	Julian Lin	Male	2018.06.19	0	0.00	0	0.00

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	Shares held in Name of Others		Major Education and Experience	Current Position with Other Company	Managers are Spouse or Consanguinity within 2 Degrees to Each Other			Note (Note1)
	Shares	%			Title	Name	Relation	
	0	0.00	Group Head of Digital Customer Experience and Channel Management, UK, Vodafone Group Services Limited; Database Marketing Manager, ANZ National Bank Ltd, New Zealand; Bachelor of Arts, Philosophy, Soochow University	None	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	VP, Bank SinoPac AVP, Citibank (New York); MS, EES/OR, Stanford University, U.S.A.	None	None	None	None	None
	0	0.00	CFO/COO, Effortel SA Taiwan; Accounting, The Soochow University, Taiwan	None	None	None	None	None
	0	0.00	Supervisor of Taiwan Mobile Communication; M.S., Computer Science, California State University, U.S.A.	None	None	None	None	None
	0	0.00	Sales Assistant Manager of KG Telecom; M.S., Department of International Business, Soochow University	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	Manager of New Century InfoComm Tech Co., Ltd.; Department of Physics, Chung Yuang Christian University	None	None	None	None	None
	0	0.00	Sr. Product Manager of Taiwan Telecom Network (TTN) ATMA JAYA University Bachelor of English Education	Chairman Nextlink (HK) Technology Co., Limited	None	None	None	None
	0	0.00	Chairman&CEO of MIGO, B.S., Computer Science, San Diego 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	Marketing specialist of MiTAC; Engineer of ABS Telecom Inc.; Ph.D. of Department of Engineering Science, National Cheng Kung University	None	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	LANcom Technologies, Inc; M.S., Naval architecture and Ocean engineering, National Taiwan University	None	None	None	None	None
	0	0.00	Associate Engineer, Industrial Technology Research Institute Master of Electrical Engineering, National Taiwan University	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.	None	None	None	None
	0	0.00	Chief Technology Officer, IBM Taiwan Corporation; Bachelor of Business Administration, National Sun Yat-Sen University	None	None	None	None	None

Title	Nationality	Name	Gender	Effective Date	Current Shareholding		Shares held by Spouse & Minor	
					Shares	%	Shares	%
Senior Director, IT	R.O.C.	Kai Lin	Male	2019.04.01	11,607	0.00	0	0.00
Senior Director, IT	R.O.C.	Barry Chang	Male	2017.07.03	0	0.00	0	0.00
Senior Director, Strategy & Finance	R.O.C.	Allan Lee	Male	2020.02.10	0	0.00	0	0.00
Senior Director, Strategy & Finance	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
Director, Strategy & Finance	R.O.C.	Stacy Chang	Female	2019.03.15	0	0.00	0	0.00
Senior Director, Brand & PR Management	R.O.C.	Yaling Lang	Female	2018.01.01	1,000	0.00	0	0.00
Senior Director, Legal & Procurement	R.O.C.	Jason Chen	Male	2018.01.03	0	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 Education and Experience	Current Position with Other Company	Managers are Spouse or Consanguinity within 2 Degrees to Each Other			Note (Note1)
	Shares	%			Title	Name	Relation	
	0	0.00	Senior System Engineer, Chinatimes; Master of Management Science, Tamkang University	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	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	Accounting Officer of KGEx.com Co., Ltd.	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., E.E., Polytechnic Institute of New York University, U.S.A.(NYU-Poly)	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								
		Compensation (A)		Pension Fund (B)		Directors' Remuneration (C) (Note 1)		Professional Fee (D) (Note 2)		
		The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	
Director	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.									
		Champion Lee, Representative of Yuan Ding Co., Ltd.	21,646	21,646	0	0	70,316	70,335	4,802	4,802
		Jeff Hsu, Representative of Yuan Ding Co., Ltd.								
	Director	Nobutaka Kurata, Representative of U-Ming Marine Transport Corp.								
		Bonnie Peng, Representative of Asia Investment Corp.								
Toon Lim, Representative of Ding Yuan International Investment Co., Ltd.										
Independent Director	Lawrence Juen-Yee LAU									
	Chung Laung Liu	0	0	0	0	6,700	6,700	817	817	
	Lawrence Juen-Yee LAU									

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 spend 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

													NTS'000
(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)		Other Remuneration from Investment Business and Mother Company except subsidiary	
		Salary, bonus, special disbursement (E)		Pension Fund (F)		Remuneration to Employees (G)							
The Company	Consolidated	The Company	Consolidated	The Company	Consolidated	The Company		Consolidated		The Company	Consolidated		
						Cash Amount	Stock Amount	Cash Amount	Stock Amount				
1.11%	1.11%	0	0	0	0	0	0	0	0	1.11%	1.11%	61,050	
0.08%	0.08%	0	0	0	0	0	0	0	0	0.08%	0.08%	0	

Note 1 : The remuneration from 2019 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.

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- 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. ; Director- Bonnie Peng, Representative of Asia Investment Corp;
2,000,000~3,500,000 (exclusive of 3,500,000)	Director-Champion Lee, Representative of Yuan Ding Co., Ltd.; Director- Jeff Hsu, Representative of Yuan Ding Co., Ltd.; Director-Jan Nilsson, Representative of Yuan Ding Investment Co., Ltd.; Independent Director –Tim Pan Independent Director -Chung Laung Liu; Independent Director –Lawrence Juen-Yee LAU	Director-Champion Lee, Representative of Yuan Ding Co., Ltd.; Director- Jeff Hsu, Representative of Yuan Ding Co., Ltd.; Director-Jan Nilsson, Representative of Yuan Ding Investment Co., Ltd.; Independent Director –Tim Pan Independent Director -Chung Laung Liu; Independent Director –Lawrence Juen-Yee LAU	Director-Champion Lee, Representative of Yuan Ding Co., Ltd.; Director- Jeff Hsu, Representative of Yuan Ding Co., Ltd.; Director-Jan Nilsson, Representative of Yuan Ding Investment Co., Ltd.; Independent Director –Tim Pan Independent Director -Chung Laung Liu; Independent Director –Lawrence Juen-Yee LAU	Director-Champion Lee, Representative of Yuan Ding Co., Ltd.; Director- Jeff Hsu, Representative of Yuan Ding Co., Ltd.; Director-Jan Nilsson, Representative of Yuan Ding Investment Co., Ltd.; Independent Director –Tim Pan Independent Director -Chung Laung Liu; Independent Director –Lawrence Juen-Yee LAU
3,500,000~5,000,000 (exclusive of 5,000,000)	Director- Nobutaka Kurata, Representative of U-Ming Marine Transport Corp.	Director- Nobutaka Kurata, Representative of U-Ming Marine Transport Corp.	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.

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
2018	1.19%	1.18%
2019	1.19%	1.19%

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

NTS'000

Title	Name	Salary (A)		Pension Fund (B) (Note 4)		Bonus and special allowance (C) (Note 5)		Bonus to employees from distribution of earnings (D) (Note 6)				(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		Consolidated		The Company	Consolidated	
								Cash bonus	Stock bonus	Cash bonus	Stock bonus			
President	Chee Ching (Note 1)													
Executive VP	T.Y. Yin													
Executive VP	Maxwell Cheng													
Executive VP	Philip Tseng													
Executive VP	Herman Rao													
Executive VP	Eton Shu													
Executive VP & CFO,	Sherman Lee													
Sr. VP,	Vivian Lee													
VP	Lopes Lu (Note 2)													
VP	Andy Tu													
VP	Belinda Chen													
VP	Brian Chao	101,094	101,094	2,367	2,367	19,392	19,392	35,204	0	35,204	0	1.79%	1.79%	130
VP	Jessie Teng													
VP	Jessica Sung													
VP	Roger Lin													
VP	Eric Li													
VP	Mark Lee													
VP	James Lee													
VP	Andy Kuo													
VP	Eddie Kao (Note 3)													
VP	Bruce Yu													
VP	Sharon Lin													
VP	David Tsai													
VP	SabrinaLee													
VP	Charlene Lin													

Note 1 : Promoted on Jan. 07, 2019

Note 2 : Promoted on Apr. 01, 2019

Note 3 : On board on Oct. 15, 2019

Note 4 : The figures shown in the table include actual payment for pension fund and pension fund contribution in 2019.

Note 5 : Including bonus, special allowance, transportation allowance, special disbursement, accommodation allowance, company car and etc. The total expense for company car leasing is NTS 7,308 thousand. In addition, the compensation paid to the driver is NTS 757 thousand in total, which is excluded from above mentioned remuneration.

Note 6 : The remuneration from 2019 distribution of earnings is a proposed amount and not a 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
1,000,000~2,000,000 (exclusion of 2,000,000)	Eddie Kao (Note 1)	Eddie Kao (Note 1)
2,000,000~3,500,000 (exclusion of 3,500,000)	Lopes Lu (Note 2)	Lopes Lu (Note 2)
3,500,000~5,000,000 (exclusion of 5,000,000)	Bruce Yu, Mark Lee, James Lee, Sharon Lin, Roger Lin, Andy Kuo, Belinda Chen, Brian Chao	Bruce Yu, Mark Lee, James Lee, Sharon Lin, Roger Lin, Andy Kuo, Belinda Chen, Brian Chao
5,000,000~10,000,000 (exclusion of 10,000,000)	Jessica Sung, Eric Li, Sabrina Lee, Andy Tu, Charlene Lin, David Tsai, Jessie Teng, Vivian Lee, Sherman Lee, Eton Shu, Philip Tseng, Maxwell Cheng	Jessica Sung, Eric Li, Sabrina Lee, Andy Tu, Charlene Lin, David Tsai, Jessie Teng, Vivian Lee, Sherman Lee, Eton Shu, Philip Tseng, Maxwell Cheng
10,000,000~15,000,000 (exclusion of 15,000,000)	T.Y. Yin, Herman Rao, Chee Ching (Note 3)	T.Y. Yin, Herman Rao, Chee Ching (Note 3)
15,000,000~30,000,000 (exclusion of 30,000,000)	None	None
30,000,000~50,000,000 (exclusion of 50,000,000)	None	None
50,000,000~100,000,000 (exclusion of 100,000,000)	None	None
More than 100,000,000	None	None
Total	25	25

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

Note 1 : On board on Oct. 15, 2019

Note 2 : Promoted on Apr. 01, 2019

Note 3 : Promoted on Jan. 07, 2019

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
2018	1.61%	1.61%
2019	1.79%	1.79%

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 of Incorporation of the company, 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 service satisfaction). 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:

There is no significant change in the percentage of net income paid to Directors, President, Executive Vice Presidents and Vice Presidents as the remuneration in the last two years. Remuneration paid to Directors, President, Executive Vice Presidents and Vice Presidents is 2.98% of the net income on both standalone and consolidated basis in 2019. The remuneration paid to Directors, President, Executive Vice Presidents and Vice Presidents for the standalone basis and consolidated basis separately in 2018 were 2.80% and 2.79% 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. A key part of our succession planning is the targeted recruiting of board members who fit the organization's needs.

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: NTS'000

	Title	Name	Stock bonus	Cash bonus (Note 6)	Total	Percentage of Net income after tax (%)
Managers	President	Chee Ching (Note 1)				
	Executive VP	T.Y. Yin				
	Executive VP	Maxwell Cheng				
	Executive VP	Philip Tseng				
	Executive VP	Herman Rao				
	Executive VP	Eton Shu				
	Executive VP & CFO	Sherman Lee				
	Sr. VP	Vivian Lee				
	VP	Lopes Lu (Note 2)	0	51,094	51,094	0.58%
	VP	Andy Tu				
	VP	Belinda Chen				
	VP	Brian Chao				
	VP	Jessie Teng				
	VP	Jessica Sung				
	VP	Roger Lin				
	VP	Eric Li				
	VP	Mark Lee				
VP	James Lee					

Title	Name	Stock bonus	Cash bonus (Note 6)	Total	Percentage of Net income after tax (%)
VP	Andy Kuo				
VP	Eddie Kao (Note 3)				
VP	Bruce Yu				
VP	Sharon Lin				
VP	David Tsai				
VP	Sabrina Lee				
VP	Charlene Lin				
Senior Director	Eric Chu				
Senior Director	C. J. Lee				
Senior Director	D.J. Chen				
Senior Director of Sales	Adam Wong				
Senior Director	Andy Kuo				
Senior Director of Sales	Maurice Tsai				
Senior Director	Milly Lin (Note 4)				
Senior Director	Tony Chen				
Senior Director	Joyce Chen				
Senior Director	Vivian Chiang				
Senior Director	Jason Kuo				
Senior Director	Dave Lu				
Senior Director	James Yen (Note 2)				
Senior Director	Leon Li				
Senior Director	Julian Lin				
Senior Director	Kai Lin (Note 2)				
Senior Director	Barry Chang				
Senior Director	Allan Lee				
Senior Director	Ann Chang				
Senior Director	Gary Lai				
Director	Stacy Chang (Note 5)				
Senior Director	Yaling Lang				
Senior Director	Jason Chen				
Chief Auditor	Iris Su				

Note 1 : Promoted on Jan. 07, 2019

Note 2 : Promoted on Apr. 01, 2019

Note 3 : On board on Oct. 15, 2019

Note 4 : Promoted on Nov.01, 2019

Note 5 : Promoted on Mar. 15, 2019

Note 6 : Remuneration of 2019 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 6 times (A) of the Board Meeting, and the attendance status of Board of Directors from last year up to the Annual Report being Published :

2020/04/30

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.	6	0	100	100	
Vice Chairman	Peter Hsu, Representative of Yuan Ding Investment Co., Ltd.	5	1	83	100	
Managing Director	Jan Nilsson, Representative of Yuan Ding Investment Co., Ltd.	5	1	83	100	
Independent Director	Lawrence Juen-Yee LAU	5	1	83	100	
Independent Director	Chung Laung Liu	6	0	100	100	
Independent Director	Tim Pan	5	1	83	100	
Director	Champion Lee, Representative of Yuan Ding Co., Ltd.	6	0	100	100	
Director	Jeff Hsu, Representative of Yuan Ding Co., Ltd.	4	2	67	100	
Director	Kejiro Murayama, Representative of U-Ming Marine Transport Corp.	1	1	50	100	The director's tenure expired on Jul.01, 2019, shall present 2 times.
Director	Nobutaka Kurata, Representative of U-Ming Marine Transport Corp.	4	0	100	100	The director's tenure effective on Jul.01,2019, shall present 4 times.
Director	Bonnie Peng, Representative of Asia investment Corp.	6	0	100	100	
Director	Toon Lim, Representative of Ding Yuan International Investment Co., Ltd.	5	1	83	100	

Other matters of importance:

- If any of below listed-circumstances of operation of Board Meeting occurs, it's necessary to be disclosed, 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 7th 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 2019 and as of April 30, 2020 when the Annual Report is Published:

Independent Directors	5 th Meeting of the 8 th Term Board of Directors (2019.02.20)	6 th Meeting of the 8 th Term Board of Directors (2019.05.08)	7 th Meeting of the 8 th Term Board of Directors (2019.08.02)	8 th Meeting of the 8 th Term Board of Directors (2019.11.06)	9 th Meeting of the 8 th Term Board of Directors (2020.01.21)	10 th Meeting of the 8 th Term Board of Directors (2020.02.19)
Lawrence Juen-Yee LAU	V	*	V	V	V	V
Chung Laung Liu	V	V	V	V	V	V
Tim Pan	V	V	V	V	*	V

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

(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-e of the Board and Board members	Annually	January 1, 2019 to December 31, 2019	Board members	Self-Evaluation of Performance of the Board members	<ol style="list-style-type: none"> 1. Familiarity with the goals and missions of the company 2. Awareness of the duties of a director 3. Participation in the operation of the Company 4. Management of internal relationship and communication 5. Professional development and training 6. Internal Control
			Board and Board members	The Board's Procedure Unit Evaluation	<ol style="list-style-type: none"> 1. Participation in the operation of the Company 2. Improvement of Board decision making 3. Composition and structure of the Board 4. Election and continuing education of Directors 5. Internal Control
External-assessment of the Board and Board members:	Every 3 years	January 1, 2018 to December 31, 2018 (The next assessments will be executed in 2021)	Board members	<p>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 31st.</p> <p>Evaluation method:</p> <ol style="list-style-type: none"> 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. 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. 	<p>KPMG has provided Board performance evaluation questionnaires including following items:</p> <ol style="list-style-type: none"> 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. <p>The evaluation detail has been disclosed on the Company's website. The website address is as follows: https://www.fetnet.net/corporate/en/BODMeetingInfo.html</p>
Self-assessments of the Audit Committee	Annually	January 1, 2019 to December 31, 2019	Audit Committee and Audit Committee members	The Audit Committee's Procedure Unit Evaluation	<ol style="list-style-type: none"> 1. Participation in the company's operation 2. Audit committee's understanding of their duties and responsibilities 3. Improvement on the quality of the audit committee' decision making 4. Makeup and structure of the audit committee 5. Internal Control

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-assessments of the Remuneration Committee	Annually	January 1, 2019 to December 31, 2019	Remuneration Committee and Remuneration Committee members	Self-Evaluation of Performance of the Remuneration Committee members	Remuneration Committee members' level of participation, understanding of duties, quality of decisions, etc .
Risk Management Committee- Self Assessment	Annually	January 1, 2019 to December 31, 2019.	Risk Management Committee & Committee members	Self-assessment by Committee supporting office	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, 2019.

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

2020/04/30

Title	Name	Times of Attendance (B)	Proxy	Actual Percentage of Attendance (%) (B/A)	Remark
Convener	Lawrence Juen-Yee LAU	5	0	100	
Member	Chung Laung Liu	5	0	100	
Member	Tim Pan	5	0	100	

Annual key operations of Audit Committee:

The Committee shall compose of the entire 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 5 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 and semi-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 2019 Business Report, the Financial Statements and the Proposal for Profit Distribution. The CPAs of Deloitte & Touche, An-Hwei Lin and Cheng-Hung Kuo 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 CPA

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 7th meeting of the 2nd term Audit Committee and the 10th meeting of the eighth-term Board of Directors on February 19, 2020

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 5 th Meeting of the 8 th Term (February 20, 2019)	The disposal of equipment	Ratified or approved by all attending Members without objection.	Ratified or approved by all attending Directors without objection.
	The assignment of accounting officer		
	The internal audit update		
	The 2018 annual financial statements and consolidated financial statements		
	The distribution cash dividend from Retained Earnings and Capital Surplus of the Year 2018		
	The 2018 business report		
	The Company's 2019 business plan and summary consolidated financial forecast		
The 6 th Meeting of the 8 th Term (May 8, 2019)	The disposal of equipment	Ratified or approved by all attending Members without objection.	Ratified or approved by all attending Directors without objection.
	The divestiture of 2,500,000 common shares of Omusic Corporation for the amount of NT\$10,500,000		
	The internal audit update		
	The amendments to the “Handling Procedure for Acquisition and Disposal of Assets” and other related regulations of the Company		
The 7 th Meeting of the 8 th Term (August 2, 2019)	The disposal of equipment	Ratified or approved by all attending Members without objection.	Ratified or approved by all attending Directors without objection.
	The internal audit update		
	The amendments to the “Internal Control System” of the Company		
The 8 th Meeting of the 8 th Term (November 6, 2019)	The disposal of equipment	Ratified or approved by all attending Members without objection.	Ratified or approved by all attending Directors without objection.
	The establishment of Far Eastone Property Insurance Agency Co., Ltd., an 100% owned subsidiary of the Company, in the amount of NT\$5,000,000		
	The establishment of Yuan Bao Fintech Co., Ltd., an 100% owned subsidiary of the Company, in the amount of NT\$60,000,000		
	The internal audit update		
	The 2020 Audit Plan		
	The matter of authority in the 5G spectrum licensing for the mobile broadband businesses		
The 10 th Meeting of the 8 th Term (February 19, 2020)	The disposal of equipment	Ratified or approved by all attending Members without objection.	Ratified or approved by all attending Directors without objection.
	The internal audit update		
	The 2019 annual financial statements and consolidated financial statements		

Dates & sessions of Board of Director	Contents and motions	Resolution:	The Company's response to Audit Committee's opinions:
	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		

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 2019 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 2019 and up to the annual report being published, 5 related meetings were held. At the Auditing Committee meetings of Q1 2019 and Q1 2020, 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 is listed below:

Communication outlines of independent directors with the chief auditor:

Date	Communication Outlines	Suggestions and Results
2019/02/20 Audit Committee Meeting	1. Chief auditor reported the Control Self Assessment result of FET and its subsidiaries for the year of 2018. 2. Chief auditor reported the progress of internal audit for the fourth quarter of 2018. 3. Chief auditor reported the follow-up status of audit findings.	Without objection.
2019/04/25 Audit Committee Meeting	1. Chief auditor reported the progress of internal audit for the first quarter of 2019. 2. Chief auditor reported the follow-up status of audit findings.	Without objection.
2019/08/02 Audit Committee Meeting	1. Chief auditor reported the progress of internal audit for the second quarter of 2019 2. Chief auditor reported the follow-up status of audit findings.	Without objection.
2019/11/06 Audit Committee Meeting	1. Chief auditor reported the progress of internal audit for the third quarter of 2019. 2. Chief auditor reported the follow-up status of audit findings.	Without objection.
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.

Communication outlines of Independent Directors with CPA:

Date	Communication Focus	Suggestions and Results
2019/02/20 Audit Committee Meeting	1. Explained the results of the financial statement for 2018. 2. Explained the audit results of the internal control for 2018. 3. Discuss and respond to attendee questions	Without objection.
2019/04/25 Audit Committee Meeting	1. Discuss and respond to attendee questions for the financial statement.	Without objection.
2019/08/02 Audit Committee Meeting	1. Discuss and respond to attendee questions for the financial statement.	Without objection.
2019/11/06 Audit Committee Meeting	1. Communicate the key audit matters for 2019. 2. Discuss and respond to attendee questions for the financial statement	Without objection.
2020/02/19 Audit Committee Meeting	1. Explained the results of the financial statement for 2019. 2. Explained the audit results of the internal control for 2019. 3. Discuss and respond to attendee questions.	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	Illustration	
<p>1. Establishment of Corporate Governance Policy and Implementation Measures</p> <p>1-1 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 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?</p>	V		<p>The "Ethical Corporate Management Best Practice Principles" and "Guidelines for the Adoption of Code of Ethical Conduct" have been approved and amended by the 3rd meeting of the 7th term of Board of Directors on July 30, 2015, and has been submitted to the 2016 FET Shareholders' Meeting.</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 bi-annually and 12 times a year to ensure their understanding of the guidelines.</p> <p>The Company also requires new suppliers to sign "Code of Ethical Conduct for Fareastone 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>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?</p>	V		<p>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 reported 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</p>	Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies.
<p>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?</p>	V		<p>In order to establish an ethical corporate culture and prevent unethical conduct, apart from communicating the "Ethical Corporate Management Best Practice Principles" and "Guidelines for the Adoption of Codes of Ethical Conduct" through FET Intranet, FET has add the "Code of Ethical Conduct for Fareastone Supplier Chain Social Responsibility" into commercial document data sheet to remind the stakeholder groups of FET to follow and respect FET moral and ethical standards. We also remind our staffs to follow related guidelines for their daily operation via Intranet information or e-learning courses. In August 2017, we announced the new "Employee Conduct Codes", emphasizing the "Ethical Corporate Management Best Practice Principles", "Guidelines for the Adoption of Codes of Ethical Conduct" and topics such as internal whistle blowing mechanisms. Besides continuous trainings to strengthen the notions of internal control and internal auditing for new managers, similar trainings are held for all the employees at assistant manager level and above in August and September 2017. We have re-inforced the internal whistle blowing mechanisms to all employees in September 2019.</p> <p>FET conducts "Ethical Corporate Management" related training courses, including training course of "Ethical Corporate Management rules, Internal Control and Codes of Ethical Conduct" In 2019, there is total number of 122 training courses were conducted for 7,696 employees, with a total of 3,822 employee-training hours built up.</p> <p>The related SOPs and standards about "Ethical Corporate Management Best Practice Principles" and "Guidelines for the Adoption of Codes of Ethical Conduct" are disclosed on the FET official website at: Home>CSR>CorporateGovernance>Articles of Incorporation and others.) https://www.fetnet.net/corporate/en/RegulationRule.html FET has also established each disciplinary and complaints system. Anyone can report an offense by internal mailbox or through public channels.</p>	

Evaluation Criteria	Implementation Status			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies” and Reasons
	Yes	No	Illustration	
<p>2. Implementation of Code of Business Conduct</p> <p>2-1 Does the Company evaluate counterparties’ ethical records and specify “Ethical clauses” in business contracts?</p>	V		<p>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.</p> <p>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 Fareastone suppliers.</p>	
<p>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)?</p>	V		<p>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 was reported in 2019</p> <p>The Internal Audit will report contravening matters to the Board of Directors.</p>	
<p>2-3 Does the Company promulgate policies for preventing conflicts of interests and does it offer channels for reporting conflicts of interests?</p>	V		<p>In compliance with the Code of Ethics and Business Conduct which have been set up, employees receiving gifts, benefit, or discounts must initiatively submit a declaration.</p> <p>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.</p> <p>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 Sep. 2019.</p>	Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies.
<p>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?</p>	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>	
<p>2-5 Does the Company regularly hold internal and external training on the “Code of Business Conduct”?</p>	V		<p>The “Ethical Corporate Management Best Practice Principles” were announced through FET Intranet from September 9th to 25th, 2019. Far EasTone has incorporated the “Code of Conduct for Fareastone Supplier Chain Social Responsibility” into business documents for external use, such as adding “Ethical Corporate Management Best Practice Principles” to the supplier data sheet. This is to remind Company stakeholders to abide by and respect Far EasTone’s ethics and integrity standards. In 2019, Procurement also conducted the training course for “Code of Conduct for Fareastone Supplier Chain Social Responsibility” and “Ethical Corporate Management Best Practice Principles” at two Supplier Conference which had total 242 suppliers attending. Furthermore, Far EasTone communicates the guidance of “Guidelines for the Adoption of Code of Ethical Conduct” and “Ethical Corporate Management Best Practice Principles” to the Board of Directors at Board of Director meetings bi-annually and to company management by monthly e-mail (12 times) to ensure their understanding of the guidelines</p>	

Evaluation Criteria	Implementation Status		Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies” and Reasons	
	Yes	No		Illustration
3. Operation of Internal/External Reporting Mechanism 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		<p>Internally, the Internal Audit Division has set the “Regulations of Whistle-blowing Management” in accordance with the “Ethical Corporate Management Best Practice Principles” and “Guidelines for the Adoption of Codes of Ethical Conduct”. Employees can report any violation of related regulations via the “whistle-blower” mailbox on the intranet. We has already made a full announcement through intranet, and emphasized internal report mechanisms. If employees are found to have violated the regulations, the Company will implement necessary penalties and ensure that relevant legal action will be taken. The investigations team will ensure that it keeps its processes confidential in order to protect the informant.</p> <p>Far EasTone has established penalty and appeal systems. Anyone can use the Company mailboxes or publicized channels for reporting and for appeals.</p> <p>Externally:external personnel can use reporting channels to report as follows: Opinions for Internal Audit e-mail: ia@fareastone.com.tw Far Eastern Group Purchasing Website ECOME http://www.ecome.com.tw/A00BG/ABG_Connection.aspx The Company’s suppliers whoever involving dishonest behavior, 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 complaint from external personnel, professional personnel are assigned to immediately launch an investigation, as well as to handle and reply to cases. 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.
3-2 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 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.</p>	
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>	
4. Improvements on Information Disclosure 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. Home>CSR>CorporateGovernance>Articles of Incorporation and others. (Website :https://www.fetnet.net/corporate/en/RegulationRule.html) 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>	Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies.
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: There are no discrepancies.				
6. Other important information revealing the Company’s ethical operations: <ul style="list-style-type: none"> ➢ 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”. ➢ 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. ➢ 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. 				

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	Illustration	
1-1 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		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. More details about risk assessment, please refers to Appendix 1	Compliant with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.
2. Corporate social responsibilities	V		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.	Compliant with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.
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		The specific execution plan and implantation result are disclosed on the company website periodically https://www.fetnet.net/corporate/en/SocietyManage.html	
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 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: https://www.fetnet.net/corporate/documents/en/Article_of_InCorp-e.pdf	
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: https://www.fetnet.net/corporate/documents/en/Article_of_InCorp-e.pdf	
3. Environmental issues	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.	Compliant with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.
3-1 Does the Company establish appropriate environmental management systems based on its industrial characteristics?	V		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. The outcomes in 2019 included: 1. There are 3.94 mega kwh of electricity saved, and 2,085 tons of CO2 reduced, equal to the annual carbon absorption of 7 Daan Forest Park. 2. Deploy high efficiency base station and power supply equipment, remove extra radio frequency units, and dismantle or shut down old telecom equipment.	
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		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. The outcomes in 2019 included: 1. There are 3.94 mega kwh of electricity saved, and 2,085 tons of CO2 reduced, equal to the annual carbon absorption of 7 Daan Forest Park. 2. Deploy high efficiency base station and power supply equipment, remove extra radio frequency units, and dismantle or shut down old telecom equipment.	

Evaluation Criteria	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies” and Reasons																
	Yes	No	Illustration																	
			<p>3. 341 base stations have been improved with 2.04 mega kwh of electricity saved and 269 inverter air-conditioner have been installed that has 0.16 mega kwh of electricity saved. 200 small weather-proof shelters have been installed, along with high-performance cooling fans that reduce power consumption of air conditioners.</p> <p>4. Because of the effective energy management and power using efficiency improvement, electricity consumption was reduced 6.78 mega kwh and 3,614 tons of GHG emissions compared to 2019</p> <p>Major focuses for energy saving and carbon reduction in 2020:</p> <ol style="list-style-type: none"> 1. Continue to deploy 200 small weather-proof shelters with high-performance cooling fans. 2. Install another 260 fan cooling system in existing shelter type base stations to reduce power consumption. 3. To strengthen the energy management mechanism, set up energy performance goals and regularly review and adjust the set-up goals. 4. Our commitments in environment and energy management through integration of telecom core technology won us 8 awards in 2019 <ul style="list-style-type: none"> • “National Sustainable Development Award” from National Sustainable Development Council • “National Enterprise Environmental Protection Award ”from Environmental Protection Administration • “Outstanding Voluntary Energy-Saving Performance Award for Service Industry Companies” from Bureau of Energy, Ministry of Economic Affairs • “Outstanding Water-Saving Companies” from Water Resources Agency, Ministry of Economic Affairs • The second place of” Kaohsiung Energy Saving Store Competition” from Kaohsiung City Government • “Special Award for Smart Energy Saving Group A of Energy Users”from New Taipei City Government • “Taiwan Corporate Sustainability Award - Climate Leadership” • “Sustainability Award” from BSI 																	
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 CO₂ 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 April 2018.</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>2018/5/9 - 2021/2/23</td> <td>2020/5/7 - 2023/5/6</td> <td>On year (Note)</td> </tr> <tr> <td>Certified Date</td> <td>2020/3</td> <td>2020/3</td> <td>2020/4</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 2020.</p>		ISO50001	ISO14001	ISO14064-1	Organization	BSI	BSI	BSI	Valid period	2018/5/9 - 2021/2/23	2020/5/7 - 2023/5/6	On year (Note)	Certified Date	2020/3	2020/3	2020/4	
	ISO50001	ISO14001	ISO14064-1																	
Organization	BSI	BSI	BSI																	
Valid period	2018/5/9 - 2021/2/23	2020/5/7 - 2023/5/6	On year (Note)																	
Certified Date	2020/3	2020/3	2020/4																	
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>																	

Evaluation Criteria	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies” and Reasons
	Yes	No	Illustration	
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. We have an environment and energy policy (https://www.fetnet.net/corporate/documents/tc/CSR/FET_Environmental_Policy_c.pdf), the relevant environmental statistics are as follows</p> <p>Annual greenhouse gas emissions (tonnes of CO2 equivalent, Scope 1+Scope 2)</p> <p>Y2019: 260,117.921 (This year is calculated based on the new version of ISO14064-1: 2018, the original category 2 is deducted from the electricity consumption of customer equipments)</p> <p>Y2018: 287,979.122</p> <p>Water consumption (degrees)</p> <p>Y2019: 262,295 (Est.)</p> <p>Y2018: 274,502</p> <p>Waste (Tonnes)</p> <p>Y2019: 241.38 (Est.)</p> <p>Y2018: 261.27</p>	
<p>4. Social issues</p> <p>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?</p>	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 committed 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 (UNGC), the United Nations Guiding Principles on Business and Human Rights and the International Labour 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>FET conducts educational training on issues related to human rights, including training course of “Education of Labor Safety, Information and Technology Safety and Health Management”. In 2019, there is total number of 229 training courses were conducted for 18,011 employees, with a total of 15,115 employee-training hours built up.</p> <p>Please refer to the FET official website at About Far EasTone/CSR/Engagement/Human Rights Policy: https://www.fetnet.net/corporate/en/Humanrights.html</p>	Compliant with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.
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>The Company has 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 as bellows.</p> <p>Superior to Mandated Benefits</p> <ul style="list-style-type: none"> • Employees have multiple options for biennial health assessments. • Five days of paid sick leaves. • Paternity leaves and leaves for pregnancy checkups which are superior to what is required under the Labor Standards Act. • Paid maternity leaves for miscarriage, excluded from sick leaves. 	

Evaluation Criteria	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies” and Reasons
	Yes	No	Illustration	
			<ul style="list-style-type: none"> A day of “health leave” once the health promotional activity has met the target. Two days of paid volunteer work leaves annually, encouraging employees to participate in company-planned public welfare activities. <p>Employee benefits</p> <ul style="list-style-type: none"> Employee group insurance scheme: Including term life insurance, accident insurance, accidental medical cover, hospital expenses, cancer, etc. Paid sick leave: Five days of paid sick leaves annually on top of regulatory requirements. Pension: Retirement policy is formulated in compliance with the Labor Standards Act to provide post-employment benefits to employees. Mobile phone and monthly bill subsidies. Working from Home scheme: Depending on the work nature, employees can apply for working from home upon management approval. 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. Free parking for employees in the main office area. <p>Please refer to the FET official website at About Far EasTone/CSR/Engagement/ Wellbeing and Achievement: https://www.fetnet.net/corporate/en/Wellbeingandachievement.html</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>	Compliant with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.
4-4 Does the Company establish efficient career development and training plans for employees?	V		<p>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.</p>	
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		<p>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.</p>	

Evaluation Criteria	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE /GTSM Listed Companies" and Reasons
	Yes	No	Illustration	
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		<p>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 2019 IR report</p> <p>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 212 assessments were completed in 2019 which accounted for 80% of the annual purchases. The evaluation identified twelve 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 March 2020, eleven suppliers have presented their improvements which have been confirmed by FET to have met the progress. The improvement rate is 92%. FET will conduct on-site inspections on high-risk suppliers in 2020 in order to coach the suppliers to better fulfill their corporate social responsibility</p>	
4-7 Does the company disclose stakeholder identities, issues concerned, communication channels and response methods?	V		<p>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.</p> <p>For more details, please refer to FET's CSR report and see Appendix 2 for communication status.</p>	
4-8 Does the company disclose employees' work environment and personal safety measures and their implementation?	V		<p>The protection measures & implementation of employees' personal safety are as follows:</p> <p>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.</p> <p>For more details, please visit: https://www.fetnet.net/corporate/en/Healthandsafety.html.</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. There were 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 2019.</p> <p>The frequency of checking operation in Occupational Health and Safety as follows:</p>	

Evaluation Criteria	Implementation Status		Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies” and Reasons								
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		<table border="1"> <thead> <tr> <th colspan="2">Checking operation in Occupational Health and Safety</th> </tr> </thead> <tbody> <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> </tbody> </table> <p>FET got the certification of ISO 45001 and CNS 15506 (TOSHMS) Occupational Health and Safety Management System from the British Standards Institution (BSI), is the national standards authority on March, 2019.</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	
Checking operation in Occupational Health and Safety											
1. Occupational Health and Safety office check workplace	More than 16 times a month										
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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?	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>	Compliant with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.								
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.											
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): 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 https://www.fetnet.net/corporate/SocietyManage.html for more details											

FET's most predominant 2019 CSR performance, which set it apart from its peers, are as follows:

Highlight No. 1: FET was selected as an index component of the Dow Jones Sustainability World Index for the first time

FET was awarded the “Telecommunication Services - Industry Mover” in the 2019 Sustainability Yearbook published by RobecoSAM. It was the only telecommunication enterprise to receive such an honor worldwide. Furthermore, FET was an index component of the Dow Jones Sustainability Indices (DJSI) for the first time and ranked fourth in the global telecommunication industry. FET received top scores in 7 out of the 24 DJSI assessment criteria, namely customer relationship management, innovation management, network reliability, environmental reporting, social reporting, labor practice indicator and occupational health and safety. It is obvious that FET's efforts on sustainability management continue to achieve outstanding results and can keep pace with international benchmark enterprises.

Highlight No. 2: FET fulfilled environmental sustainability with innovative actions and was the only telecommunication enterprise to receive the National Enterprise Environmental Protection Award

FET is well aware of the potential risks and opportunities on ecological environment and energy supply during business operations. Therefore, it proactively integrated Big Data, AI and IoT technologies through various innovative applications and intelligence technology to explore different innovative application scenarios. FET, along with its partners, created a green ecosystem and fulfill its commitments on environment and energy sustainability. The Company was the only telecommunication enterprise to receive a silver medal in the first

“National Enterprise Environmental Protection Award” organized by the Environmental Protection Administration, Executive Yuan.

In 2018, FET gradually introduced management methods under international initiatives, including the Task Force on Climate-related Financial Disclosures (TCFD) and Science-Based Targets (SBT). It formulated its carbon reduction commitments based on SBT and set carbon reduction goals for scopes 1, 2 and 3 GHG emissions, both direct and indirect. FET had a much higher scope 3 reduction target than its peers in Taiwan and was the third telecommunication enterprise in Asia to pass the international review.

Highlight No. 3: FET launched the first 5G remote diagnosis and treatment forward-looking program in Taiwan

Collaborating with three major medical centers, i.e. Far Eastern Memorial Hospital, Hualien Tzu Chi Hospital and Kaohsiung Medical University Chung-Ho Memorial Hospital, FET launched the first 5G remote diagnosis and treatment forward-looking program in Taiwan and officially released the FET remote diagnosis and treatment service platform. It combined the core technologies of 5G Big Data, AI and IoT with Taiwan’s edges in diagnosis and treatment to realize the mobile solution for remote health care. FET employed technology to eliminate medical gaps and breakdown barriers to health care across urban and rural regions to fulfill the vision of “medical care free of remote regions”.

In addition, the program was linked up with the charitable program of “Medical Care for Remote Region, Spread Love Far”. FET would donate three sets of remote diagnosis and treatment facilities to care for people living in the remote areas and improve the lacking of medical resources, allowing medical resources to be enjoyed equally by all.

Highlight No. 4: FET initiated the LOHAS passport and advocated health promotion activities for employees to have balanced body, mind and spirit

FET places great importance on Lifestyles of Health and Sustainability (LOHAS) work and one of the means is to create a sport-friendly workplace. FET set LOHAS workplace into action in 2019 and established the “LOHAS and employee caring management” department. It initiated a series of health promotion activities associated with health, sports and the maintenance of balance for body, mind and spirit in hope to bring team synergy into full play so that all employees can practice LOHAS. FET was the first enterprise in Taiwan to map out the LOHAS passport as a mean to encourage employees to develop a healthy lifestyle. Employees are entitled to a day of “health leave” once they take part in sporting competitions and collect 8 points.

FET provides employees with health examinations superior than what are required by laws, health seminars and blind massage sessions to relieve stress. It also organized calorie challenges and weight loss competitions where participating employees lost a total of 206.4 million calories. FET is committed to provide an ideal “healthy workplace” environment so that employees can embed exercise into their lives. The goal is for employees to keep exercising and stay healthy. FET received the Best Companies to Work for in Asia Award for two consecutive years.

Highlight No. 5: The “Saving the Lives of Abandoned Children” project has been carried out for 13 years. Innovations are applied to overturn the traditional fundraising method

FET and the Child Welfare League Foundation (CWLF) jointly carried out the public welfare project of “Saving the Lives of Abandoned Children”. Besides aligning with the international sustainable development goal (SDG) 1 of no poverty and SDG 3 of good health and well-being, FET collaborates with 4 groups of stakeholders, i.e. subsidiaries, consumers, employees and NGOs, in utilizing the ICT core resources through digital tools. The passive fundraising tactic of placing donation boxes at different channels is overturned and the fundraising effectiveness has been broadened each year. 2019 was the project’s 13th year. By applying innovations to change the traditional fundraising model, the project raised a cumulative amount of NT\$ 43 million, which accounted for 30% of CWLF’s child raising fund and benefited over 1,400 abandoned children.

8. The specific plans for implementing corporate social responsibility (CSR) and its effectiveness in 2019:

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

Specific implementation plans and performance in 2019 are as follows:

1. The Company contributed a total of NT\$ 11.84 million and 3,311 volunteers hours on public welfare activities in 2019. The cumulative number of people benefited was 1.46 million over the past four years
2. FET’s sustainability performance was well recognized by the international community. It was awarded the “Telecommunication Services - Industry Mover” in both 2019 and 2020 Sustainability Yearbook published by RobecoSAM, making it the only telecommunication enterprise to receive such an honor worldwide. Furthermore, FET was selected as an index component of the DJSI for the first time and ranked fourth in the global telecommunication industry.
3. FET gradually introduced management methods under international initiatives, including the TCFD and SBT, in 2018. It was the third telecommunication enterprise in Asia to pass the international review.
4. FET launched 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, and launched the first domestic 5G remote diagnosis and treatment pioneering program.
5. FET strived to bridge digital gap, strengthened broadband infrastructure at remote areas and carried out urban-rural development. The remote areas’ network coverage has reached 96%.
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. During the summer vacation, FET held the “FET Digital Little Superman Online eSports Competition” and was the first enterprise in Taiwan to organize an e-learning esports competition for public welfare.
7. FET worked with the CWLF to raise funds in all FET retail stores throughout Taiwan. Cumulatively, over NT\$43 million has been raised over the past 13 years.

8. FET optimized supply chain management and development mechanism, and promoted sustainable development of the entire industry supply chain. Its green procurement amount exceeded NT\$300 million, and its local procurement accounted for 96.1% of its total purchases.
9. FET was committed to industry-university cooperation and spent approximately NT\$10 million on participation in industry associations annually.
10. FET took part in the GSMA-led climate initiative and worked with leading mobile operators worldwide in diminishing the impacts of global climate changes.

Appendix 1: Risk Assessment of major topics

Major Topics	Assessment Items	Risk Management Policy
Climate change and changes in energy structure	Physical and transition risks caused by climate change	<ul style="list-style-type: none"> • We have completed climate risk identification and prioritization pursuant to the TCFD framework and understand how key risk factors would affect financial performance based on the risk path. We have begun to assess the scale of specific financial impact brought on by increased severity of typhoon and will continue to increase the evaluation items. • Strengthen the disaster resistant capability of core network facilities and increase the resilience of climate change adaptation.
	The introduction of 5G leads to an increase in total electricity consumption and electricity intensity.	<ul style="list-style-type: none"> • Introduce high-efficiency power conversion equipment. • Incorporate the proximity of new server room to direct supply of renewable energy into the assessment. • Promote energy management control System.
	There are increasing requirements from government's renewable energy policies and related regulations.	<ul style="list-style-type: none"> • New renewable energy business (Prime EcoPower Co., Ltd.) • Increase the capacity of renewable energy installations every year, which include the increases in the purchase of renewable energy certificates and the capability of self-owned certificates) and the planning on construction of solar stations in the future.
Information security and customer privacy	The risk of cyber-attacks increases and the methods of attack change rapidly.	<ul style="list-style-type: none"> • Regular planning and execution of continuous drills for key service operations. • Strengthen the operation of emergency response organization and mechanism, timely response to various incidents and risk control.
	Customers' awareness on privacy protection leads to stricter requirements on personal information protection for corporations.	<ul style="list-style-type: none"> • Continue to strengthen policy standards and information security protection management mechanisms. • Strengthen the training and promotion of security education for all employees. • Continue to pass international verifications on information security and personal data protection.
Policy, social, and economic trends	Continuous innovation in information communication technology	<ul style="list-style-type: none"> • Integrate business partners from different industry to promote industrial applications. • Combine new business opportunities, and encourage consumers to use new services and opt for online spending to make up for the declining revenue of traditional telecommunications services.
	Demographic changes, urbanization and digital divide	<ul style="list-style-type: none"> • Proactively develop diverse application solutions and expand the corporate market segment. • Continue to develop new business opportunities and attract users with innovative services and superior service quality.

Major Topics	Assessment Items	Risk Management Policy
	Changes in telecommunication laws	<ul style="list-style-type: none"> Maintain good communication with competent authorities for early detection of regulatory changes to facilitate formulation of action plans. Minimize the impact of regulatory adjustments on FET operations, and be ready to adopt new regulations on a timely basis. The Telecommunications Management Act came into effect in July 2020. By laws, FET has a three-year transition period and will eventually be in full compliance of the new Telecommunications Management Act.
Battles for talents and human resource planning under the transformation of telecommunications industry	Telecommunication industry restructuring and service diversification require talents possessing cross-industry thinking and strength in technology integration so as to respond to the rapid transformation of the telecommunications industry.	<ul style="list-style-type: none"> Set the theme for "Big Data, AI & IoT" talent training and development, initiate the digital transformation plan, and set the goals for "innovation upgrade and transformation" as the core technology and capabilities buildup for transformation and upgrade. Launch 5G elite plan, recruit 24 marketing and technical talents, and introduce 18-month training programs covering industrial general knowledge, core competence training, department rotation, departmental project internship, etc. and supplemented with Mentor system to help colleagues grow rapidly. In response to the continuously increasing demand from corporate customers in the future, we promote EBU Boot Camp to recruit new talents. We also provide information and corporate customer cross-departmental professional knowledge development, encouraging employees to participate in departmental projects while we supplement with the mentoring system to accelerate the growth of employees and prepare them for transformation.

Appendix 2 : Stakeholders Communication Status

Stakeholders	Material Issues of Concern	Response, frequency and communication channels	Key communication results in 2019
Competent Authorities	<ul style="list-style-type: none"> Response to government policy and regulatory changes Corporate governance and integrity Communications quality and network infrastructure Information security and customer privacy protection Risks management and emergency response Digital inclusion Energy management Climate strategy 	<ul style="list-style-type: none"> Contact person TEL : Regulatory Team, Mr. Huang 886-2-7723-5000 Email : hachuang@fareastone.com.tw Communication Methods <ol style="list-style-type: none"> Irregularly Business meetings and administrative inspections by the National Communications Commission (NCC) Irregularly Fair Trade Commission investigations Official correspondence 	<ul style="list-style-type: none"> Took part in 160 NCC business meetings and 15 administrative inspections in 2019 There were two cases investigated by the Fair Trade Commission in 2019. All cases were closed and no violation of the Fair Trade Act was found 298 official documents
Employees	<ul style="list-style-type: none"> Business performance Corporate governance and integrity Management of human rights issues Talent development and management 	<ul style="list-style-type: none"> Contact person FET maintains an employee suggestion system and a grievance mailbox. Communication Methods <ol style="list-style-type: none"> Quarterly two-way Town Hall communication meeting Irregularly Employee satisfaction survey Quarterly Lantern Legend Meeting Annual Employee Meeting Employee Welfare Committee FET e-Express FET internal website 	<ul style="list-style-type: none"> Through FET e-Express /internal website, all employees are informed of employee discounts, employee benefits, SOP and new webpage information. 2,388 employee training courses held, and average training hours per employee was 74.9 hours Percentage of employee who received annual performance assessment: 100% FET received 33 employee suggestions and 8 cases from the grievance mailbox
Shareholders /Investors	<ul style="list-style-type: none"> Business performance Innovative strategy management Corporate governance and integrity 	<ul style="list-style-type: none"> Contact person TEL : Investor Relations Division, Mr. Huang 886-2-7723-5000 	<ul style="list-style-type: none"> Hosted one General Shareholders Meeting Hosted four Global Investor

Stakeholders	Material Issues of Concern	Response, frequency and communication channels	Key communication results in 2019
	<ul style="list-style-type: none"> • Social innovation • Climate strategy • Energy management 	<p>Email : ir@fareastone.com.tw</p> <ul style="list-style-type: none"> • Communication Methods <ol style="list-style-type: none"> 1. Establish an investment relationship department 2. Host general shareholders meeting per year 3. Regularly Host Global Investor Telephone Conference to facilitate direct communication between investors and executive management 4. Dedicated units took part in domestic/overseas face-to-face institutional investor meetings to communicate with investors. 5. Announce information simultaneously in the MOPS (Market Observation Post System) and company website investor service area 	<p>Telephone Conferences to facilitate direct communication between investors and executive management</p> <ul style="list-style-type: none"> • Dedicated units took part in domestic/overseas face-to-face institutional investor meetings to communicate with investors • Published monthly non-audited revenue, profit and operating statistical data on the FETnet website
Consumers	<ul style="list-style-type: none"> • Information security and customer privacy protection • Quality customer experience 	<ul style="list-style-type: none"> • Contact person TEL : Customer Service Department (please call the following customer service line, there will be a designated personnel to provide consultation and service) Email : ecare@fareastone.com.tw • Communication Methods <ol style="list-style-type: none"> 1. Customer service line: 0800-058885 (toll free) 2. FET instant dial: 888/123 (toll free) 3. Local line: 449-5888/449-5123 (local rate billing) 4. Official website problem response area \ customer service instant inquiry 5. Telecom storefronts, official documents, and coordination meetings 6. Conduct customer service satisfaction surveys via external units on a regular basis 	<ul style="list-style-type: none"> • FET received an NPS (Net Promoter Score) of B • Overall average customer satisfaction of FET's retail stores in 2019 : 9.66 / 10 • Overall customer satisfaction of FET's customer service center in 2019 reached 9.12 / 10
Suppliers	<ul style="list-style-type: none"> • Business performance • Corporate governance and integrity • Innovative strategy management • Supply chain management • Management of human rights issues 	<ul style="list-style-type: none"> • Contact person TEL : Procurement Division, Mr. Tsou 886-2-7723-7675 Email: mtsou@fareastone.com • Communication Methods <ol style="list-style-type: none"> 1. Establish a sustainable supply chain with suppliers by signing the company's self-declaration of corporate social responsibility, integrity/audit management consent, supplier training and testing, supplier auditing, etc. 2. Irregularly conduct suppliers satisfaction surveys 3. Regularly hold supplier conferences and developer conferences to share and exchange global sustainable trends; at the same time drive supplier innovation 	<ul style="list-style-type: none"> • In 2018, 98% of material first-tier suppliers and 100% of new suppliers signed the "Supplier CSR Self-Declaration". • 242 suppliers have completed the training based on 4 aspects including supplier management actions, supplier CSR risk assessment, office energy management, and supplier code- • In 2019, 87.7% satisfaction is given for procurement policy & process and 81.6% satisfaction for open tendering
Community Groups/NGOs	<ul style="list-style-type: none"> • Community care and charity programs 	<ul style="list-style-type: none"> • Contact person TEL: CSR Division, 	<ul style="list-style-type: none"> • The Company contributed a total of NT\$ 11.84 million and 3,311

Stakeholders	Material Issues of Concern	Response, frequency and communication channels	Key communication results in 2019
	<ul style="list-style-type: none"> Climate strategy Digital inclusion 	Ms. Lee 886-2-7723-5000 Email : pr@fareastone.com.tw <ul style="list-style-type: none"> Communication Methods Communicate and promote through sponsorship and collaboration projects	volunteers hours on public welfare activities in 2019. The cumulative number of people benefited was 1.46 million over the past four years

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	Illustration	
1. Does the Company stipulate and disclose "Corporate Governance Principle" based on "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" ?	V		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. FET discloses its "Corporate Governance Best Practice Principles" not only on its corporate website but also at Market Observation Post System (MOPS). Please visit: http://www.fetnet.net/corporate/en/RegulationRule.html http://mops.twse.com.tw/mops/web/t167sb01	Compliant with the "Corporate Governance Best-Practice Principles for TWSE / GTSM Listed Companies"
2. Ownership Structure and Shareholders' Equity 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		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.	Compliant with the "Corporate Governance Best-Practice Principles for TWSE / GTSM Listed Companies"
2-2 Does the Company identify major shareholders and/ or their ultimate controlling parties?	V		The Strategy and Finance 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 3-1 Does the Company establish guidelines for the diversification of Board members and disclose the execution status of it? Does the Company establish Board diversity policies, and disclose their specific management targets and execution status?	V		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. Diversification of Board Members: 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. Nationality: In an attempt to keep up with rapid changes and development in the industry, 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, China and Hong Kong to Taiwan in nationalities. Industry experience: In telecommunication industry, members of the Board with varied professional fields play an important part in	Compliant with the "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	
			<p>market competition. The members of the FET Board, being experts from Accounting, Telecommunication, Finance, Economics to Corporate Governance proficiency, 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 > Information of Directors > Diversity of Board Members)</p> <p>The results of these evaluations been shown on the company's official website. Please visit https://www.fetnet.net/corporate/documents/en/Diversity%20of%20Board%20Members%20Policy%20and%20Implementation(EN).pdf</p>
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. Currently, all of the three independent directors, Lawrence Juen-Yee LAU, Chung Laung Liu and Tim Pan, 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.</p> <p>The duties of the Committee are as follows:</p> <ol style="list-style-type: none"> (1) Review risk policies and framework, risk appetite, or tolerance level. (2) Review management reports on major risk issues. (3) Make timely reports to the Board. <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 Market Observation Post System website: https://www.fetnet.net/corporate/en/Operation.html</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 19, 2020, and used as reference material for 2019 individual Directors' remuneration and reelection nomination in 2011.</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</p>

Item	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE / GTSM Listed Companies" and Reasons
	Yes	No	Illustration	
			<p>20, 2019. The Company has finished the orientation for new directors in 2019, and has been reported in the tenth meeting of the eighth-term Board of Directors on February 19, 2020.</p> <p>The evaluation result has been disclosed on the Company's website. The website address is as follows: https://www.fetnet.net/corporate/en/BODMeetingInfo.html</p>	
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: https://www.fetnet.net/corporate/en/BODMeetingInfo.html</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 5th meeting of the 8th term Board of Directors on Feb. 20, 2019, and the 10th meeting of the 8th term Board of Directors on Feb. 19, 2020, respectively. ("Confirmation of Independence" and "Assessment Result of Expertise and Eligibility of Certified Public Accountant" from Accounting firm are included) The guidances to evaluate the independence of the CPA as follows:</p> <p>The guidances to evaluate the independence of the CPA as follows:</p> <ol style="list-style-type: none"> 1. Regularly obtain a Confirmation of Independence from CPA. 2. A CPA does not assume the Company's external auditor for 7 consecutive years. <p>All currently appointed CPAs meet the requirements of independence. Annex 2: Assessment table of expertise and eligibility of Certified Public Accountant. 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, activity focuses of the year 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 & Procurement, Vivian Lee, is FET's Corporate Governance Officer.</p> <p>Function description:</p> <ol style="list-style-type: none"> 1. Handling matters relating to board and shareholders, according to laws, and assisting the Company in compliance with laws and regulations governing such meetings. 2. Producing minutes of board meetings and shareholders' meetings. 3. Furnishing information required for business execution by Board directors. 4. To assist Directors' in compliance with laws. <p>FET's 2019 corporate governance matters included the following:</p> <ol style="list-style-type: none"> 1. Handling matters relating to Board Meetings and Audit Committee Meetings. 2. Handling matters relating to shareholders' meeting, assist to product meeting minutes. 3. Updating board directors on change of laws and regulations relating to the operation of the Company. 4. Assisting on Directors' continuing education. 	Compliant with the "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	
			<p>5. According to "Procedures for Performance Evaluation of the Board of Directors", the Corporate Governance Personnel shall submit the assessment outcome to the Board for approval on a yearly basis. The outcomes have approved at the 5th meeting of the 8th-term Board of Directors on February 20, 2019.</p> <p>Information concerning the operation and execution of the corporate governance unit has been placed on the corporate website. The address is as follows: https://www.fetnet.net/corporate/en/BODMeetingInfo.html Training: took 18 hours training as a first-time corporate governance supervisor About the training status of Corporate Governance officer, please refer to Three: Corporate Governance (6) the training status (2)Managers</p>
5. Does the Company build up communication channels with interest-conflicting parties (including but not limited to shareholders, employees, customers and suppliers), dedicate a specific area on the Company website, and properly respond to important issues regarding CSR?	V		<p>In addition to a formal spokesperson mechanism, the Company has set up adequate connection for suggestions from stakeholders, such as mail box 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 Self-Care App and e-mail (ecare@fareastone.com.tw). Retail shareholders shall contract the stock agency, Oriental Securities Co., Ltd. for any comments and suggestions.</p>
6. Does the Company assign professional Share Transfer Agent to handle shareholders' Meeting?	V		<p>The Company has appointed "Oriental Securities Corporation" as stock agency to assist shareholders' meeting affairs.</p>
7. Information Disclosure 7-1 Does the Company set up a website to disclose financial, operational and corporate governance information?	V		<p>The Company website address: http://www.fareastone.com.tw The Company discloses real-time financial, operational and corporate governance information on company's website.</p>
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		<p>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.</p>
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		<p>The Company filed its quarterly and annual financial reports of the year 2019 on May 14, 2019, August 8, 2019, November 11, 2019, and February 26, 2020, 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. (The English and Chinese financial reports in PDF format are uploaded at slightly different times.)</p>

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: Based on the Company's goals and development status, the business units will cooperate with legal unit to implement the procedure including evaluation, retrieval for potential patent or trademark, filing the application, the maintenance after receiving the approval from the relevant government agency.

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 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. 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 the business and/or service promotion, the Company has plenty need on commercial or copywriting design, and advertising. Besides that, the company also has need on system establishment which will involve software programming, and hardware and/or software procurement. 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 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.

List of Intellectual Property		2020/03/31
Intellectual Property right (Included domestic and foreign)		Number
Patent	Valid and effect	65
	Under Application	15
trademark	Valid and effect	298
	Under Application	17

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 : Lawewnce 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	Possess expertise in information technology and the skills of business management, crisis and risk management, leadership and decision-making.

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 is always mindful of communication with its employees, the existing communication channels are as follows:

Communication Channel

Lantern Legend Meeting	On a quarterly basis, or more frequently where necessary, meetings are held in which constructive suggestions which promote organizational harmony, demonstrate core values, and enhance corporate competitiveness, may be raised. This is so as to build a better unified future for FET.
Employee Conference	The "Employee General Meeting" is hosted by the general manager as a forum for sharing operational outcomes and communicating new policies that benefit employees.
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 driving employee welfare.
Town Hall Communication Conference	At the "Two-Way Quarterly Meeting" with officers, operational policies and implementation effectiveness, and market trend information are communicated. Senior managers propose operation-related topics for discussion, with management responding to these topics at the meeting as a way of improving staff-management interaction and let all employees participate through live stream.
Employee Survey	An employee survey is conducted on a regular basis in order to gain a deeper understanding of employee sentiment for the purpose of building continuous organizational improvement.

Electronic Communication Channel

Intranet Hot News	Hot News area is set up on the homepage of FET intranet to publish corporate level important information for internal communication.
e-Newsletter	Published various topic articles and new trending content on knowledge center of intranet monthly, as a way of encouraging learning and sharing within the organization.
e-News	Published FET the latest news and industrial information on time on "company news bulletin" on intranet.
e-Express	Continual ad-hoc distribute important employee related information.
Human Resource Announcement	Announce major event or information for immediate action and attention.
FET Breaking News	Provide insights of company from various aspects to help employees embrace FET culture.
e-Offer	Published promotion activities for FET production and services in the intranet when selected by employees as way of increasing exposure to important information.
Employee Suggestions	We welcome all creative proposals which benefit organizational 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 provide suggestions, and arrange the moderators for two-way communication.
I Want to Complain	Employees may seek assistance through the opinion box for cases where queries to responsible units or supervisors have met with no response.
"Whistle-blower" mailbox	Employees could report the violation of Business Conduct via mailbox.

Internal Communication Meeting : Held regularly or irregularly, 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 have been held for over 10 years, 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 FET'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 2019, FET also completed its ESG risk evaluation for 212 suppliers, which accounted for 80% of the Company's annual procurement amount. 12 suppliers were identified as high-risk and FET has taken improvement measures. It focused on their confidentiality agreements and the IPR protection aspect. There were 11 suppliers which has completed their improvement by Jan. 2020.

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 Market Observation Post System and 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, the Company's directors complete continuing professional education courses regularly.

A. Directors:

Title	Name	Study Date	Sponsoring Organization	Course Name	Training Hours	Accumulated Training Hours
Chairman	Douglas Hsu	2019/07/23	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3	6
		2019/11/14	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3	
Director	Champion Lee	2019/07/23	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3	9
		2019/08/02	Taiwan Corporate Governance Association	Cloud Computing: The benefit and the risk	3	
		2019/11/14	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3	
Vice Chairman	Peter Hsu	2019/05/08	Taiwan Corporate Governance Association	Critical Issues in Corporate Governance for Corporate Groups	3	9
		2019/07/23	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3	
		2019/08/02	Taiwan Corporate Governance Association	Cloud Computing: The benefit and the risk	3	
Managing Director	Jan Nilsson	2019/05/08	Taiwan Corporate Governance Association	Critical Issues in Corporate Governance for Corporate Groups	3	6
		2019/08/02	Taiwan Corporate Governance Association	Cloud Computing: The benefit and the risk	3	
Director	Jeff Hsu	2019/05/08	Taiwan Corporate Governance Association	Critical Issues in Corporate Governance for Corporate Groups	3	6
		2019/07/23	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3	
Director	Bonnie Peng	2019/10/25	Taiwan Corporate Governance Association	The strategy of public opinion crisis & business management	3	6
		2019/11/08	Taiwan Corporate Governance Association	The influence & coping strategy to U.S.-China trade war	3	
Director	Toon Lim	2019/05/08	Taiwan Corporate Governance Association	Critical Issues in Corporate Governance for Corporate Groups	3	6
		2019/08/02	Taiwan Corporate Governance Association	Cloud Computing: The benefit and the risk	3	
Director	Nobutaka Kurata	2019/07/15	Taiwan Corporate Governance Association	Corporate Governance & Directors' Duties and Liabilities under Securities and Exchange Act	3	12
		2019/07/25	Taiwan Corporate Governance Association	Breach of insider, disclosure of Information, and insider trading for Corporate Governance	3	
		2019/07/26	Taiwan Corporate Governance Association	Director and Supervisor responsibility for financial statement fraud	3	
		2019/08/02	Taiwan Corporate Governance Association	Cloud Computing: The benefit and the risk	3	
Independent Director	Lawrence Juen-Yee LAU	2019/05/08	Taiwan Corporate Governance Association	Critical Issues in Corporate Governance for Corporate Groups	3	6
		2019/08/02	Taiwan Corporate Governance Association	Cloud Computing: The benefit and the risk	3	

Title	Name	Study Date	Sponsoring Organization	Course Name	Training Hours	Accumulated Training Hours
Independent Director	Chung Laung Liu	2019/05/08	Taiwan Corporate Governance Association	Critical Issues in Corporate Governance for Corporate Groups	3	6
		2019/08/02	Taiwan Corporate Governance Association	Cloud Computing: The benefit and the risk	3	
Independent Director	Tim Pan	2019/05/08	Taiwan Corporate Governance Association	Critical Issues in Corporate Governance for Corporate Groups	3	6
		2019/08/02	Taiwan Corporate Governance Association	Cloud Computing: The benefit and the risk	3	

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

B. Executive Management

Title	Name	Study Date	Sponsoring Organization	Course Name	Training Hours	Accumulated Training Hours
President	Chee Ching	2019/07/23	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3	12
		2019/08/30	Taiwan Academy of Banking and Finance	Understanding the true operating performance through financial statements	3	
		2019/11/26	Taiwan Corporate Governance Association	Intellectual Property Tax Planning	3	
		2019/12/17	Taiwan Academy of Banking and Finance	Sustainable Operations Strategy and Sustainability Talent Management	3	
Corporate Governance Officer	Vivian Lee	2019/07/18	Securities & Futures Institute	Seminar for Board of Directors and Supervisors (including Independent Directors) and Corporate Governance Personnel - Analysis and Decision-making of Corporate Financial Information	3	18
		2019/07/23	Taiwan Academy of Banking and Finance	Workshop for the Operational Practice for Board and Supervisor's Meeting and Related Corporate Governance Issues	3	
		2019/07/24	Securities & Futures Institute	Year 2019 Legal Compliance Seminar – Share Trading between Insiders in Public Company and Unlisted Public Company	3	
		2019/08/02	Taiwan Corporate Governance Association	Cloud Computing: The benefit and the risk	3	
		2019/09/11	Securities & Futures Institute	Seminar for Board of Directors and Supervisors (including Independent Directors) and Corporate Governance Personnel - Merge and Acquisition : Human Recourse and Integration Issues During the M&A Process	3	
		2019/09/17	Securities & Futures Institute	Seminar for Board of Directors and Supervisors (including Independent Directors) and Corporate Governance Personnel - Merge and Acquisition : Through Corporate Governance Perspective to Analysis M&A Fraud Cases	3	

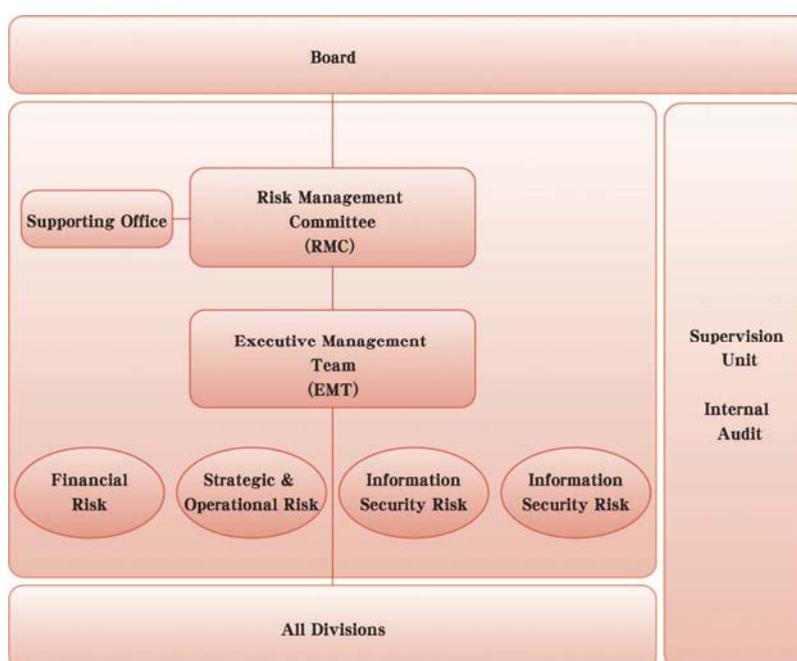
* Except for the above mentioned education status, the Company would monthly inform all management of updated Corporate Governance related regulations.

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

The 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 impact on business, maximize business gains, and ensure the sustainability of the Company, FET further restructured its risk management organization in 2018 and upgraded the Risk Management Committee (RMC) level. RMC members are appointed by the Board of Directors and are made up of independent directors. 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:



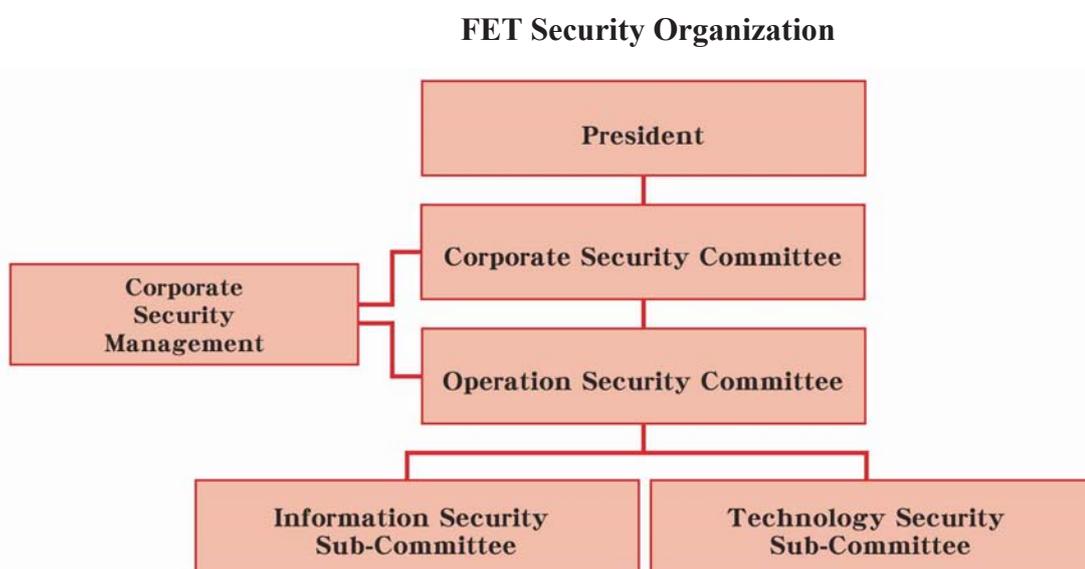
Organization	Responsibility
Highest decision-making and supervision	Board of Directors and Internal Audit Board of Directors : <ul style="list-style-type: none"> • Approve risk management policies and framework. • Supervise the effective operation of the risk management mechanism. Internal Audit : <ul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

In addition to the above organizations, in the event of a risk 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

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 Safety Organization consists of the representatives of business units, who are responsible to implement safety 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 2019, 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 2019, FET has passed ISO 27001 information security management certification for 15 consecutive years, passed ISO 20000 service management certification for 11 consecutive years, passed BS10012 personal data management certification for 7 consecutive years, and passed CSA STAR cloud security certification for 6 consecutive years. In addition, FET also passed ISO 27017 Cloud Service Information Security Certification and ISO 27018 Cloud Personal Information Protection Certification in 2019, that demonstrates 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, 2019 to June 18, 2020. 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 staff 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	Strategy & Finance, Internal Audit	4
U.S.A. CPA	Strategy & Finance, Internal Audit	4
Certified Internal Auditor	Internal Audit	3
Certified Information System Auditor	Internal Audit	2
ISO 27001 Internal Auditor	Strategy & Finance, Internal Audit, Information Technology, Network & Technology, Omni Channel Management	67
ISO 9001 Internal Auditor	Strategy & Finance, Internal Audit, Information Technology	4
BS 10012 Lead Auditor	Information Technology, Omni Channel Management, Internal Audit	11
Debt-Collection Personnel's proficiency test held by Taiwan Academy of Banking and Finance	Strategy & Finance	143
Stock Personnel's Proficiency Test held by Securities and Futures Institute	Strategy & Finance	3
Bond Personnel's Proficiency Test held by Securities and Futures Institute	Strategy & Finance	1
Corporate governance Test held by Securities and Futures Institute	Strategy & Finance	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 a new policy in 2019, which is having proper explanations for new directors' inauguration. The Company's items to be improved in 2019 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 has asked for the attendance of the Audit Committee's convener. Thus, this pending item shall be corrected in 2020

(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 and <https://www.fetnet.net/corporate/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 27, 2020.

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

(A) Information of the Remuneration Committee Members

Role	Name	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 company business	1	2	3	4	5	6	7	8	9	10			
Independent Director	Lawrence Juen-Yee LAU	V				V	V	V	V	V	V	V	V	V	V	V	0	
Independent Director	Chung Laung Liu	V				V	V	V	V	V	V	V	V	V	V	V	2	
others	Edward Y. Way		V		V	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 a 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.

(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 5 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	Lawrenc Juen-Yee Lau	4	1	80%	This is the member of the 4 th term of the Remuneration Committee of the Company, who was elected again on Aug 1, 2018, shall present 5 times.
Committee member	Chung Laung Liu	5	0	100%	This is the member of the 4 th term of the Remuneration Committee of the Company, who was elected on August 1, 2018, shall present 5 times.
Committee member	Edward Y.Way	5	0	100%	This is the member of the 4 th term of the Remuneration Committee of the Company, who was elected again on August 1, 2018, shall present 5 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 response to members' opinion
The 2 nd meeting of the 4 th term 2019.02.19	To discuss and approve the 2018 directors' and employees' compensation of the Company	Approved by all attending members without objection.	The proposal is submitted to Board of Directors, and approved by all attending directors.
The 5 th meeting of the 5 th term 2020.02.10	To discuss and approve the 2019 directors' and employees' compensation of the Company	Approved by all attending members without objection.	The proposal is submitted to Board of Directors, and approved by all attending directors.

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 (2020.0218)
Convener	Lawrenc Juen-Yee Lau	V	V	V	*	V
Committee member	Chung Laung Liu	V	V	V	V	V
Committee member	Edward Y.Way	V	V	V	V	V

Note : V means attendanc 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

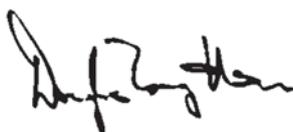
Far Eastone Telecommunications Co., Ltd.
The Declaration of Internal Control System

Date: February 19, 2020

Based on the self-examination results of the internal control system for the year ended December 31, 2019, 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 19, 2020.

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 18, 2019	<p>Resolutions in the Annual Shareholders' Meeting of Year 2019</p> <p>Matters to be reported</p> <ol style="list-style-type: none"> 1. Business report of Year 2018. 2. Financial report of Year 2018. 3. The 2018 Audit Committee's review report. 4. The 2018 directors' and employees' compensation. 5. The issuance of corporate bonds. <p>Matters to be approved</p> <ol style="list-style-type: none"> 1. Approval of the Year 2018 closing report (Including business report). 2. Approval of the proposal regarding Year 2018 earnings distribution. <p>Matters to be discussed</p> <ol style="list-style-type: none"> 1. Approval of the amendment to "Handling Procedure for Acquisition and Disposal of Assets" of the Company. 2. Approval of the amendment to "Procedure for Loaning Capital to Others" of the Company. 3. Approval of the amendment to "Procedure for Making Endorsements and Guarantees" of the Company. 	<p>July 22, 2019 was fixed as the record date of ex-cash dividends, and cash dividends were paid on August 7, 2019. (Cash dividend per share is NT\$3.75)</p> <p>The Company has released the amended Procedure on the official website and the Market Observation Post System on June 28, 2019 and proceeded accordingly.</p> <p>The Company has released the amended Procedure on the official website and the Market Observation Post System on June 28, 2019 and proceeded accordingly.</p> <p>The Company has released the amended Procedure on the official website and the Market Observation Post System on June 28, 2019 and proceeded accordingly.</p>

(2) Major Resolutions of Board Meetings

Date	Resolutions of the Board Meetings
February 20, 2019	<ol style="list-style-type: none"> (1) Approval of the assignment of accounting officer of the Company. (2) Approval of the 2018 directors' and employees' compensation of the Company. (3) Approval of the 2018 annual financial statements and consolidated financial statements of the Company. (4) Approval to distribute cash dividend from retained earnings of 2018. (5) Approval of the 2018 business report of the Company. (6) Approval of the dates and agenda of the Company's 2019 Annual Shareholders' Meeting. (7) Approval of the Company's 2019 business plan and summary consolidated financial forecast. (8) Approval of the Declaration of Internal Control System of the Company.
May 8, 2019	<ol style="list-style-type: none"> (1) Approval of the amendments to the "Handling Procedure for Acquisition and Disposal of Assets" and other related regulations of the Company. (2) Approval of the additions to the agenda of the 2019 Annual Shareholders' Meeting. (3) Approval of the amendments to the "Corporate Governance Best Principles" and other related regulations of the Company, and the assignment of corporate governance officer of the Company. (4) Approval of the release of recent dual employments and non-competition restriction on managerial officers of the Company. (5) Approval of the loan agreements to be executed with banks.

Date	Resolutions of the Board Meetings
August 2, 2019	(1) Approval of the amendments to the “Internal Control System” of the Company. (2) Approval of the amendments to the “Procedures for Performance Evaluation of Board of Directors Meeting” of the Company. (3) Approval of the issuance of domestic unsecured corporate bond not exceeding NT\$ 20 billion. (4) Approval of the participation in the 5G spectrum licensing for the mobile broadband businesses.
November 6, 2019	(1) Approval of the 2020 Audit Plan. (2) Approval of the matter of authority in the 5G spectrum licensing for the mobile broadband businesses. (3) Approval of the release of recent dual employments and competition restriction on managerial officers of the Company.
January 21, 2020	(1) Approval of the loan agreements to be executed with financial institutions.
February 19, 2020	(1) Approval of the 2019 directors’ and employees’ compensation of the Company. (2) Approval of the 2019 annual financial statements and consolidated financial statements and other matters of the Company. (3) Approval to distribute cash dividend from retained earnings of 2019. (4) Approval of the 2019 business report of the Company. (5) Approval of the release of the non-competition restriction on directors in accordance with Article 209 of the Company Act. (6) Approval of the dates and agenda of the Company’s 2020 Annual Shareholders’ Meeting. (7) Approval of the Company’s 2020 business plan and summary consolidated financial forecast. (8) Approval of the Declaration of Internal Control System of the Company. (9) Approval of the release of recent dual employments and competition restriction on accounting officer 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 Manage, Corporate Governance officer and R&D Manager):

Title	Name	Effective Date	Date of Termination	Reasons of Resignation or Termination
President	Yvonne, Li	2010.09.10	2019.01.07	Retirement
Accounting Manager	Andrea, Shen	2018.02.23	2019.03.15	Resignation

4. Certified Public Accountant (CPA) Professional Fee Information

4-1. Information of CPA

2019/12/31

Accounting Firm	Name of CPA	Audit Period	Note
Deloitte & Touche	An-Hwei Lin Cheng-Hung Kuo	2019.01.01 ~ 2019.12.31	

4-2. Professional Fees of CPA

4-2-1.

Unit: NT\$'000

Amount (NTD)	Item	Audit Fees	Non-audit Fees	Total
1	Less than 2,000		V	
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

2019/12/31; 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	\$9,620	None	None	None	\$1,860	\$11,480	2019.01.01~ 2019.12.31	Non-audit Fees are mainly consulting fees for cases.
	Cheng-Hung Kuo								

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:

2020/3/31

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	Circumstance	Concerned party
	Terminate the appointment voluntarily	CPA
	Reject (refuse to accept) the appointment	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
	No	V
Other information to be disclosed (to be disclosed according to Article 10.6.1.4 to 10.6.1.7 of the Principles)	Please specify it.	
	No	

5-2. Regarding the succeeding CPA:

2020/3/31

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:

2020/4/21

Title	Name	2019		2020/01/01 ~ 2020/04/21	
		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	(2,500,000) *0	0 *0	0 *0
Vice Chairman	Peter Hsu, Representative of Yuan Ding Investment Co., Ltd. (Note 1)	0 *0	(2,500,000) *0	0 *0	0 *0
Managing Director	Jan Nilsson, Representative of Yuan Ding Investment Co., Ltd. (Note 1)	0 *0	(2,500,000) *0	0 *0	0 *0
Independent Director	Lawrence Juen-Yee LAU	0	0	0	0
Independent Director	Chung Laung Liu	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	Chee Ching (Note 2)	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& CFO,	Sherman Lee	0	0	0	0
Sr. VP,	Vivian Lee	0	0	0	0
VP,	Lopes Lu (Note 3)	0	0	0	0
VP	Andy Tu	0	0	0	0
VP	Belinda Chen	0	0	0	0
VP	Brian Chao	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	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 (Note 4)	N/A	N/A	0	0
VP	Bruce Yu	0	0	0	0
VP	Sharon Lin	0	0	0	0
VP	David Tsai	0	0	0	0
VP	Sabrina Lee	0	0	0	0
VP	Charlene Lin	0	0	0	0
Senior Director	Eric Chu	0	0	0	0
Senior Director	C. J. Lee	0	0	0	0
Senior Director	D.J. Chen	0	0	0	0
Senior Director of Sales	Adam Wong	0	0	0	0
Senior Director	Andy Kuo	0	0	0	0
Senior Director of Sales	Maurice Tsai	0	0	0	0

Title	Name	2019		2020/01/01 ~ 2020/04/21	
		Shares Increased (Decreased)	Pledged Shares Increased (Decreased)	Shares Increased (Decreased)	Pledged Shares Increased (Decreased)
Senior Director	Milly Lin (Note 5)	N/A	N/A	0	0
Senior Director	Tony Chen	0	0	0	0
Senior Director	Joyce Chen	0	0	0	0
Senior Director	Vivian Chiang	0	0	0	0
Senior Director	Jason Kuo	0	0	0	0
Senior Director	Dave Lu	0	0	0	0
Senior Director	James Yen (Note 3)	N/A	N/A	0	0
Senior Director	Leon Li	0	0	0	0
Senior Director	Julian Lin	0	0	0	0
Senior Director	Kai Lin (Note 3)	N/A	N/A	0	0
Senior Director	Barry Chang	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
Director	Stacy Chang (Note 6)	0	0	0	0
Senior Director	Yaling Lang	0	0	0	0
Senior Director	Jason Chen	0	0	0	0
Chief Auditor	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 Jan. 07, 2019

Note 3: Promoted on Apr. 01, 2019

Note 4: On board on Oct. 15, 2019

Note 5: Promoted on Nov. 01, 2019

Note 6: Promoted on Mar. 15, 2019

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

2020/04/21

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. Yuan Tung Investment Co., Ltd.	Same ultimate parent company 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.	316,129,000	9.70	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.	224,369,000	6.89	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
Taiwan Post Co., Ltd.	105,677,696	3.24	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
Yuan Tong Investment Co., Ltd.	100,237,031	3.08	N/A	N/A	0	0.00	Yuan Ding Investment Co., Ltd. An Ho Garment Co., Ltd.	Same ultimate parent company Same ultimate parent company	None
Chairman: David Wang	0	0.00	0	0.00	0	0.00	None	None	None
Fubon Life Insurance Co., Ltd.	62,561,696	1.92	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
Nan Shan Life Insurance Co., Ltd.	59,459,354	1.82	N/A	N/A	0	0.00	None	None	None
Chairman: Y. T. Du (Tang Chen succeeded as Acting Chairman from December 13, 2019 through September 19, 2021.)	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. Yuan Tong Investment Co., Ltd.	Same ultimate parent company Same ultimate parent company	None
Chairman: Alan Tsai	0	0.00	0	0.00	0	0.00	None	None	None
Taiwan Life Insurance Co., Ltd.	38,274,000	1.17	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

2020/03/31; 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 Centry 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.	90,014,424	86.41	7,494,333	7.20	97,508,757	93.61
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.	23,302,111	30.00	15,534,741	20.00	38,836,852	50.00
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.	-	-	12,866,353	70.00	12,866,353	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*
Linkwell Tech. Ltd.	-	-	-	100.00*	-	100.00*
Home Master Technology Ltd.	-	-	-	100.00*	-	100.00*
Far Eastern Tech-info Ltd. (Shanghai)	-	-	-	100.00*	-	100.00*
New Diligent (Shanghai) Co., Ltd.	-	-	-	100.00*	-	100.00*
Nextlink(HK) Technology Co., Ltd	-	-	-	100.00*	-	100.00*
Nextlink Tech-info Ltd. (Shanghai)	-	-	-	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.

1. Capital and Shares

1-1 History of Capitalization

2020/04/21

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

2020/04/21; 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

2020/04/21

Shareholder Structure Quantity	Government Institutions	Financial Institutions	Other Institutional Shareholders	Individual Shareholders	Foreign Institutions and Individual Shareholders	Total
Numbers	15	55	182	39,607	712	40,571
Shares	32,533,039	851,249,520	1,522,164,144	171,309,952	681,244,155	3,258,500,810
Shareholding ratio (%)	1.00%	26.12%	46.71%	5.27%	20.90%	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

2020/04/21

Level	Number of shareholders	Shares	%
1 - 999	5,797	1,483,578	0.05
1,000 - 5,000	27,645	55,660,194	1.69
5,001 - 10,000	3,557	28,248,252	0.87
10,001 - 15,000	1,042	13,382,783	0.41
15,001 - 20,000	660	12,243,495	0.38
20,001 - 30,000	537	13,662,873	0.42
30,001 - 50,000	452	18,116,872	0.56
50,001 - 100,000	315	22,491,694	0.69
100,001 - 200,000	168	23,822,278	0.73
200,001 - 400,000	120	33,201,271	1.02
400,001 - 600,000	50	24,967,981	0.77
600,001 - 800,000	30	21,302,246	0.65
800,001 - 1,000,000	33	29,573,282	0.91
1,000,001 and above	165	2,960,344,011	90.85
Total	40,571	3,258,500,810	100.00

Note: The Company has not yet issued any preferred shares until April 21, 2020.

1-5 Top 10 Major Shareholders

2020/04/21

Major Shareholders	Shares	%
Yuan Ding Investment Co., Ltd.	1,066,657,614	32.73
Shin Kong Life Insurance Co., Ltd.	316,129,000	9.70
Cathay Life Insurance Co., Ltd.	224,369,000	6.89
NTT DOCOMO INC.	153,543,573	4.71
Taiwan Post Co., Ltd.	105,677,696	3.24
Yuang Tung Investment Co., Ltd.	100,237,031	3.08
Fubon Life Insurance Co., Ltd.	62,561,696	1.92
Nan Shan Life Insurance Co., Ltd.	59,459,354	1.82
An Ho Garment Co., Ltd.	40,817,592	1.25
Taiwan Life Insurance Co., Ltd.	38,274,000	1.17

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

Unit: NTS; shares

Item		Year	2018	2019	2020 (as of March 31)
Share price (Note 1)	High		79.40	79.00	72.60
	Low		69.80	70.80	58.20
	Average		74.53	73.76	66.99
Net Value per share	Before distribution		22.50	21.41	22.07
	After distribution		18.75	(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	2.88	2.68	0.67
		After adjustment (Note3)	2.88	2.68	0.67
Dividend per share	Cash dividend		3.75 (Note 7)	3.25 (Note 8)	Not Applicable
	Stock dividend	Distribution of surplus	0	0	Not Applicable
		Additional Paid-In Capital	0	0	Not Applicable
	Accumulated un-distributed dividend		0	0	Not Applicable
Return on Investment	Price/Earnings Ratio (Note 4)		25.88	27.52	Not Applicable
	Price/Dividend Ratio (Note 5)		19.87	22.70	Not Applicable
	Cash dividend yield (Note 6)		5.03%	4.41%	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 2018 distribution NTS\$3.75 per share was based on 3,258,500,810 shares.

Note 8: The cash dividend of year 2019 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 2017-2019 were 113%, 130% and 121% 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)	Cash Payout Ratio(D/A) (B+C)/D
2017	3.33	3.037	0.713	3.75	113%	100%
2018	2.88	3.75	0	3.75	130%	100%
2019	2.68	3.209	0.041	3.25	121%	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 2019 profit allocation resolved by the Board of Directors on February 19, 2020 for reporting to the 2020 Annual Shareholders' Meeting is as follows: Distribute profits of NT\$10,456,529,099 in the form of shareholder dividends, NT\$3.209 per share. From the capital surplus from business combination of NT\$133,598,533 will be distributed at NT\$0.041 per share, giving a total cash dividend of NT\$3.25 per share held in 2019.

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 Remuneration to Employees and Directors

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 compensation 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 amounts differ from the amount resolved by the Board of Directors, the differences are recorded and adjusted in the following (financial reporting) year as changes in accounting estimate.

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

- (1) The differences between employees' and Directors' compensation distributed from the 2019 earnings by cash resolved by the Board of Directors on February 19, 2020, and the accrued amount in the year these 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)	\$213,933	\$77,016	None
Proposed Distribution (B)	\$213,933	\$77,016	
Variance (B) - (A)	\$0	\$0	

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

1-9-4 Remuneration to employees and Directors of Year 2018:

The difference between cash compensation actual distributed to employees and Directors from the 2018 earnings, which has been resolved by the Board of Directors on February 20, 2019, and the accrued remunerations amount recognized as expenses in 2018 are as follows:

Unit: NT\$'000

Amount \ Item	Remuneration to Employees	Remuneration to Directors	Treatment of Discrepancy
Recognized Accrued Amount (A)	\$233,689	\$84,128	None
Actual Distribution (B)	\$233,689	\$84,128	
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 outstanding amount totaling NT\$35.3 billion, terms and impacts on shareholders' equity disclosed as below. And currently subsidiaries of the Company do not issue corporate bond.

Issuance	Domestic 4 th Unsecured Corporate Bond	2016 Domestic 1 st Unsecured Corporate Bond	2017 Domestic 1 st Unsecured Corporate Bond	2017 Domestic 2 nd Unsecured Corporate Bond
Issue Date	2013/06/27	2017/01/05	2017/04/26	2017/09/04
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\$5,000,000,000	NT\$5,200,000,000	NT\$4,500,000,000	NT\$2,000,000,000
Coupon	1.33%	1.17%	1.17%	1.17%
Tenor and Maturity Date	7 years Maturity: 2020/06/27	5 years Maturity: 2022/01/05	5 years Maturity: 2022/04/26	7 years Maturity: 2024/09/04
Guarantor	None	None	None	None
Trustee	Chinatrust Commercial Bank, Trust Department	Mega International Commercial Bank, Trust Department	Chinatrust Commercial Bank	Taishin International Bank
Underwriter	Not Applicable	KGI Securities	Yuanta 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, Tony Chang	Deloitte & Touche CPA, Annie Lin	Deloitte & Touche CPA, Annie Lin	Deloitte & Touche CPA, Annie Lin
Credit rating agency, rating date, bond ratings	Taiwan Ratings Corp. twAA+ (2013/05/02)	Taiwan Ratings Corp. twAA- (2016/01/14)	Taiwan Ratings Corp. twAA- (2017/02/17)	Taiwan Ratings Corp. twAA- (2017/02/17)
Repayment	Repay 50% of principal each in the 5 th & 7 th year.	Bullet repayment	Bullet repayment	Bullet repayment
Outstanding Balance	NT\$2,500,000,000	NT\$5,200,000,000	NT\$4,500,000,000	NT\$2,000,000,000
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	Not applicable			
Custodian of exchanged securities	Not applicable			

2020/04/30

2017 Domestic 3 rd Unsecured Corporate Bond	2018 Domestic 1 st Unsecured Corporate Bond	2019 Domestic 1 st Unsecured Corporate Bond	2019 Domestic 2 nd Unsecured Corporate Bond	2020 Domestic 1 st Unsecured Corporate Bond
2017/12/20	2018/05/07	2019/06/25	2019/12/20	2020/03/16
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\$3,000,000,000 (Tranche A : NT\$1,500,000,000) (Tranche B : NT\$1,500,000,000)	NT\$5,000,000,000 (Tranche A : NT\$1,500,000,000) (Tranche B : NT\$3,500,000,000)	NT\$5,000,000,000 (Tranche A : NT\$3,200,000,000) (Tranche B : NT\$1,800,000,000)	NT\$3,100,000,000 (Tranche A : NT\$2,600,000,000) (Tranche B : NT\$500,000,000)	NT\$5,000,000,000 (Tranche A : NT\$1,500,000,000) (Tranche B : NT\$2,500,000,000) (Tranche C : NT\$1,000,000,000)
Tranche A :0.95% Tranche B :1.09%	Tranche A :0.85% Tranche B :1.01%	Tranche A :0.75% Tranche B :0.81%	Tranche A :0.80% Tranche B :0.85%	Tranche A :0.67% Tranche B :0.70% Tranche C :0.77%
Tranche A : 5.5 years Maturity: 2023/06/20 Tranche B : 7 years Maturity: 2024/12/20	Tranche A : 5 years Maturity: 2023/05/07 Tranche B : 7 years Maturity: 2025/05/07	Tranche A : 5 years Maturity: 2024/06/25 Tranche B : 7 years Maturity: 2026/06/25	Tranche A : 7 years Maturity: 2026/12/20 Tranche B : 10 years Maturity: 2029/12/20	Tranche A : 5 years Maturity: 2025/03/16 Tranche B : 7 years Maturity: 2027/03/16 Tranche C : 10 years Maturity: 2030/03/16
None	None	None	None	None
Chinatrust Commercial Bank	Chinatrust Commercial Bank	Chinatrust Commercial Bank	Chinatrust Commercial Bank	Chinatrust Commercial Bank
KGI Securities	KGI Securities	KGI Securities	Capital Securities Corp.	Entrust Securities Co.,Ltd
Lee and Li Attorney Grace Wang	Lee and Li Attorney Grace Wang			
Deloitte & Touche CPA, Annie Lin	Deloitte & Touche CPA, Annie Lin			
Taiwan Ratings Corp. twAA- (2017/02/17)	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)
Bullet repayment	Bullet repayment	Bullet repayment	Tranche A : Repay 50% of principal each in the 6 th & 7 th year. Tranche B : Repay 50% of principal each in the 9 th & 10 th year.	Bullet repayment
NT\$3,000,000,000	NT\$5,000,000,000	NT\$5,000,000,000	NT\$3,100,000,000	NT\$5,000,000,000

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

The Domestic 4th Unsecured Corporate Bond, according to its issuance rules, will be repaid the entire outstanding principal of NT\$2,500,000,000 on 2020/06/27.

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

2020/03/31

Item	Date of Issuance	June 11, 2004		
Total Price of Issuance		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		2,941,090 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	2019	High	US\$38.20	US\$36.00
		Low	US\$33.80	US\$36.00
		Average	US\$35.76	US\$36.00
	2020 (as of March 31, 2020)	High	US\$36.20	US\$36.00
		Low	US\$29.60	US\$36.00
		Average	US\$33.34	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 2019-2020, the utilization of these funds was fully executed as the planned schedule. Please refer to below table:

Unit: NTS'000

Bond Name	Issue amount	Issue date	Use of Funds	Planned execution date	Actual execution status
Far EasTone Y2019 Domestic 1 st Unsecured Corporate Bond	5,000,000	2019/06/25	To repay short-term bank loans	2019 Q2	Had completely execute on 2019/06/25
Far EasTone Y2019 Domestic 2 nd Unsecured Corporate Bond	3,100,000	2019/12/20	To repay short-term bank loans	2019 Q4	Had completely execute on 2019/12/20
Far EasTone Y2020 Domestic 1 st Unsecured Corporate Bond	5,000,000	2020/03/16	To repay short-term bank loans	2020 Q1	Had completely execute by 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:

- Type I Telecommunications Enterprise;
- Type II Telecommunications Enterprise;
- 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

Unit: NTS'000

Item	Year	2018		2019	
		Amount	%	Amount	%
Telecommunication Service Revenue		50,580,903	58	47,518,690	57
Others		36,054,068	42	36,347,182	43
Total		86,634,971	100	83,865,872	100

Note: The figures are on consolidated base.

(3) Existing Products and Services

A. Consumer Business

- **Wireless Telecommunication Services:**
Provide mobile telecommunications services, including 4G voice calls on mobile phones and data communication services along with message services. Those services are categorized into postpaid and prepaid according to payment methods.
- **Fixed Line Communication Services:**
This includes domestic phone call service, long-distance call service, 007 international call service, Wagaly Talk cost saving service, etc.
- **New Economy:**
friDay digital services include friDay Video, friDay Omusic, friDay shopping, friDay photobook and friDay 57. And also provides direct carrier billing of payment service, 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

FET provides different pricing plans to different target audiences. We will stay connected to consumers' needs, lead the industry development trends, and plan and develop innovative services in line with consumers' demand. Based on the brand spirit of FET and friDay, we continue to develop diversified digital services to meet consumers' needs and satisfactions including entertainment, e-commerce, personal AI assistant and mobile financial service.

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. At the end of 2019, “LPWAN SIG” was renamed “5G IoT SIG” through the joint efforts of FET and Cloud Computing & IoT Association in Taiwan (CIAT) after completing the internal procedures in the association in order to accelerate the 5G applications in the market. Members in CIAT have formed the largest IoT ecosphere in Taiwan. With the R&D spirit of applying innovative technology to municipal issues, FET combines its expertise in cloud IT technology, big data collection and analysis, IoT application and AI. It is hoped that 5G innovations could drive the revolutionary changes in smart cities and further reduplicate experiences of smart city deployment across Taiwan.

1-2 Industry Overviews

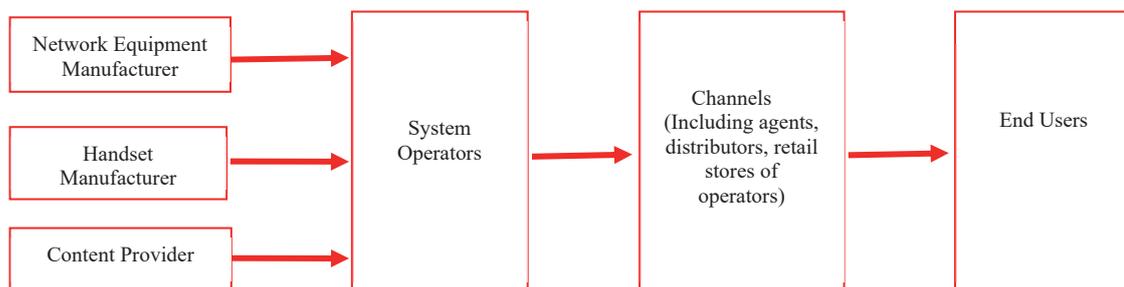
A. Consumer Business

(1) Industry Status and Development

According to National Communication Commission(NCC) statistics, total mobile subscribers in Taiwan reached 29.21million by the end of 2019.

According to the report issued by Taiwan Network Information Center (TWNIC), Taiwan’s mobile internet usage rate surpassed 80% in 2019. Furthermore, over 95% of the respondents chose mobile phones as the most frequently used internet devices, which drove people’s lives towards digital mobility. Also, the applications of IoT, smart home and AI personal assistant have become popular and the industry developments are booming. The reliance of those services on internet is increasing and cross-region mobile internet services are turning into a necessity.

(2) Industry Value Chain:



In New Economy domain, FET works with leaders of other industries through business or R&D collaborations, investments, etc., and carries out vertical integration to satisfy consumers’ demand. friDay video takes parts in content publishing by working with movie publishers. FET also collaborates with Mobvoi to develop Taiwan localized personal AI assistant service.

(3) Products and Services Development Trends

While gearing up for the next mobile era, FET has not only collaborated with the telecom-equipment giant, Ericsson, to establish the first 5G Lab in Taiwan, but has also completed several advanced 5G technology testing to drive 5G development. With the acquisition of sufficient 5G spectrum, we will dedicate ourselves in AR/VR, 4K/8K streaming services, which would work greatly with the complete coverage of our existing network. FET will strive to innovate in the fields of big data, artificial intelligence, and IoT, and lead the 5G revolution in Taiwan.

The competition in digital service is intense. Through big data analysis, FET understands users’ spending behaviors, favorites and life styles, and provides contents and services tailored to personal preferences. Also, FET introduces technologies such as IoT and AI, launches relevant products, and brings the latest digital life experience to consumers. The Company also leverages advantages of having telecommunication as its core business in offering products and services with competitive prices and diversity.

(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.

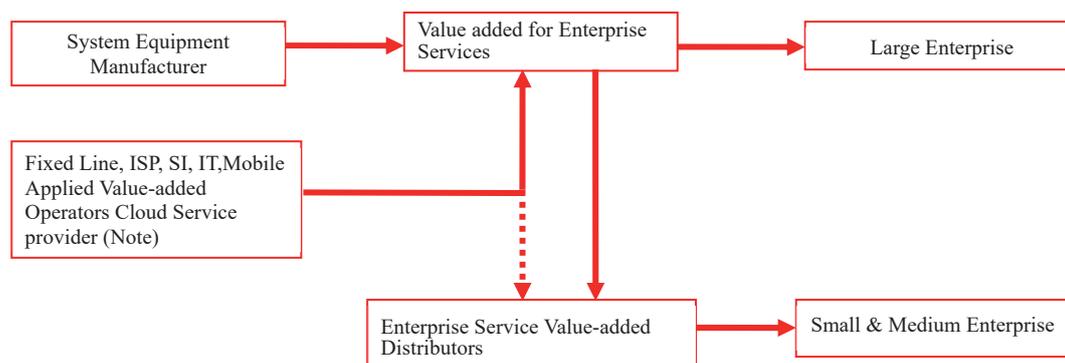
Digital services market in Taiwan has attracted not only local but also international players to join, for example, Netflix and Shopee. The friDay service leverages the advantage of telecommunication business, improves its own capabilities and carries out integrated marketing to become consumers’ best digital partner.

B. Enterprise Business

(1) Industry Status and Development

Affected by trends of ICT integration and digital convergence, the market of corporate sector has shifted from traditional telecommunications services to ICT integration, providing customers with applications which integrated telecommunication services, mobile commerce, cloud platform, big data analysis and IoT. We aim to build one-stop services and solutions that are more diverse, intelligent, flexible and in line with industrial features.

(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

The Market Intelligence & Consulting Institute (MIC) indicates that in 2019, the global ICT industry will focus on 5G, IoT, AI, and blockchain developments, which encompass peripheral applications such as edge computing, ASIC, FWA, sensing elements, and smart devices.

(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	2020/03/31; Unit: NTS'000	
		2019	2020 Q1
R&D Expenditure		419,599	132,423(Note)
Total Operating Revenue		83,865,872	19,388,840
R&D Expenditure as percentage of Total Operating Revenue (%)		0.50	0.68

Note: 2020 Q1 R&D expenditure is an estimated amount.

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

With the incoming 5G revolution, consumers' behavior and lifestyle will change drastically. In response to the movement, FET's products and services will combine mobility, social community, content, and e-commerce together, and play the leading role of the digital convergence era. FET and the subsidiaries' product/service introductions and strategies are as follows:

Year	Name of Plan	Product/Service Introduction
2019	friDay Video	friDay Video provides exclusive content to meet the diverse needs of consumers and recommends the most suitable digital content using content curation, and personalization.
	friDay Omusic	Consumers can have their unique musical 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.
	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	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.
	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.
2020	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.
	friDay 57	friDay 57 will integrate bank accounts, insurance, data analysis, and the Open Banking progress to provide new multi-channel financial experience to end users.

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

A. Consumer Business

(1) Short-term plans

- Expand market share and build high-value, loyal customer groups.
- Dedicate to the development and promotion of new products and add-values.
- Dedicate to building a corporate brand trusted by customers.
- Continue to improve network quality and infrastructure.
- Provide diverse mobile value-added services by cooperating with digital content providers.
- Develop new financial service, focus to the youth and provides them exclusive experiences
- Leverage big data to analyze consumer behavior and enhance precision marketing to satisfy customers personalized needs.
- Shape FET and friDay brand image, strengthen customer experience and loyalty, and establish customer-first spirit.

(2) Long-term plans

- Keep up with the trends of global communication network technology and product development.
- Combine services of fixed network, mobile phone and internet access through strategic alliances and integration of internal resources to stay abreast of the digital convergence trend.
- Strengthen human resources by enlarging talent reserves in the field of telecommunication to facilitate the expansion of operations.
- Continuously promote four major services: digital content, mobile financial services, e-commerce, and AIoT. Products shall meet customers' demand in aspects of content, price and services and to set new profit target by differentiate product and services.

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

We persistently integrate online and offline sales services and introduce various smart 3C products. Based on our objective of “FET Connects and Enriches Life”, 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 2019, the total number of store is around 820, comprising FET, ARCOA, and Data Express, enabled customers to enhance experience professional service and care via wide store coverage.

(2) Market Share

With the 4G penetration being saturated, the mobile market in Taiwan has been very challenging. According to NCC statistics, total mobile market revenue in 3rd quarter and 4th quarter 2019 were NT\$40.59 billion and NT\$40.12 billion, and declined 4.7% and 4.8% year-on-year, respectively. The drop has been stabilized compared with -10% to -11% YoY for first 2 quarters in 2019. The trend of decline is getting flattish and stabilizing. For the whole year of 2019, the market share of all operators in mobile revenue is as follows: CHT: 37.9%, FET: 25.6%, TWM: 25.1%, and Asia Pacific Telecom and Taiwan Star together account for 11.4%. The revenue market share changes in the future shall be determined by not only consumer market but also enterprise business, including: big data, AI, IoT, Cloud business and information security...etc. Operators seek to expand revenues from providing ICT (Information and Communication Technology) solutions to enterprise customers. As for retail customers, operators would continue to ensure network quality, provide good customer services, offer innovative services and applications, along with the bundling of various smartphones and devices with various rate plans, to keep the customers and protect the core revenue. 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

As the market matures, operators usually place the focus on value-added services and heavy users. Take the leading international mobile operator, Vodafone, for example – with market growth slowing, its focus shifts from general consumers to enterprise customers. FET proactively collaborates with enterprise application service providers of various industries to promote enterprise ICT integration services, and cloud and IoT applications.

The demand for mobile digital services is growing every day, and the market competition is heating up. International players also take parts in mobile video/music streaming services and e-commerce markets in Taiwan, indicating the robust development in Taiwan’s digital service market.

(4) Competitive Advantages

- Brand Image and Professional Certification

FET provides brand value which consumers are more inclined to identify with and intend to play the role of “Connector” in interpersonal communication.

- Close to Consumers’ Demand

FET is committed to understanding consumers’ needs from the perspective of consumers. For different market segmentation, FET provides distinct services to meet consumers’ needs.

- 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 820. 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.

- Seizing the Future

Looking to the future, FET has already setup first 5G lab in Tainan, which will lead the way to enrich customers' mobile life.

- New Economy

The friDay service focuses on content variety and customization which drive the growth of telecom subscribers, simultaneously build customer loyalty, and enhance their willingness to pay.

(5) Advantages and Disadvantages of Future Developments and Countermeasures

Advantages of Future Developments:

4.5G 3CA offers the best indoor and outdoor signal, professional management team and outstanding corporate image and technology advancement increases added value, thus mobile phone will be the integrated media for all kinds information transmissions. 5G Market is about to enter the stage of commercial operation which will bring the demand of IoT, IoV and so on.

Disadvantages of Future Developments:

The initiation of mobile number portability intensifies the SIM card competition among operators, overall revenue shrunk due to NCC (National Communications Commission) restriction on telecom market pricing and CHT's (Chunghwa Telecom) “Last-mile” advantage on broadband network and fixed net services

Countermeasures:

- 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.
- Offer a variety of value-added rate plans to customer.
- Differentiate products and services in order to avoid Red Ocean competition that leads to a price war.
- Be precise to segment customers and their needs, so as to increase overall revenue.
- Continue to upgrade island-wide 4G coverage and improve transmission speed.
- Deploy 5G Market aggressively and provide a whole new kind of network.

New Economy:

Benefit from the growing penetration of mobile internet, the diverse applications of mobile contents are commonly seen nowadays and the market is also growing. Besides local companies, global players have entered Taiwan market with their loaded resources which intensifies the degree of competition in the domestic market. In addition to improve the content of our digital products, we need to strike a balance between content and prices and build consumer recognition and preference. Our priority is to fulfill consumers' demand and service more users.

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, 2019, sales from enterprise customers account for 17% of our overall revenue in 2018. We are committed to provide better services in the future.

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

The free instant messaging software and fierce price competition result in a flat or slightly declined market for traditional telecommunications services.

- Based on the telecommunications market revenue analysis published by NCC, domestic fixed communications revenue declined by 5.7% comparing to 2018 as a result of mobile communications and free instant messaging apps. Among which, landline network, long-distance network and international network languished by 3.5%, 5.2% and 15.3%, respectively.
- With regard to the fixed broadband access service, NCC data showed a slight increase in the number of accounts, which went from 5.703 million at the beginning of 2019 to 5.831 million by the end of the year. In particular, the 2.2% growth in FTTx and Cable Modem users was contributed by internet service providers' continuous promotion of high-speed broadband plans which accelerated the transition from xDSL to FTTx and the significant rise in the demand for video transmission from 4G-generation consumers.
- In addition, TWNIC's "A Survey on Broadband Internet Usage in Taiwan" states that Taiwan had 18.98 million internet users aged 12 and above, and an estimated total number of 20.20 million users in 2019. The internet access rate reached 85.6%.
- 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
Smart Enterprise Network Services (MVPN)	The most powerful and flexible mobile service integration program within Taiwan.

(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

2020/03/31; Unit: NTS'000, %

Year Item	2018				2019				2020/03/31			
	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	14,605,904	24.91	None	Company A	14,602,113	25.57	None	Company A	2,084,513	16.44	None
2	Company B	6,276,069	10.70	None	None				None			

Note: The figures are on consolidated base.

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

2020/03/31; Unit: NTS'000, %

Year Item	2018				2019				2020/03/31			
	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	2018		2019	
		Quantity	Revenue (NT\$'000)	Quantity	Revenue (NT\$'000)
Mobile telecom service revenue		Subscriber number as of the end of the year 7,172,094	44,056,624	Subscriber number as of the end of the year 7,092,573	41,196,684
Domestic fixed communication service revenue		Thousand minutes 587,613	1,049,123	Thousand minutes 518,419	969,206
International communication service revenue		Thousand minutes 213,788	1,536,113	Thousand minutes 193,213	1,598,864
Data telecommunication service revenue		Thousand Lines 273	3,939,043	Thousand Lines 233	3,753,936
Sales & other operating revenue		Not Applicable	36,054,068	Not Applicable	36,347,182
Total		Not Applicable	86,634,971	Not Applicable	83,865,872

* 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		2018	2019	2020/03/31
Number of Employees	Total	6,085	5,941	5,871
Average Age		37.7	38.0	38.2
Average Years of Service		9.1	9.2	9.4
Breakdown of Educational Level (%)	Ph.D.	0.26	0.22	0.22
	Master	13.38	14.16	14.24
	College	70.94	70.24	70.33
	High School	15.35	15.33	15.16
	Below High School	0.07	0.05	0.05

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 telecommunications industry is fast-changing, with continual technology innovation challenging our ability to adapt and also testing the ability of all employees.

Talent is the growth driver of the organization. We reviewed existing talent within the Company. By adopting various training programs to keep and cultivate talent systematically, key talents are able to adapt within this competitive and changing telecom-industry, and are able to activate organizational competitiveness.

According to respective occupational abilities and career levels, as well as to the training blueprints of structural development, we have pinpointed areas of weakness with regards to ability and competency, and continue to reinforce training efficiency. We also plan leadership & management, professional, technical, and trend courses, cultural seminars, manager discussion workshops, management function roadmap, and department internal professional training guidance development courses, in order to deepen diverse learning skills and training development plans.

The Company has also worked to gradually build up five training systems for staff learning. This includes: talent and career development, core functional training, individual professional training (including telecommunications technology and divisional training), self-development training (including humanity lectures, subsidies for on-job-trainings), and orientation programs for new-joining employees and management

At the same time, to increase overall competitiveness and help outstanding employees learn and grow and nurture professional and technical talent, FET has planned the “Rules the management of in-service training subsidy”, so that employee can apply for a subsidy towards the fees for in-service study on a program at a designated domestic and foreign educational institution.

A total of 2,388 training courses were conducted for 172,019 employees, with a total of 437,501 employee-training hours built up. This was conducted at a total expense of NTD 24,972,000 in 2019.

(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.
- Yearly employee update meetings are held to provide opportunities for employees to communicate with the executive team directly.
- The “United Employee Welfare Committee” holds meetings quarterly, or whenever necessary, to plan and conduct employee activities that increase and enhance employees' welfare.
- At the two-way quarterly meeting with officers, the operational policies and implementation effectiveness are communicated. Officers 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.
- 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 and 2017, 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 17 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 8 labor representatives, which accounted for 47% 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 2019, a total of 1,452 people took part in a total of 11 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.

- Medical examinations: New recruits are required to take pre-employment physical checkups and all employees are entitled to biennial medical examinations, which is better than the regulatory requirements. There are dedicated health management personnel to process the examination results. The achieve rate of medical examinations is 100% in 2019.
- There were 1,947 employees participated in the 66 health activities organized in 2019, which cover health management, disease prevention, health education, health promotion, etc.
- FET organized "LOHAS health passport" by which employees earn health points via participating in activities and be awarded health leave, a total of 207 employees got the leave. FET held a healthcare reward program in 2019, encouraging employees to take part in health promoting activities, club events and external sports games. A total of 4,170 employees participated.
- FET organized a weight loss challenge in 2019, where 661 employees participated and lost a total of 812 kilograms.
- FET hold Calories competition by the EMMA App to complete registration and Health+ App to calculate Calories, attracted 701 employees to join with 256,404,109 Calories.
- FET got Exercise Enterprise Certification by the Sports Administration, Ministry of Education, this certificate remain valid from 2019 until 2022.
- Neihu office got "The Excellent Breastfeeding Award" by Department of health, Taipei City government. Banqiao Taichung and Kaohsiung office got the "A Badge of accredited health workplace" by Health Promotion Administration, Ministry of Health and Welfare,
- Massage services by visually impaired massage therapists are available to relieve employees of work stress and improve health. There are total 30,855 people were benefited from the service in 2019 with satisfaction score of 4.9 out of 5.
- 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

2020/03/31

Contract Type	Counter Party	Contract Period	Description	Restricted Clauses
Procurement (FET)	Ericsson Taiwan Ltd.	2014.03.27 ~ Present	Purchase for 4G cell site, mobile phone system and network equipment, software, installation, system construction and technical service	Confidential Clause
	XunWei Tech. Co., Ltd	2014.03.27 ~ Present	Frame Agreement For 3.5G RAN Acquisition and technical support	
	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.	2014.08.01 ~ Present	Purchase Agreement for equipment.	
Procurement (Subsidiary - NCIC)	Taiwan International Standard Electronics LTD.	2013.01.30 ~ Present	Procurement Agreement for network equipment, software, installation, system implementation and technical services	Confidential Clause
Strategic Alliance (FET)	NTT DOCOMO, Inc. StarHub 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	
Vodafone Sales & Services Limited	2013.05.01 ~ Present	Master Service Agreement		
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.	Confidential Clause
	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.	
Intercompany Loan (Subsidiary-NCIC)	Far EasTone Telecommunications Co., Ltd.	2019.07.11 ~ Present	NCIC loans FET	Confidential Clause



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

2019/12/31; Unit: NTD'000

Item	Year	December 31, 2018	December 31, 2019	Variance	
				Amount	%
Current Assets		\$23,940,125	\$27,257,217	\$3,317,092	14
Properties, Plants and Equipment		41,843,053	36,257,748	(5,585,305)	(13)
Intangible Assets		53,122,685	50,534,517	(2,588,168)	(5)
Other Assets		7,910,646	20,113,454	12,202,808	154
Total Assets		126,816,509	134,162,936	7,346,427	6
Current Liabilities		25,621,259	22,132,215	(3,489,044)	(14)
Non-current Liabilities		27,159,067	41,424,301	14,265,234	53
Total Liabilities		52,780,326	63,556,516	10,776,190	20
Capital Stocks		32,585,008	32,585,008	0	0
Capital Surplus		5,820,041	5,820,041	0	0
Retained Earnings		34,881,092	31,355,697	(3,525,395)	(10)
Other Equity		31,357	3,209	(28,148)	(90)
Non-controlling Interest		718,685	842,465	123,780	17
Total Shareholders' Equity		74,036,183	70,606,420	(3,429,763)	(5)

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

1. The increase in Other Assets mainly due to recognition of the company right-of-use assetst under IFRS 16 " Leases".
2. The increase in Non-current Liabilities and Total Liabilities due to recognition of lease liabilities under IFRS 16 " Leases".
3. The decrease in Other Equity mainly comes from the unrealized gains/losses on cash flow hedge of one of our affiliated entities of "Far Eastern Electronic Toll Collection Co., Ltd".

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

2019/12/31; Unit: NTD '000; %

Item	Year	2018	2019	Variance	
		Amount	Amount	Amount	(%)
Operating Revenues		\$86,634,971	\$83,865,872	(\$2,769,099)	(3)
Operating Costs and Expenses		74,261,798	71,940,394	(2,321,404)	(3)
Operating Income		12,373,173	11,925,478	(447,695)	(4)
Non-Operating Incomes and (Expenditures):					
Financial Costs		(427,081)	(513,698)	(86,617)	(20)
Losses on Disposal of Property, Plant, Equipment and Intangible Assets		(359,574)	(779,489)	(419,915)	(117)
Share of the gains (losses) of associates		21,446	86,929	65,483	305
Other Profits or Losses		261,466	292,299	30,833	12
Income Before Income Tax		11,869,430	11,011,519	(857,911)	(7)
Income Tax Expense		2,444,654	2,203,776	(240,878)	(10)
Net Income		9,424,776	8,807,743	(617,033)	(7)
Other Comprehensive Income (Loss)		79,024	(14,847)	(93,871)	(119)
Total Comprehensive Income		9,503,800	8,792,896	(710,904)	(7)
Net Income (loss) Attributable to:					
Owners of Far EasTone		9,381,351	8,734,984	(646,367)	
Non-controlling interests		43,425	72,759	29,334	
Comprehensive Income (loss) Attributable to:					
Owners of Far EasTone		9,459,897	8,720,589	(739,308)	
Non-controlling interests		43,903	72,307	28,404	

2-1 Analysis of variation

1. The increase in Financial Costs due to recognition of lease liabilities under IFRS 16 "Leases"
2. The increase in Losses on Disposal of Property, Plant, Equipment and Intangible Assets due to the related assets and service ceased when 3G license expires in December, 2018.
3. The increase in Share of the gains (losses) of Associates due to the increase in investment income mainly comes from "Far Eastern Electronic Toll Collection Co., Ltd".
4. The decreases in Other Comprehensive Income (Loss): mainly comes from the unrealized gains/losses on cash flow hedge of one of our affiliated entities, "Far Eastern Electronic Toll Collection Co., Ltd".

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 2019 Cash Flow Analysis

Unit: NT\$ '000; %

Item	2017	2018	Variance	Variance%
Net cash generated from operating activities	23,063,487	21,473,776	(1,589,711)	(6.9)
Net cash outflow from (used in) investing activities	(6,145,848)	(7,994,834)	(1,848,986)	(30.1)
Net cash outflow generated from (used in) financing activities	(21,015,491)	(9,849,164)	11,166,327	53.1
Effect of exchange rate changes	(1,107)	(3,306)	(2,199)	(198.6)
Net decrease in cash	(4,098,959)	3,626,472	7,725,431	188.5

1. Operating activities: The decrease in cash inflow was from less profit resulting from market competition and more income tax payment in 2019.
2. Investing activities: The increase in cash outflow was mainly from the deposit for 5G concession of \$1 billion and the acquisition of Nextlink Technology in 2019.
3. Financing activities: The decrease of cash outflow was due to more bank borrowings and issue corporate bonds in 2019.

3-2 Remedy plans for insufficient liquidity: Not Applicable

3-3 Estimated Cash Flow Analysis for 2020

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
7,874,817	24,263,474	68,497,865	(36,359,574)	-	42,700,000

1. Operating activities: 2020 projected cash inflow from operating activities is expected to remain stable.
2. Investing activities: Mainly for 5G concession, network expansion and enhancement.
3. Financing activities: Increasing in banking borrowing and issuing corporate bond mainly for cash 5G spectrum auction bidding and dividend payment.

4. Key Performance Indicator (KPI)

Unit: NT\$ Mio

KPI	2019 Target	2019 Actual	KPI Achievement Ratio
Total Revenue	\$84,658	\$83,866	99.1%
EBITDA	\$28,852	\$29,152	101.0%
Net Income	\$8,467	\$8,735	103.2%

5. Analysis of Major Capital Expenditure and Sources of Funding

5-1 Major Capital Expenditure and Sources of Funding in 2019

Company	Plan Item	Actual or Estimated Source of Capital	Actual or Estimated Fund Utilization Schedule	Total Capital Needed (Unit: NTS '000)
FET and its Subsidiaries	Network Expansion: including 4G network expansion and upgrade, and value added system implementation and expansion.	Working Capital	2019	6,218,244

5-2 Expected Benefit: Expansion of future 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 2019, the performance of long-term investment was tending towards stability. On a consolidated basis, the Company's investment income from long-term investments under the equity method amounted to NT\$86,929 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 2019, fixed-rate corporate bonds accounted for 85% 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 2019 and Q1 2020 are as follows:

2020/03/31; Unit: NTS'000

Item	Year	
	2019	2020 (as of March 31)
Foreign Exchange Gains (Losses) (A)	(8,132)	13,029
Operating Revenue (B)	83,865,872	19,388,840
% of Operating Revenue (A)/(B)	(0.010%)	0.067%
Operating Income (C)	11,925,478	2,967,642
% of Operating Income (A)/(C)	(0.068%)	0.439%

As shown in the above table, the foreign exchange gains/losses accounted for a small percentage of operating revenue were (0.010%) in 2019 and 0.067% in Q1 2020 and operating income were (0.068%) in 2019 and 0.439 % in Q1 2020.

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

As of March 31, 2020, FET's subsidiary, New Century InfoComm Tech Co., Ltd. ("NCIC"), holds short-term investments as foreign financial assets in amount of US\$20 million. Investment gains or losses, as well as exchange rate gains or losses, resulted from executing disinvestment, are expected to directly impact the net income of FET and NCIC. For aforementioned foreign currency assets, NCIC, for the considerations of the range trading of exchange rate and continuous rising hedge costs, has stopped the hedge transaction since the end of 2019 January.

(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 rate risks according to foreign currency position and exchange rate movement.

7-1-3 Inflation Analysis and Response Strategy

Affected by COVID-19 outbreak, it's projected that the global economy would revise down in 2020. The global financial market will continue fluctuate violently. According to the meeting minutes of the Board meeting of Taiwan's Central Bank in March 2020, with the domestic consumption demand hit by the spread of the COVID-19, combined with plunging international oil and raw material prices, it's predicted that the consumer price index (CPI) in 2020 will be 0.59%, slightly higher than the CPI 0.54% in 2019, thus the price of consumer goods remains stable. In light of high uncertainty of the development of COVID-19, in first quarter of 2020, global central banks have taken re-actions to help sustain the smooth functioning of economic activity, such as: interest cuts, quantitative easing and special accommodation facility to support corporates to get through financial distress. Each country's central bank will pay close attention to the impacts of COVID-19, and the Company will also closely control the operating costs; therefore, inflation is not expected to have a significant influence on the Company's profit and loss.

7-2 Policies for Risky or Highly Leveraged Investments, Lending, Endorsements, Derivative Financial Instruments, and Related Gains or Losses, in the Year Preceding Publication of Annual Report:

1. High risk or highly leveraged investments: The Company did not engage in high-risk or high-leverage investments in the period running from 2019 through until the annual report was published.
2. Capital lending: Until the annual report was published, the balance of capital lent to YSDT and the Company, by subsidiary NCIC was NT\$0.3 billion and NT\$8 billion. In view of the consolidated relationship between these parties, it is considered that there was no capital lending for the Company and its subsidiaries at the date of the annual report being published.
3. Endorsements and guarantees provided: As of year ending 2019 through until annual report being published, there was no endorsements and guarantees for the Company and its subsidiaries.
4. Derivative financial instruments: The Company and subsidiary, NCIC did not engage in financial derivatives in the period running from 2019 end through until the annual report was published.

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

2020/03/31

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. Several 5G open trial cases have been deployed and started from H2,2019, for instance, the New Taipei City Christmas Festival.	This plan is continuing in 2020.
FET 5G laboratory	After 5G POC research in 2019, the main achievements are as follows: 1. Cooperate with Ericsson to introduce 3.5GHz 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 operation performance. 2. Sign MOU with major domestic telecommunications equipment manufacturers such as Askey, Quanta, HTC, Sercomm, Gemtek, etc., to test 5G terminal equipment. 3. Through Smart City, 5G Summit, Telemedicine press conference, etc., successfully demonstrated by live delivery with low-latency, smooth 360-degree high-definition real-time images above 4K quality, and 5G future vertical field applications. Through the invitation of business units to visit lab, corporate customers have also been deeply impressed by the advanced technology of 5G. Therefore, FET will seamlessly provide the latest 5G services after the commercial launch of 5G, and will drive the research and development energy of the industry chain to demonstrate the new vision of FET 5G.	This plan is continuing in 2020.

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 2019. 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 2020.
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 2020.
ROADM Backbone Expansion	Keep enlarging and building ROADM to enhance its bandwidth and efficiency of Transmission Backbone.	Completed in December 2019.
Network Slicing Trial	Introduce Network Slicing technology to build the dedicated core network which fulfill the service requirement	Completed in December 2019.

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 2020.
friDay Omusic	Product revamp. Improve music database, product feature, and user experience.	Plan to complete by the end of 2020.
friDay Shopping	1. Roll out new APP with brand new user interface to further enhance customer experience. 2. Leverage Google Trend and Artificial Intelligence to predict hot selling products and achieve personalized recommendation.	1. Completed in Nov. 2019 2. Continuous
friDay 57	New type of financial service which helps users to execute saving plan and to learn financial literacy	First quarter of 2020.

(2) The projected R&D expense is estimated at around NT\$529,691 thousand in 2020.

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

On May 31, 2019, the Legislative Yuan passed “Telecommunication Management Act”, promulgated by Office of the President on June 26, 2019, and will be enforced in July, 2020.

To cooperate with the enforcement of Telecommunication Management Act, the National Communications Commission (NCC) has given top priority to make more than 80 related regulations which are in the process of consultation of public opinion gradually. The Company will closely continue to monitor such legislation progress and its effect on the telecom industry and us.

(2) 5G: The issue of license, network deployment and related services

The 5G auction ended on February 21, 2020 and the Company acquired 80MHz of 3.5GHz band and 400MHz in the 28GHz band. Such 80MHz of hot 3.5GHz band are in excellent location among rivals. The Company will utilize such excellent 3.5GHz band to speed up the 5G network deployment and related services. The Company expects to provide 5G related services ahead of our competitors in 2020 which will let the general public in Taiwan enjoy the higher speed and better quality of mobile broadband services as those in the global 5G pioneers.

Not only the Company will catch up with the global 5G development but combine big data, AI, and IoT based on 5G networks to promote related innovations and applications also. With doing so, the Company will devote to the transformation of telecom industry, lead to provide various 5G services, accelerate the collaboration between telecom and vertical application industry, and hope to be the leader of 5G services in Taiwan.

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

FET owned the spectrum totals FDD 2*65 MHz and TDD 25MHz (Total 155MHz BW). Compared to other 4G operators, FET’s spectrum hold advantages which could effectively increase the revenue and market share. Because of aggressive construction, FET leads the way in the quantity of 2600MHz stations in the telecommunications market, and this helps to not only improve customer experience but also get more advantages.

FET utilized our advantages in mobile network operations and our advanced 4G/LTE wireless broadband access technology to gradually integrate 4G /WiFi/NB-IoT networks based on market demand. By reinforcing our advantages in mobile network communications, we will be able to deliver diversified and integrated services to meet all kinds of service and bandwidth requirements. FET provided NB-IoT communication services via the LTE 700MHz band network and became the leading telecom carrier to apply the services for commercial use in Taiwan. The network covers the main island as well as the offshore islands of Kinmen, Matsu, Penghu, and Luta. NB-IoT encompasses features including low power consumption, low cost, and wide coverage and connection, which make it a more appropriate candidate for various smart city developments. FET has already launched smart application services such as IoV, smart street lights, smart parking, smart buildings, environment/air pollution control, battery power monitoring, asset tracking, and GPS trackers (management of wearable devices) to accelerate the advent of Taiwan’s IoT era.

In September 2019, FET joined the Taoyuan City Government to launch the “Taoyuan City Smart Street Light Replacement Project” and obtained the right to cover the North District of Taoyuan City. FET was to be responsible for the construction and subsequent maintenance of 88,000 LED street lights in the North District. FET introduced 5G “Big People” (Big Data, Artificial Intelligence, Internet of Things) technology to the smart city operations. Furthermore, it won the project of Taipower’s AMI smart meter communication module at the end of 2019, demonstrating that FET has become the leading brand integrating the upstream and downstream technology systems of smart meters.

In 2019, Far EasTone verified, tested and enhanced 5G key technology in many fields. In addition to becoming Taiwan’s first 5G data call test operator, it was the first to realize 5G 8K + Video streaming demo in SMART CITY SUMMIT & EXPO 2019. FET demonstrated the application of smart cloth inspection machine with AI + 5G technology in 2019 TAIPEI 5G SUMMIT as a step towards the Smart Factory of Industry 4.0. FET completed the 5G commercial network technology architecture in mid-2019 and successfully tested the on-air LTE and 5G NR dual-connection network.

For the 5G applications on consumer market, Far EasTone cooperated with 17 Media to create live broadcasting with 5G technology. Furthermore, FET aligned with FamilyMart convenience store to provide 5G+WiFi internet service for consumers, setting up a pioneering application in retail industry. For the largest annual event, the “New Taipei City Christmasland”, FET deployed a 5G baseball machine game, allowing consumers to use 5G mobile handsets for 5G interactive game experience. At the end of 2019, FET aligned with B’IN LIVE to achieve the first 5G Taipei New Year

concert performance in Taiwan, uniting star dance shows performing simultaneously at three different sites with the high bandwidth and low latency of 5G.

In terms of enterprise application, Far EasTone aligned with Taipei Government to launch the 5G open test field in Taipei Smart City Lab and cooperated with MediaTek to create a 5G chip test environment. In the medical industry, FET promoted 5G diagnosis and treatment application platform with the three major medical centers, Hualien Tzu Chi Hospital, Kaohsiung Medical University Chung-Ho Memorial Hospital and Far Eastern Memorial Hospital, to create a future health and welfare technology with 5G telemedicine service platform for a healthier and better future.

The popularization of 4G/4.5G and smartphones pushes domestic mobile data usage to grow exponentially. In the coming year, how to enhance the basis of network coverage and capacity, integrate various services, develop application services in line with public demand and effectively deploy, expand, integrate and maintain networks that gradually diversify (i.e., quality, service and efficiency) will be the key factors for telecommunication operators to generate profits. FET understands the network service transformation and market demand and upholds the business strategies of best service, continuous growth and aggressive innovation. We will continue to expand the 4G/4.5G stations and network capacity, improve the ratio of self-constructed transmission and bandwidth, expand bandwidth on structural backbone on the east and west of Taiwan, complete the deployment of VoLTE /NB-IoT/ implement NFV and enhancement, step by step to offer more flexible and efficient core networks. We are the first operator in Taiwan to introduce various 5G advanced key technologies for testing and public display and use them as reference to improve current network and user experience to ensure our leading position in Taiwan's telecommunication industry. As we center on providing customers with faster data services and superior user experience, we will continue to invest in network expansion and enhancement.

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:

In corporate with FET's strategic plan of New Economic Revenue growth, NCIC, a subsidiary of FET, strives on cloud service and platform integration with NextLink. Before the acquisition, NCIC provided service primarily focus-on cloud hosting, fixed network and IDC service. In the past years, NCIC has awarded plenty of cloud service bids. However, there is still room to enhance the in-house delivery capability of global public cloud platform such as AWS, Azure, GCP, etc. Therefore, in 2019 NCIC acquired NextLink to accelerate the service capability and quality against architecture integration of public and hybrid cloud for enterprise customers; and further assist our valued customers aim the goal of digital transformation

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 25.57% of the total amount of supply in 2019. 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 2019. 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 Years 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 “ 2019 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 2019, 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

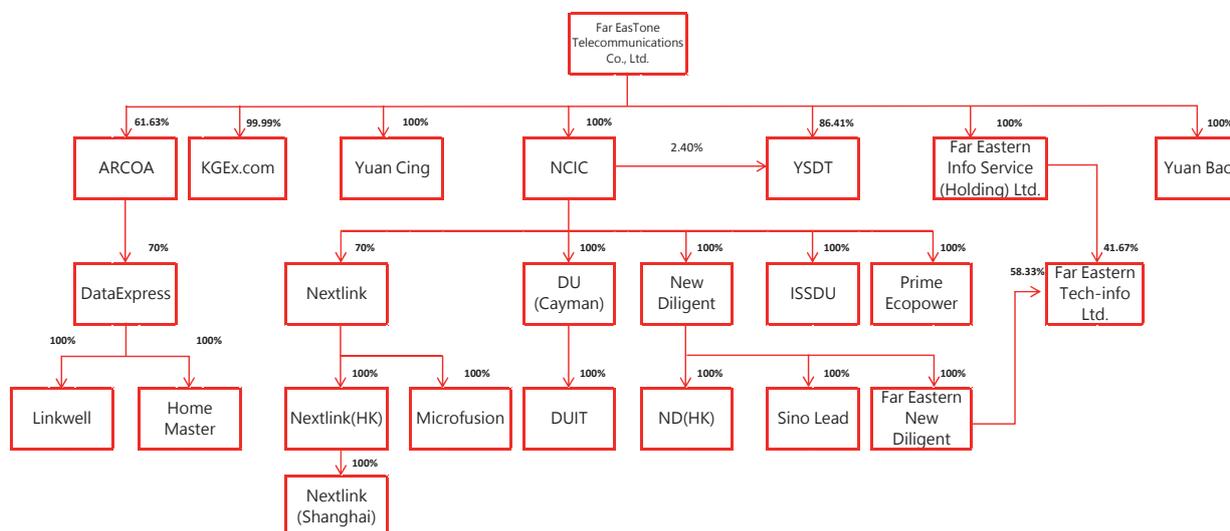
None.

1. Affiliated Companies

1-1 Consolidated Business Report of FET and Affiliates

(1) Organizational chart:

December 31, 2019



(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	Type II telecommunications services
Far Eastern Tech-info Ltd. (Shanghai)	2002/11/18	3rd Floor, Building No. 23, Pudong Software District, No. 498, Guoshoujing Rd., Jhangjiang High Tech District, Pudong Sin Section, Shanghai, P.R.C.	RMB 42,231,150	Computer software, data processing and network information 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.	183,805	Sale of communications products
Linkwell Technology Ltd.	2005/4/8	2nd floor, No. 218, Ruei Guang Rd., Nei Hu, Taipei, Taiwan, R.O.C.	45,804	Sale of communications products

Company	Date of Incorporation	Address	Common Stock Issued	Major Business Activities
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	Type I, II 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
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, Zephyr 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	10th Floor, No. 220, Gangqian Rd., Nei Hu, Taipei, Taiwan, R.O.C.	1,041,675	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
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.	2016/5/19	20/F TOWER535 535 JAFFE ROAD CAUSEWAY BAY	973 (US\$ 30,000)	Electronic information services
Nextlink (Shanghai) Technologies Co., Ltd.	2018/5/24	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 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, Linkwell and Home Master, Far EasTone purchases computers and accessories products from DataExpress, and DataExpress also provides cellular phone maintenance services to Far EasTone.
- 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. Niextlink and Microfusion provide electronic information services to NCIC.

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

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	Tim Pan	-	-
	Independence Director	Chung Laung Liu	-	-
	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. Sherman Lee	-	-
	General manager	Far EasTone Telecommunications Co., Ltd. Philip Tseng	-	-
Far Eastern Tech-info Ltd. (Shanghai)	Chairman	Far Eastern Info Service (Holding) Ltd. Yvonne Li	-	41.67
	Director	Far Eastern Info Service (Holding) Ltd. Eton Shu	-	41.67
	Director	Far Eastern Info Service (Holding) Ltd. Jennifer Liu	-	41.67
	Director	Far Eastern Info Service (Holding) Ltd. Maggie Mei	-	41.67
	Supervisor	Far Eastern New Diligent Company Ltd. T.Y. Yin	-	58.33
Yuan Cing Co., Ltd.	Chairman	Far EasTone Telecommunications Co., Ltd. Maxwell Cheng	2,000,000	100.00
	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. Sherman Lee	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. Jessie Teng (Note 1)	82,762,221	61.63
	Director	Far EasTone Telecommunications Co., Ltd. Vivian Lee	82,762,221	61.63
	Supervisor	Francies Chen	-	-
	Supervisor	David Tsai	-	-
	Supervisor	Sharon Lin	-	-
	General manager	Andy Tu (Note 2)	-	-
DataExpress Infotech Co., Ltd.	Chairman	ARCOA Communication Co., Ltd. T.Y. Yin	12,866,353	70.00
	Director	Jing Ho Tech Grace Chu	3,490,724	18.99
	Director	ARCOA Communication Co., Ltd. Eric Li	12,866,353	70.00
	Director	ARCOA Communication Co., Ltd. Brian Chao	12,866,353	70.00
	Supervisor	Ann Chang	-	-
Linkwell Technology Ltd. (Note 3)	Director	DataExpress Infotech Co., Ltd. T.Y. Yin	-	100.00
Home Master Technology Ltd.	Director	DataExpress Infotech Co., Ltd. T.Y. Yin	-	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. Sherman Lee	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. Sherman Lee	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. Mark Lee	10,249,047	100.00
	Director	New Century InfoComm Tech Co., Ltd. Eric Li	10,249,047	100.00
	Supervisor	New Century InfoComm Tech Co., Ltd. Sherman Lee	10,249,047	100.00
	General manager	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. Sherman Lee	-	100.00
Far Eastern New Diligent Company Ltd.	Director	New Diligent Co., Ltd. Jennifer Liu	-	100.00
	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. T.Y. Lin	90,014,424	86.41
	Vice Chairman	Far EasTone Telecommunications Co., Ltd. C.J. Lee (Note 4)	90,014,424	86.41
	Director	Far EasTone Telecommunications Co., Ltd. Olivia Chew (Note 5)	90,014,424	86.41
	Director	Far EasTone Telecommunications Co., Ltd. Philby Lee	90,014,424	86.41
	Director	Far EasTone Telecommunications Co., Ltd. Sherman Lee	90,014,424	86.41
	Supervisor	Yuan Ding Co., Ltd. Sharon Lin	4,994,716	4.79
	General manager	Jason Huang	-	-
New Diligent Hong Kong Co. Limited	Director	New Diligent Co., Ltd. Sherman Lee	-	100.00
	Director	New Diligent Co., Ltd. T. Y. Yin	-	100.00
Prime Ecopower Co., Ltd.	Chairman	New Century InfoComm Tech Co., Ltd. Philip Tseng	16,000,000	100.00
	Director	New Century InfoComm Tech Co., Ltd. Eric Li	16,000,000	100.00
	Director	New Century InfoComm Tech Co., Ltd. Andy Kuo	16,000,000	100.00
	Supervisor	New Century InfoComm Tech Co., Ltd. Sherman Lee	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	Avalion Enterprises Limited Kuan Sheng Ho	1,470,000	30.00
	Director	Avalion Enterprises Limited Family Chang	1,470,000	30.00
	Supervisor	Sherman Lee	-	-
	General manager	Kuan Sheng Ho	-	-
	Microfusion Technology Co., Ltd.	Chairman	Nextlink Technology Co., Ltd. Philip Cheng	2,600,000
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. Sherman Lee	2,600,000	100.00

(Continued)

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	% of Ownership
Nextlink (HK) Technology Co., Ltd.	Director	Nextlink Techonology Co., Ltd. Milly Lin	-	100.00
Nextlink (Shanghai) Technology 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	Family Chang	-	-
Yuan Bao Fintech Co., Ltd.	Chairman	Far EasTone Telecommunications Co., Ltd. Sherman Lee	6,000,000	100.00
	Director	Far EasTone Telecommunications Co., Ltd. Simon Tai	6,000,000	100.00
	Director	Far EasTone Telecommunications Co., Ltd. T.Y. Lin	6,000,000	100.00
	Supervisor	Far EasTone Telecommunications Co., Ltd. Philby Lee	6,000,000	100.00
	General manager	Ben Lin	-	-

Note 1 : Lopes Lu succeeded as director of ARCOA Communication Co., Ltd. since April 16th, 2020.

Note 2 : Jessica Sung succeeded as president of ARCOA Communication Co., Ltd. since April 16th, 2020.

Note 3 : Data Express Infotech has been merged with Linkwell Infotech Ltd. on April 1st, 2020.

Note 4 : Andy Tu succeeded as Vice Chairman of Yuanshi Digital Technology Co., Ltd. since April 16th, 2020.

Note 5 : Charlene Lin succeeded as director of Yuanshi Digital Technology Co., Ltd. since April 16th, 2020.

(6) Operation overview of Far EasTone and affiliates:

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

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\$)
Far EasTone Telecommunications Co., Ltd.	\$32,585,008	\$132,699,299	\$62,935,344	\$69,763,955	\$66,101,283	\$10,237,396	\$8,734,984	\$2.68
Far Eastern Info Service (Holding) Ltd. (British Bermuda Islands)	RMB 99,240 (US\$12,000)	RMB 1,121,678	-	RMB 1,121,678	-	-	RMB (1,509)	RMB (1.26)
KGEx.com Co., Ltd.	689,074	924,161	48,995	875,166	544,503	135,375	150,084	2.18
Far Eastern Tech-info Ltd. (Shanghai)	RMB 42,231,150	RMB 2,589,481	-	RMB 2,589,481	-	RMB (6,181)	RMB (5,489)	N/A
Yuan Cing Co., Ltd.	20,000	39,366	8,819	30,547	61,356	8,406	6,843	3.42
ARCOA Communication Co., Ltd.	1,342,800	3,613,978	1,788,738	1,825,240	12,102,920	132,725	178,773	1.33
Omusic Co., Ltd. (Note 1)	-	-	-	-	57,041	1,339	1,431	0.29
DataExpress Infotech Co., Ltd.	183,805	1,247,092	926,814	320,278	4,152,990	76,318	100,008	5.44
Linkwell Technology Ltd.	45,804	105,766	40,338	65,428	563,663	17,168	15,471	N/A
Home Master Technology Ltd.	12,725	392,513	347,036	45,477	1,759,761	37,233	29,152	N/A
New Century InfoComm Tech. Co., Ltd.	21,000,000	26,828,067	3,033,951	23,794,116	10,444,730	1,799,624	1,432,896	0.68
New Diligent Co., Ltd	540,000	86,548	100	86,448	-	(151)	415	0.01
Sino Lead Enterprise Limited	125 (HK\$ 30,000)	17,241	16,946	295	112,647	61	53	1.78
New Diligent Hong Kong Co. Limited	3,051 (US\$100,000)	2,873	164	2,709	-	(196)	(226)	N/A
Information Security Service Digital United Inc. Digital United (Cayman) Ltd.	102,490	343,266	209,961	133,305	500,169	23,873	24,205	2.36
Digital United Information Technologies (Shanghai) Ltd.	RMB 74,630,969 (US\$10,320,000)	RMB 44,632,691	RMB 103,455	RMB 44,529,236	-	RMB (91,133)	RMB (268,904)	RMB (0.03)
Far Eastern New Diligent Company Ltd.	RMB 23,552,583	RMB 8,065,158	RMB 8,152,944	RMB (87,786)	RMB 1,476,716	RMB (520,708)	RMB (508,823)	N/A
Yuan Shi Digital Technology Co., Ltd.	RMB 91,482,640 (US\$14,300,000)	RMB 5,632,476	RMB 15,669	RMB 5,616,807	-	RMB (32,950)	RMB 66,006	N/A
Prime Ecopower Co., Ltd.	1,041,675	328,651	1,002,572	(673,921)	1,783,107	(202,997)	(205,230)	(1.97)
Nextlink Technonology Co., Ltd.	160,000	166,496	26,048	140,448	37,249	(15,221)	(14,868)	(0.93)
Microfusion Technology Co., Ltd.	49,000	227,334	161,273	66,061	661,748	(25,552)	2,999	0.61
Nextlink (HK) Technology Co., Ltd.	26,000	116,557	100,095	16,462	358,697	10,569	9,093	3.50
Nextlink (Shanghai) Technology Co., Ltd.	973 (US\$30,000)	HKD 44,266,227	HKD 42,826,224	HKD 1,440,003	HKD 114,151,722	HKD (109,801)	HKD (672,564)	N/A
Yuan Bao Fintech Co., Ltd.	RMB 499,878	RMB 1,730,914	RMB 1,398,610	RMB 332,304	RMB 1,375,313	RMB (37,183)	RMB (142,958)	N/A
	60,000	59,975	295	59,680	-	(328)	(320)	(0.05)

Not calculated as is a limited company that has not issued stock.

Note 1: Far EasTone entered into an agreement to dispose of Omusic Co., Ltd on April 30, 2019.

1-2 Declaration of Consolidation of Financial Statements of Affiliates

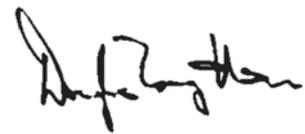
February 19, 2020

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, 2019 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, 2019 and 2018, 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, 2019 and 2018. Hence, we did not prepare a separate set of consolidated financial statements of affiliates for the year ended December 31, 2019.

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 2019 dated February 19, 2020 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, 2019 ("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 2019 Affiliation Report and the Criteria and the Notes for the year ended December 31, 2019.

March 30, 2020

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 19, 2020

We hereby declare that the Affiliation Report of 2019 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, 2019.

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, 2019

(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, 2019

(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	\$2,194	0.0033	(Note1)			-	-	-	9	0.0001	-	-	-	
Yuan Ding Co., Ltd.	Sale	1,108	0.0017	(Note1)			-	-	-	70	0.0011	-	-	-	

Note 1: The individual gross profit is not available as the amount of sale includes telecommunications 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, 2019

(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	\$ 2,994	None
Leasing	BTS00006744	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	277	None
Leasing	BTS00007807	No. 3, King-Chen 6th Rd., Kuan-Ying, Industrial Area, Kuan-Yin District, Tao-Yuan City	2008.11.15-2019.11.14	Capital	Same as normal leasing	Bank remittance annually	Same	196	None
Leasing	BTS00007807	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	40	None
Leasing	BTS00007979	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	234	None
Leasing	BTS00051486	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	250	None
Total								<u>\$ 3,991</u>	
Yuan Ding Co., Ltd.									
Leasing	The Mall retail sales	1F., No.209, Sec. 2, Dunhua S. Rd., Taipei City	1995.08.15-2020.09.30	Capital	Same as normal leasing	Bank remittance monthly	Same	\$6,315	None

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							
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	360	None
Leasing	The Mall Office	28F., No.209, Sec. 2, Dunhua S. Rd., Taipei City	2015.01.01-2020.12.31	Capital	Same as normal leasing	Bank remittance monthly	Same	183	None
Leasing	BT00015950	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	BT00026122	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	BT00015319	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	BT00024251	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	BT00052216	No.16,18, Xinzhan Rd., Banqiao Dist., New Taipei City	2014.10.01-2019.09.30	Capital	Same as normal leasing	Bank remittance annually	Same	411	None
Leasing	BT00052216	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	137	None
Leasing	BT00005250	No.207, Sec. 2, Dunhua S. Rd., Taipei City	2016.11.01-2019.10.31	Capital	Same as normal leasing	Bank remittance annually	Same	925	None
Leasing	BT00005250	No.207, Sec. 2, Dunhua S. Rd., Taipei City	2019.11.01-2020.10.31	Operating	Same as normal leasing	Bank remittance annually	Same	186	None
Total								\$ 10,219	

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. 2019 Audit Committee's Review Report**
- 4. 2019 Independent Auditors' Report, Consolidated Financial Statements and Notes**
- 5. 2019 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

2020/03/31; Unit: NTS' 000

Item	Year	Financial Information In Recent 5 years					2020/01/01 ~ 2020/03/31
		2015	2016	2017	2018	2019	
Current Assets		26,860,174	12,431,062	14,284,303	16,248,028	16,800,267	
Properties, Plants and Equipment		33,288,032	32,184,965	28,927,960	24,980,931	19,870,908	
Intangible assets		44,399,748	51,207,871	54,904,817	51,971,395	49,000,494	
Other Assets		34,063,071	32,217,848	32,167,690	36,009,814	47,027,630	
Total Assets		138,611,025	128,041,746	130,284,770	129,210,168	132,699,299	
Current Liabilities	Before Distribution	24,926,487	27,599,086	29,247,064	29,255,380	22,081,795	
	After Distribution	37,145,865	39,818,464	41,466,442	41,474,758	(Note 1)	
Non-current Liabilities		41,778,173	29,436,642	31,279,294	26,637,290	40,853,549	
Total Liabilities	Before Distribution	66,704,660	57,035,728	60,526,358	55,892,670	62,935,344	
	After Distribution	78,924,038	69,255,106	72,745,736	68,112,048	(Note 1)	Not Applicable
Capital Stocks		32,585,008	32,585,008	32,585,008	32,585,008	32,585,008	
Capital Surplus	Before Distribution	12,058,158	10,166,874	8,143,345	5,820,041	5,820,041	
	After Distribution	10,181,262	8,143,345	5,820,034	5,820,041	(Note 1)	
Retained Earnings	Before Distribution	27,388,411	28,387,615	29,011,927	34,881,092	31,355,697	
	After Distribution	17,045,929	18,191,766	19,115,860	22,661,714	(Note 1)	
Other Equity		(125,212)	(133,479)	18,132	31,357	3,209	
Total Shareholders' Equity	Before Distribution	71,906,365	71,006,018	69,758,412	73,317,498	69,763,955	
	After Distribution	59,686,987	58,786,640	57,539,034	61,098,120	(Note 1)	

Note 1: The appropriation of 2019 earning has not been approved by the Shareholders' Meeting.

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

2020/03/31; Unit: Except EPS is NT dollar; others are NTS'000

Item	Year	Financial Information for Recent 5 Years					2020/01/01 ~ 2020/03/31
		2015	2016	2017	2018	2019	
Operating Revenues		80,765,722	78,838,895	72,945,992	65,909,728	66,101,283	
Gross Profit		32,716,019	32,611,252	31,270,345	23,224,778	22,683,623	
Operating Income		12,098,334	11,841,655	12,191,454	9,977,652	10,237,396	
Non-Operating Income and Expenses		1,742,522	956,619	563,596	1,388,966	168,323	
Income before Tax		13,840,856	12,798,274	12,755,050	11,366,618	10,405,719	
Net Income from Operating Business		11,485,695	11,391,303	10,856,682	9,381,351	8,734,984	
Net Income (Loss)		11,485,695	11,391,303	10,856,682	9,381,351	8,734,984	
Other Comprehensive Income Loss (Net of income tax)		(45,363)	(43,443)	170,637	78,546	(14,395)	
Total Comprehensive Income		11,440,332	11,347,860	11,027,319	9,459,897	8,720,589	
Earnings Per Share		3.52	3.50	3.33	2.88	2.68	Not Applicable

1-1-3 Condensed Balance Sheet-by Consolidated

2020/03/31; Unit: NT\$' 000

Item	Year	Financial Information In Recent 5 years					2020/01/01 ~ 2020/03/31 (Note1)
		2015	2016	2017	2018	2019	
Current Assets		34,299,373	26,557,388	26,284,153	23,940,125	27,257,217	23,141,157
Properties, Plants and Equipment		52,045,655	49,849,572	46,233,707	41,843,053	36,257,748	34,775,577
Intangible assets		45,677,996	52,458,457	56,109,371	53,122,685	50,534,517	92,690,775
Other Assets		4,858,147	3,941,905	4,079,124	7,910,646	20,113,454	19,965,206
Total Assets		136,881,171	132,807,322	132,706,355	126,816,509	134,162,936	170,572,715
Current Liabilities	Before Distribution	21,683,305	30,980,704	30,391,974	25,621,259	22,132,215	39,651,697
	After Distribution	33,986,190	43,262,310	42,657,587	37,910,661	(Note 2)	(Note 2)
Non-current Liabilities		42,538,970	30,104,017	31,868,168	27,159,067	41,424,301	58,139,012
Total Liabilities	Before Distribution	64,222,275	61,084,721	62,260,142	52,780,326	63,556,516	97,790,709
	After Distribution	76,525,160	73,366,327	74,525,755	65,069,728	(Note 2)	(Note 2)
Equity Attributable to Owners of Far EasTone	Before Distribution	71,906,365	71,006,018	69,758,412	73,317,498	69,763,955	71,926,491
	After Distribution	59,686,987	58,786,640	57,539,034	61,028,096	(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	12,058,158	10,166,874	8,143,345	5,820,041	5,820,041	5,820,041
	After Distribution	10,181,262	8,143,345	5,820,034	5,820,041	(Note 2)	(Note 2)
Retained Earnings	Before Distribution	27,388,411	28,387,615	29,011,927	34,881,092	31,355,697	33,527,893
	After Distribution	17,045,929	18,191,766	19,115,860	22,661,714	(Note 2)	(Note 2)
Other Equity		(125,212)	(133,479)	18,132	31,357	3,209	(6,451)
Non-controlling Interest	Before Distribution	752,531	716,583	687,801	718,685	842,465	855,515
	After Distribution	669,024	654,355	641,566	648,661	(Note 2)	(Note 2)
Total Shareholders' Equity	Before Distribution	72,658,896	71,722,601	70,446,213	74,036,183	70,606,420	72,782,006
	After Distribution	60,356,011	59,440,995	58,180,600	61,746,781	(Note 2)	(Note 2)

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

Note:2 The distribution of the 2019 earnings has not been approved by the Shareholders' Meeting

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

2020/03/31; Unit: Except EPS is NT dollar; others are NT\$'000

Item	Year	Financial Information in Recent 5 Years					2020/01/01 ~ 2020/03/31 (Note1)
		2015	2016	2017	2018	2019	
Operating Revenues		97,293,218	94,344,266	92,069,681	86,634,971	83,865,872	19,388,840
Gross Profit		38,509,786	38,151,119	35,762,919	28,002,420	26,756,524	6,709,520
Operating Income		15,393,037	15,024,350	14,216,298	12,373,173	11,925,478	2,967,642
Non-Operating Income and Expenses		(1,455,171)	(1,235,015)	(1,053,726)	(503,743)	(913,959)	(269,848)
Income before Tax		13,937,866	13,789,335	13,162,572	11,869,430	11,011,519	2,697,794
Net Income from Operating Business		11,534,251	11,410,675	10,853,643	9,424,776	8,807,743	2,185,213
Net Income (Loss)		11,534,251	11,410,675	10,853,643	9,424,776	8,807,743	2,185,213
Other Comprehensive Income Loss (Net of income tax)		(45,367)	(42,178)	171,098	79,024	(14,847)	(9,627)
Total Comprehensive Income		11,488,884	11,368,497	11,024,741	9,503,800	8,792,896	2,175,586
Net Income Attributable to Owners of Far EasTone		11,485,695	11,391,303	10,856,682	9,381,351	8,734,984	2,172,196
Net Income Attributable to Non-Controlling Interest		48,556	19,372	(3,039)	43,425	72,759	13,017
Comprehensive Income Attributable to Owners of Far EasTone		11,440,332	11,347,860	11,027,319	9,459,897	8,720,589	2,162,536
Comprehensive Income Attributable to Non-Controlling Interest		48,552	20,637	(2,578)	43,903	72,307	13,050
Earning Per Share		3.52	3.50	3.33	2.88	2.68	0.67

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
2015	Deloitte and Touche Co.	An-Hwei Lin ,Cheng-Hung Kuo	Unqualified 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

Reason of Auditor change:None.

2. Financial Analysis for Recent 5 Years

Financial Ratio Analysis -International Financial Reporting Standards

2-1. Financial Ratio Analysis- by Standalone

2020/03/31

Item	Year	Financial Ratio Analysis for Recent 5 years					2020/01/01 ~ 2020/03/31
		2015	2016	2017	2018	2019	
Financial Structure (%)	Debt to Asset Ratio	48.12	44.54	46.46	43.26	47.43	Not Applicable
	Long-term Funds to Properties, Plants and Equipment Ratio	341.52	312.08	349.27	400.12	556.68	
Liquidity Analysis (%)	Current Ratio (%)	107.76	45.04	48.84	55.54	76.08	
	Quick Ratio (%)	91.80	36.67	34.37	43.46	64.30	
	Times Interest Earned (times)	30.34	28.22	27.97	26.49	20.82	
Operating Performance	Accounts Receivable Turnover (times)	11.47	11.09	10.21	9.59	9.64	
	Average Collection Days	31.82	32.91	35.74	38.06	37.86	
	Inventory Turnover (times)	11.00	10.20	7.19	5.92	8.55	
	Accounts Payable Turnover (times)	13.70	16.40	11.96	12.46	14.63	
	Inventory Turnover Days	33.18	35.78	50.76	61.65	42.69	
	Properties, Plant and Equipment Turnover (times)	2.48	2.41	2.39	2.45	2.95	
	Total Assets Turnover (times)	0.62	0.59	0.56	0.51	0.50	
Profitability Analysis	Return on Assets (%)	9.07	8.84	8.71	7.51	6.99	
	Return on Equity (%)	15.88	15.94	15.43	13.11	12.21	
	Income before Tax to Capital ratio	42.48	39.28	39.14	34.88	31.93	
	Net Income Ratio (%)	14.22	14.45	14.88	14.23	13.21	
	Earnings per share (NT\$)	3.52	3.50	3.33	2.88	2.68	
Cash flow	Cash Flow Ratio (%)	72.27	90.41	80.93	71.07	90.48	
	Cash Flow Equivalent Ratio (%)	75.24	71.98	69.36	89.84	93.21	
	Cash Reinvestment Ratio (%)	2.82	6.68	7.57	5.68	4.66	
Leverage Ratio	Operating Leverage (times)	2.46	2.60	2.57	2.96	2.79	
	Financial Leverage (times)	1.04	1.04	1.04	1.05	1.05	

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

- (1) Long-term Funds to Properties, Plants and Equipment Ratio : The increase in Non-current Liabilities due to recognition of lease liabilities under IFRS 16 "Leases"
- (2) Current Ratio (%) : The main reason for this variation is the decrease in Short-term Loans compared to last year.
- (3) Quick Ratio (%) : The main reason for this variation is the decrease in Short-term Loans compared to last year.
- (4) Times Interest Earned (times) : The increase in Financial Costs due to recognition of lease liabilities under IFRS 16 "Leases"
- (5) Inventory Turnover (times) : The main reason for this variation is the increase in sales of cell phone compared to last year.
- (6) Inventory Turnover Days : The main reason for this variation is the increase in Inventory Turnover (times) compared to last year.
- (7) Properties, Plant and Equipment Turnover (times): The main reason for this variation is the decrease in net of properties, plant and equipment.
- (8) Cash Flow Ratio (%):The main reason for this variation is the decrease in Short-term Loans compared to last year.

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

2020/03/31

Item	Year	Financial Ratio Analysis for Recent 5 years					2020/01/01 ~ 2020/03/31 (Note)
		2015	2016	2017	2018	2019	
Financial Structure (%)	Debt to Asset Ratio	46.92	45.99	46.92	41.62	47.37	57.33
	Long-term Funds to Properties, Plants and Equipment Ratio	221.34	204.27	221.30	241.84	308.98	376.47
Liquidity Analysis (%)	Current Ratio (%)	158.18	85.72	86.48	93.44	123.16	58.36
	Quick Ratio (%)	131.59	73.85	67.94	74.87	106.01	50.98
	Times Interest Earned (times)	32.49	32.21	29.50	28.79	22.44	18.69
Operating Performance	Accounts Receivable Turnover (times)	11.67	11.26	10.43	9.74	9.58	9.20
	Average Collection Days	31.27	32.41	34.99	37.47	38.10	39.67
	Inventory Turnover (times)	7.97	7.56	7.27	6.96	8.31	8.63
	Accounts Payable Turnover (times)	12.06	12.94	10.52	10.64	12.00	9.61
	Inventory Turnover Days	45.79	48.28	50.20	52.44	43.92	42.29
	Properties, Plant and Equipment Turnover (times)	1.89	1.85	1.92	1.97	2.15	2.18
	Total Assets Turnover (times)	0.75	0.70	0.69	0.67	0.64	0.51
Profitability Analysis	Return on Assets (%)	9.13	8.73	8.46	7.53	7.06	6.06
	Return on Equity (%)	15.78	15.81	15.27	13.05	12.18	12.19
	Income before Tax to Capital ratio (%)	42.77	42.32	40.39	36.43	33.79	33.12
	Net Income Ratio (%)	11.86	12.09	11.79	10.88	10.50	11.27
	Earnings per share (NT\$)	3.52	3.50	3.33	2.88	2.68	0.67
Cash flow	Cash Flow Ratio (%)	97.09	87.39	81.76	90.02	97.02	20.48
	Cash Flow Equivalent Ratio (%)	79.19	75.75	71.86	92.38	94.17	73.64
	Cash Reinvestment Ratio (%)	3.78	6.79	7.02	6.06	4.71	3.76
Leverage Ratio	Operating Leverage	2.13	2.25	2.41	2.64	2.62	2.54
	Financial Leverage	1.03	1.03	1.03	1.04	1.05	1.05

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

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

- (1) Long-term Funds to Properties, Plants and Equipment Ratio : The increase in Non-current Liabilities due to recognition of lease liabilities under IFRS 16 "Leases"
- (2) Current Ratio (%): The main reason for this variation is the increase in Cash and Cash Equivalents compared to last year.
- (3) Quick Ratio (%): The main reason for this variation is the increase in Cash and Cash Equivalents compared to last year.
- (4) Times Interest Earned (times): The increase in Financial Costs due to recognition of lease liabilities under IFRS 16 "Leases"
- (5) Cash Reinvestment Ratio (%) : The main reason for this variation is the increase in Cash and Cash Equivalents compared to last year.

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 Turnover 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. 2019 Audit Committee's Review Report

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2019 Business Report, the Financial Statements and the Proposal for Profit Distribution. The CPAs of Deloitte & Touche, An-Hwei Lin and Cheng-Hung Kuo 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 3, 2020

4. 2019 Independent Auditors' Report, Consolidated Financial Statements and Notes

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of Far EastTone Telecommunications Co., Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, 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.

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, 2019 and 2018, 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 (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.

Basis for Opinion

We conducted our audit 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, 2019. 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 matters of the consolidated financial statements for the year ended December 31, 2019 are described as follows:

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

As of December 31, 2019, the consolidated balances of property, plant and equipment, right-of-use assets, intangible assets and the incremental costs of obtaining a contract account for 74% of the Group's total assets and are material for the consolidated financial statements as a whole. Economic trends, market competition, and technological development influence the operations of the Group and management's evaluation of and judgment on the expected economic benefits and recoverable amounts of the cash-generating units to which the assets belong, which in turn is used for the evaluation of such assets' impairment. Thus, the impairment of property, plant and equipment, right-of-use assets, intangible assets and the incremental costs of obtaining a contract is considered a key audit matter.

For the estimates and judgments related to property, plant and equipment, right-of-use assets, intangible assets as well as the incremental costs of obtaining a contract, refer to Note 5 to the accompanying consolidated financial statements. For other related disclosures, refer to Notes 13, 14, 16 and 24.

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

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

Recognition of Mobile Telecommunications Service Revenue

Mobile telecommunications service revenue is the main source of the Group's revenue, and it accounts for 48% of the Group's total revenue for the year ended December 31, 2019. The calculation of mobile telecommunications service revenue relies heavily on automated systems and includes complicated and huge amounts of data transmission. In order to meet market demands and remain competitive, the 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 and the inherent risk that revenue could be manipulated to meet the expectation of users of the consolidated financial statements; therefore, the recognition of mobile telecommunications service revenue is considered a key audit matter.

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

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

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

2. Tested the accuracy of the billing calculation.

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

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

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

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

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

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

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

Other Matter

We have also audited the parent company only financial statements of Far EasTone Telecommunications Co., Ltd. as of and for the years ended December 31, 2019 and 2018 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 the 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:

1. 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.
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 Group'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 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.
5. 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.
6. 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 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, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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



Deloitte & Touche
Taipei, Taiwan
Republic of China

February 19, 2020

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, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 33)	\$ 7,874,817	6	\$ 4,248,345	3
Financial assets at fair value through profit or loss - current (Notes 4, 32 and 33)	629,338	-	732,898	1
Financial assets at amortized cost - current (Notes 4, 8 and 33)	485,587	-	543,600	1
Financial assets for hedging - current (Notes 4, 32 and 33)	-	-	1,868	-
Contract assets - current (Notes 4 and 24)	4,186,206	3	3,762,170	3
Notes receivable, net (Notes 4 and 9)	517,177	-	42,717	-
Accounts receivable, net (Notes 4 and 9)	7,651,922	6	7,747,548	6
Accounts receivable - related parties (Notes 4, 9 and 33)	244,938	-	259,108	-
Inventories (Notes 4 and 10)	2,968,819	2	3,760,419	3
Prepaid expenses (Note 3)	826,392	1	996,001	1
Other financial assets - current (Notes 4, 33 and 34)	1,725,496	1	1,730,485	1
Other current assets (Note 33)	146,525	-	114,966	-
Total current assets	27,257,217	19	23,940,125	19
NONCURRENT ASSETS				
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4, 7 and 32)	447,735	-	432,111	-
Investments accounted for using the equity method (Notes 3, 4, 12 and 33)	1,519,761	1	1,353,441	1
Contract assets - noncurrent (Notes 4 and 24)	2,333,037	2	1,535,757	1
Property, plant and equipment, net (Notes 3, 4, 13 and 33)	36,257,748	27	41,843,053	33
Right-of-use assets (Notes 3, 4, 14 and 33)	8,312,232	6	-	-
Investment properties (Notes 4 and 15)	983,635	1	992,546	1
Concessions, net (Notes 1, 4 and 16)	35,852,369	27	38,688,253	30
Goodwill (Notes 4 and 16)	11,176,831	8	10,806,128	9
Other intangible assets (Notes 4 and 16)	3,505,317	3	3,628,304	3
Deferred income tax assets (Notes 4 and 26)	822,228	1	854,022	1
Incremental costs of obtaining a contract - noncurrent (Notes 4 and 24)	3,398,107	3	1,802,163	1
Other noncurrent assets (Notes 1, 4, 9, 17, 22 and 33)	2,296,719	2	940,606	1
Total noncurrent assets	106,905,719	81	102,876,384	81
TOTAL	\$ 134,162,936	100	\$ 126,816,509	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4 and 18)	\$ 490,000	-	\$ 2,120,000	2
Short-term bills payable (Notes 4 and 18)	354,635	-	1,269,373	1
Contract liabilities - current (Notes 4 and 24)	2,040,678	2	2,256,000	2
Notes payable	19,563	-	16,899	-
Accounts payable (Note 33)	5,040,089	4	4,438,923	3
Other payables (Notes 3 and 20)	6,096,770	5	6,860,347	5
Current tax liabilities (Notes 3 and 4)	1,478,938	1	3,362,323	3
Provisions - current (Notes 4 and 21)	180,249	-	169,739	-
Lease liabilities - current (Notes 3, 4, 14 and 33)	2,753,214	2	-	-
Current portion of long-term borrowings (Notes 4 and 19)	2,499,356	2	3,199,112	3
Guarantee deposits received - current	191,434	-	191,666	-
Other current liabilities (Notes 3, 20 and 33)	987,289	1	1,736,877	1
Total current liabilities	22,132,215	17	25,621,259	20
NONCURRENT LIABILITIES				
Contract liabilities - noncurrent (Notes 4 and 24)	210,600	-	208,272	-
Bonds payable (Notes 4 and 19)	27,772,106	21	22,175,150	17
Long-term borrowings (Notes 4 and 18)	4,400,000	3	700,000	1
Provisions - noncurrent (Notes 4 and 21)	961,398	1	911,333	1
Deferred income tax liabilities (Notes 4 and 26)	2,173,100	2	2,172,598	2
Lease liabilities - noncurrent (Notes 3, 4, 14 and 33)	5,146,503	4	-	-
Net defined benefit liabilities - noncurrent (Notes 4 and 22)	486,495	-	661,240	1
Guarantee deposits received - noncurrent	274,099	-	283,214	-
Other noncurrent liabilities (Notes 3 and 4)	-	-	47,260	-
Total noncurrent liabilities	41,424,301	31	27,159,067	22
Total liabilities	63,556,516	48	52,780,326	42
EQUITY ATTRIBUTABLE TO OWNERS OF FAR EASTONE				
Capital stock				
Common stock	32,585,008	24	32,585,008	26
Capital surplus	5,820,041	4	5,820,041	5
Retained earnings				
Legal reserve	19,425,986	15	18,487,851	15
Special reserve	606,730	-	626,328	-
Unappropriated earnings	11,322,981	8	15,766,913	12
Total retained earnings	31,355,697	23	34,881,092	27
Other equity	3,209	-	31,357	-
Total equity attributable to owners of Far Eastone	69,763,955	51	73,317,498	58
NONCONTROLLING INTERESTS	842,465	1	718,685	-
Total equity	70,606,420	52	74,036,183	58
TOTAL	\$ 134,162,936	100	\$ 126,816,509	100

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, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 24 and 33)	\$ 83,865,872	100	\$ 86,634,971	100
OPERATING COSTS (Notes 4, 10, 25 and 33)	57,109,348	68	58,632,551	68
GROSS PROFIT	26,756,524	32	28,002,420	32
OPERATING EXPENSES (Notes 4, 25 and 33)				
Marketing	9,645,456	12	9,708,640	11
General and administrative	4,916,643	6	5,717,816	7
Expected credit losses	268,947	-	202,791	-
Total operating expenses	14,831,046	18	15,629,247	18
OPERATING INCOME	11,925,478	14	12,373,173	14
NONOPERATING INCOME AND EXPENSES (Notes 4, 15, 16, 25, 32 and 33)				
Other income	160,844	-	96,169	-
Other gains and losses	131,455	-	165,297	-
Financial costs	(513,698)	-	(427,081)	-
Share of the gains of associates	86,929	-	21,446	-
Losses on disposal of property, plant, equipment and intangible assets	(779,489)	(1)	(359,574)	-
Total nonoperating income and expenses	(913,959)	(1)	(503,743)	-
INCOME BEFORE INCOME TAX	11,011,519	13	11,869,430	14
INCOME TAX (Notes 4 and 26)	2,203,776	3	2,444,654	3
NET INCOME	8,807,743	10	9,424,776	11
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 23 and 32)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	13,514	-	53,887	-
Unrealized gains on investments in equity instruments designated as at fair value through other comprehensive income	21,248	-	12,704	-
Share of the other comprehensive income of associates accounted for using the equity method	2,953	-	8	-
	37,715	-	66,599	-
				(Continued)

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FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

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

	2019		2018	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	\$ (13,785)	-	\$ 39	-
Share of the other comprehensive (loss) income of associates accounted for using the equity method	(38,777)	-	12,386	-
	(52,562)	-	12,425	-
Total other comprehensive (loss) income, net of income tax	(14,847)	-	79,024	-
TOTAL COMPREHENSIVE INCOME	\$ 8,792,896	10	\$ 9,503,800	11
NET INCOME ATTRIBUTABLE TO:				
Owners of Far EasTone	\$ 8,734,984	10	\$ 9,381,351	11
Noncontrolling interests	72,759	-	43,425	-
	\$ 8,807,743	10	\$ 9,424,776	11
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of Far EasTone	\$ 8,720,589	10	\$ 9,459,897	11
Noncontrolling interests	72,307	-	43,903	-
	\$ 8,792,896	10	\$ 9,503,800	11
EARNINGS PER SHARE, IN NEW TAIWAN DOLLARS (Note 27)				
Basic	\$ 2.68		\$ 2.88	
Diluted	\$ 2.68		\$ 2.88	

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

(Concluded)

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FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of Far EastOne										Total Equity	
	Retained Earnings			Unappropriated Earnings (Notes 3, 23 and 30)		Exchange Differences on Translating the Financial Statements of Foreign Operations		Other Equity (Notes 4 and 23)		Noncontrolling Interests (Notes 3, 4, 23, 28, 29 and 30)		
	Capital Stock (Notes 4 and 23)	Capital Surplus (Notes 4 and 23)	Legal Reserve (Note 23)	Special Reserve (Note 23)	Unappropriated Earnings (Notes 3, 23 and 30)	Unrealized (Losses) Gains on Financial Assets at Fair Value Through Other Comprehensive Income	Cash Flow Hedges	Gains on Hedging Instruments	Total			
BALANCE AT JANUARY 1, 2018	\$ 32,585,008	\$ 8,143,345	\$ 17,405,561	\$ 783,467	\$ 10,822,899	\$ 4,122	\$ -	\$ 14,010	\$ -	\$ 69,758,412	\$ 687,801	\$ 70,446,213
Effects of retrospective application and retrospective restatement	-	-	-	-	6,364,273	-	(11,733)	(14,010)	14,010	6,352,540	-	6,352,540
BALANCE AT JANUARY 1, 2018 AS RESTATED	32,585,008	8,143,345	17,405,561	783,467	17,187,172	4,122	(11,733)	-	14,010	76,110,952	687,801	76,798,753
Appropriation of the 2017 earnings	-	-	1,082,290	-	(1,082,290)	-	-	-	-	-	-	-
Legal reserve	-	-	1,082,290	-	(1,082,290)	-	-	-	-	-	-	-
Special reserve	-	-	(157,139)	(157,139)	157,139	-	-	-	-	(9,896,067)	-	(9,896,067)
Cash dividends - NTS\$0.037 per share	-	-	-	(9,896,067)	9,896,067	-	-	-	-	-	-	-
Cash dividends from capital surplus - NTS\$0.713 per share	-	(2,323,311)	-	-	-	-	-	-	-	(2,323,311)	-	(2,323,311)
Changes in equity from investments in associates accounted for using the equity method	-	7	-	-	(6)	-	-	-	-	1	-	1
Changes in ownership interests of subsidiaries	-	-	-	-	(33,974)	-	-	-	-	(33,974)	33,576	(398)
Net income for the year ended December 31, 2018	-	-	-	-	9,381,351	75	-	-	-	9,381,351	43,425	9,424,776
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	53,588	75	12,541	-	12,342	78,546	478	79,024
Return of cash capital due to subsidiary's liquidation	-	-	-	-	-	-	-	-	-	-	(360)	(360)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	(46,235)	(46,235)
BALANCE AT DECEMBER 31, 2018	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	-	-	-	-	(54,754)	-	-	-	-	(54,754)	(560)	(55,314)
BALANCE AT JANUARY 1, 2019 AS RESTATED	32,585,008	5,820,041	18,487,851	626,328	15,712,159	4,197	808	-	26,352	73,262,744	718,125	73,980,869
Appropriation of the 2018 earnings	-	-	938,135	-	(938,135)	-	-	-	-	-	-	-
Legal reserve	-	-	938,135	-	(938,135)	-	-	-	-	-	-	-
Special reserve	-	-	(19,598)	(19,598)	19,598	-	-	-	-	(12,219,378)	-	(12,219,378)
Cash dividends - NTS\$3.75 per share	-	-	-	-	(12,219,378)	-	-	-	-	-	-	-
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	(11,276)	(11,276)
Net income for the year ended December 31, 2019	-	-	-	-	8,734,984	-	-	-	-	8,734,984	72,759	8,807,743
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	13,753	(13,914)	24,372	-	(38,606)	(14,395)	(452)	(14,847)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	133,333	133,333
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	(70,024)	(70,024)
BALANCE AT DECEMBER 31, 2019	\$ 32,585,008	\$ 5,820,041	\$ 19,425,986	\$ 606,730	\$ 11,322,881	\$ (9,717)	\$ 25,180	\$ -	\$ (12,254)	\$ 69,703,955	\$ 842,465	\$ 70,606,420

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, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 11,011,519	\$ 11,869,430
Adjustments for:		
Depreciation	13,382,243	10,265,135
Amortization	1,008,140	914,208
Amortization of concessions	2,835,884	3,132,257
Expected credit losses	268,947	202,791
Net (gain) loss on fair value changes of financial assets at fair value through profit or loss	(47,325)	12,302
Financial costs	513,698	427,081
Interest income	(83,565)	(62,262)
Dividend income	(9,932)	(2,863)
Share of the gains of associates	(86,929)	(21,446)
Loss on disposal of property, plant, equipment and intangible assets	779,489	359,574
Loss on disposal of associate	-	2,486
Impairment loss on nonfinancial assets	-	2,773
Reversal of write-down of inventories	(12,353)	(21,639)
Loss on change in fair value of investment properties	8,911	23,262
Gain on modifications of lease arrangements	(1,062)	-
Loss on disposal of a subsidiary	773	-
Net changes in operating assets and liabilities	150,885	(150,000)
Financial assets at fair value through profit or loss	1,868	(168)
Contract assets	(1,221,316)	570,692
Notes receivable	(16,145)	27,604
Accounts receivable	(66,707)	(130,811)
Accounts receivable - related parties	14,170	(7,198)
Inventories	845,339	1,037,767
Prepaid expenses	(214,210)	(136,489)
Other current assets	(21,376)	6,531
Incremental costs of obtaining a contract	(1,595,944)	(235,973)
Contract liabilities	(262,490)	(376,840)
Notes payable	(4,477)	(28,738)
Accounts payable	503,917	(2,076,129)
Other payables	(477,589)	(870,338)
Provisions	(10,141)	(114,198)
Other current liabilities	(719,100)	912,634
Net defined benefit liabilities	(158,278)	(9,830)
Cash generated from operations	26,316,844	25,521,605
Interest received	64,234	65,177
Dividends received	9,932	2,863
Interest paid	(459,763)	(401,764)
Income taxes paid	(4,457,471)	(2,124,394)
Net cash generated from operating activities	21,473,776	23,063,487

(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

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

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	\$ -	\$ (229,770)
Remittance of cash due to capital reduction of financial assets at fair value through other comprehensive income	-	61,500
Proceeds from the disposal of financial assets at amortized cost	40,613	115,165
Increase in prepayments for an investment	(100,000)	-
Net cash outflow on acquisition of a subsidiary	(351,804)	-
Net cash outflow on acquisition of a subsidiary	(39,803)	-
Acquisition of investments accounted for using the equity method	(122,300)	(123,220)
Acquisition of property, plant and equipment	(5,449,121)	(6,039,383)
Proceeds from the disposal of property, plant and equipment	21,445	147,057
Increase in refundable deposits	(572,848)	(411,151)
Decrease in refundable deposits	344,546	271,822
Acquisition of intangible assets	(769,123)	(1,064,076)
Proceeds from the disposal of intangible assets	72	-
Decrease in other financial assets	4,989	1,126,208
Increase in other noncurrent assets	(1,001,500)	-
Net cash used in investing activities	(7,994,834)	(6,145,848)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term borrowings	(1,630,000)	1,256,000
(Decrease) increase in short-term bills payable	(914,738)	969,692
Proceeds from the issuance of bonds payable	8,088,850	4,993,390
Repayment of bonds payable	(3,200,000)	(6,500,000)
Proceeds from long-term borrowings	4,400,000	700,000
Repayment of long-term borrowings	(700,000)	(10,100,000)
Increase in guarantee deposits received	58,122	75,430
Decrease in guarantee deposits received	(68,634)	(143,632)
Repayment of the principal portion of lease liabilities	(3,593,362)	-
Cash dividends paid	(12,289,402)	(12,265,613)
Net changes in noncontrolling interests	-	(758)
Net cash used in financing activities	(9,849,164)	(21,015,491)
EFFECT OF EXCHANGE RATE CHANGES	(3,306)	(1,107)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,626,472	(4,098,959)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	4,248,345	8,347,304
CASH AND CASH EQUIVALENTS, END OF THE YEAR	\$ 7,874,817	\$ 4,248,345

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, 2019 AND 2018 (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 (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 (the 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, 2019 and 2018, Far Eastern New Century Corporation (Far Eastern New Century) and its affiliates directly and indirectly owned 38.28% of Far EastOne's stock. Since Far Eastern New Century and its subsidiaries have the power to cast the majority of votes at the meeting of Far EastOne's board of directors, Far Eastern New Century has control over Far EastOne's finances, operations and personnel affairs. Thus, Far Eastern New Century is the ultimate parent company of Far EastOne.

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 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.

The DGT also issued to 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 is valid through December 31, 2018.

On October 30, 2013, Far EastOne bid for two fourth-generation (4G) wireless communications licenses, GSM700 and GSM1800 (GSM - global system for mobile communications), which are valid through December 31, 2030. On December 7, 2015 and November 15, 2017, Far EastOne bid for fourth-generation (4G) wireless communications licenses GSM 2600 and GSM 2100, respectively, both of which are valid through December 31, 2033.

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

The 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 on February 19, 2020.

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

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

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

IFRS 16 "Leases"

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

Definition of a lease

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

The Group as lessee

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

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

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

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

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

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 8,228,018
Less: Recognition exemption for short-term leases	<u>(22,229)</u>
Undiscounted amount on January 1, 2019	<u>\$ 8,205,789</u>
Discounted amount using the incremental borrowing rate on January 1, 2019	<u>\$ 8,075,750</u>
Add: Finance lease liabilities on December 31, 2018	<u>96,845</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 8,172,595</u>

The Group as lessor

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

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

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
<u>Current assets</u>			
Prepaid expenses	\$ 996,001	\$ (395,319)	\$ 600,682
<u>Noncurrent assets</u>			
Investments accounted for using the equity method	1,353,441	(2,249)	1,351,192
Property, plant and equipment, net	41,843,053	(218,668)	41,624,385
Right-of-use assets	-	8,598,278	8,598,278
Total assets	126,816,509	7,982,042	134,798,551
<u>Current liabilities</u>			
Other payables	6,860,347	(24,996)	6,835,351
Current tax liabilities	3,362,323	(13,398)	3,348,925
Lease liabilities - current	-	2,906,806	2,906,806
Other current liabilities	1,736,877	(49,585)	1,687,292
<u>Noncurrent liabilities</u>			
Lease liabilities - noncurrent	-	5,265,789	5,265,789
Other noncurrent liabilities	47,260	(47,260)	-
Total liabilities	52,780,326	8,037,356	60,817,682

(Continued)

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application		Restated on January 1, 2019
		January 1, 2019	Application	
<u>Equity</u>				
Retained earnings	\$ 34,881,092	\$ (54,754)	\$ (54,754)	\$ 34,826,338
Noncontrolling interests	718,685	(560)	(560)	718,125
Total equity	74,036,183	(55,314)	(55,314)	73,980,869

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

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

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

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

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

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)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"		To be determined by IASB
IFRS 17 "Insurance Contracts"		January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"		January 1, 2022

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

As of the date the 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:

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

Classification of Current and Noncurrent Assets and Liabilities

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within 12 months after the reporting period; and
- c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within 12 months after the reporting period; and
- c. Liabilities for which the 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

Principles for preparing the consolidated financial statements

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

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

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

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Total comprehensive income of subsidiaries is attributed to the owners of Far EasTone and to the noncontrolling interests even if this results in the noncontrolling interests having a deficit balance.

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

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.

Non-controlling 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 group 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 that are measured at historical cost in a foreign currency 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 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 that 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 the 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. 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. Before January 1, 2019, property, plant and equipment also included assets held under finance leases.

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

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

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

Investment Properties

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

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

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 is expected to benefit from the synergies of the combination.

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

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

Intangible Assets

a. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization 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 with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

When the Group has the right to charge for usage of concession infrastructure (as a consideration for providing construction services in a service concession arrangement), it recognizes this as an intangible asset at fair value upon initial recognition. The intangible asset is subsequently measured at cost less accumulated amortization and any accumulated impairment loss.

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 included 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.

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 applicable under IFRS 15 shall be recognized in accordance with applicable standards. The impairment loss from the assets related to the contract costs is then recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the 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 32.

b) Financial assets at amortized cost

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

- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

- i. Significant financial difficulty of the issuer or the borrower;
- ii. Breach of contract, such as a default;
- iii. It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv. The disappearance of an active market for that financial asset because of financial difficulties.

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

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):

- a) Internal or external information show that the debtor is unlikely to pay its creditors.
- b) When a financial asset is more than 120 days past due, unless the 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

Changes in the fair value of 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:

- 1) Its purchase price;
- 2) Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- 3) The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

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

b. Warranties

Provisions for the expected cost of warranty obligations are recognized at the date of sale of the relevant products, at the 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.

- a. Revenue from the sale of goods

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 shipped or delivered to the customer because that is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has primary responsibility for sales to future customers, and bears the risks of obsolescence. Accounts receivable are recognized concurrently. 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.

- b. Revenue from the rendering of services

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

Usage revenue from 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.

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

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

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

Under the 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

2019

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. Lease liabilities are presented on a separate line in the consolidated balance sheets.

2018

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

- a. The Group as lessor

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

b. The Group as lessee

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

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

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

Borrowing Costs

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

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

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

Government Grants

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

Government grants are recognized in profit or loss on a systematic basis over the periods in which the 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 Law, an additional tax on unappropriated earnings is provided for as income tax in the year the stockholders approve to retain earnings.

b. Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, 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 liabilities 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 they 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

a. Lease terms - 2019

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

6. CASH AND CASH EQUIVALENTS

	2019	2018
Cash on hand	\$ 11,650	\$ 11,212
Checking and demand deposits	5,091,170	2,619,064
Cash equivalents		
Commercial paper purchased under resale agreements	2,674,812	953,606
Certificates of deposits	97,185	664,463
	<u>\$ 7,874,817</u>	<u>\$ 4,248,345</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019	2018
Noncurrent		
Investments in equity instruments at FVTOCI	<u>\$ 447,735</u>	<u>\$ 432,111</u>

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

8. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	2018
Current	<u>\$ 485,587</u>	<u>\$ 543,600</u>
Certificates of deposits with original maturities of more than 3 months		

9. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	December 31	2018
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Notes receivable

At amortized cost		
Gross carrying amount	\$ 517,177	\$ 42,717
Less: Allowance for impairment loss	<u>\$ 517,177</u>	<u>\$ 42,717</u>
Notes receivable - operating	\$ 70,886	\$ 42,717
Notes receivable - non-operating	446,291	-
Less: Allowance for impairment loss	<u>\$ 517,177</u>	<u>\$ 42,717</u>

Accounts receivable (including noncurrent portion and related parties)

At amortized cost		
Gross carrying amount	\$ 8,683,994	\$ 8,719,407
Less: Allowance for impairment loss	(679,136)	(632,681)
Less: Unrealized interest income	<u>(7,873)</u>	<u>(5,210)</u>
	<u>\$ 7,996,985</u>	<u>\$ 8,081,516</u>

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

	December 31	2018
Gross amounts of accounts receivable	\$ 130,025	\$ 92,104
Unrealized interest income	<u>(7,873)</u>	<u>(5,210)</u>
	<u>\$ 122,152</u>	<u>\$ 86,894</u>

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

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

In order to minimize credit risk, the management of the 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 of 100% when there is information indicating that a debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery of the receivable, e.g. when the debtor has been placed under liquidation or when the account receivable is over 120 days past due, whichever occurs earlier. For notes receivable and accounts receivable that have been written off, the 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 6.57%-100%, respectively.

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

December 31, 2019

	Not Overdue	Overdue Less than 60 Days	Overdue 60 Days or More	Total
Gross carrying amount	\$ 8,070,798	\$ 813,239	\$ 309,261	\$ 9,193,298
Loss allowance (lifetime ECLs)	<u>(362,150)</u>	<u>(90,843)</u>	<u>(226,143)</u>	<u>(679,136)</u>
Amortized cost	<u>\$ 7,708,648</u>	<u>\$ 722,396</u>	<u>\$ 83,118</u>	<u>\$ 8,514,162</u>

December 31, 2018

	Not Overdue	Overdue Less than 60 Days	Overdue 60 Days or More	Total
Gross carrying amount	\$ 7,964,353	\$ 498,880	\$ 293,681	\$ 8,756,914
Loss allowance (lifetime ECLs)	<u>(430,961)</u>	<u>(40,440)</u>	<u>(161,280)</u>	<u>(632,681)</u>
Amortized cost	<u>\$ 7,533,392</u>	<u>\$ 458,440</u>	<u>\$ 132,401</u>	<u>\$ 8,124,233</u>

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

	For the Year Ended December 31, 2019	2018
Balance at January 1	\$ 632,681	\$ 952,244
Add: Acquisitions through business combinations	5,205	-
Add: Amounts recovered	158,117	249,875
Add: Net remeasurement of loss allowance	268,947	66,866
Less: Amounts written off	(385,545)	(636,304)
Foreign exchange gains and losses	(269)	-
Balance at December 31	<u>\$ 679,136</u>	<u>\$ 632,681</u>

Sale of Overdue Accounts Receivable

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

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

Counterparty	Amount of Accounts Receivable Sold	Proceeds from the Sale of Accounts Receivable (Excluding Value-added Tax)
2019		
Good Management Consultant Co., Ltd.	<u>\$ 1,199,682</u>	<u>\$ 86,190</u>
2018		
Good Management Consultant Co., Ltd.	<u>\$ 1,523,228</u>	<u>\$ 111,429</u>

10. INVENTORIES

Cellular phone equipment and accessories
Others

	2019	2018
Cellular phone equipment and accessories	\$ 2,518,999	\$ 3,315,350
Others	<u>449,820</u>	<u>445,069</u>
	<u>\$ 2,968,819</u>	<u>\$ 3,760,419</u>

Costs of inventories sold were \$28,805,046 thousand and \$30,539,722 thousand for the years ended December 31, 2019 and 2018, respectively.

The reversal of write-down of inventories amounting to \$12,353 thousand and \$21,639 thousand were included in the cost of sales for the years ended December 31, 2019 and 2018, respectively.

11. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

Intercompany relationships and percentages of ownership are shown as follows:

Investor Company	Investee Company	Main Businesses and Products	Percentage of Ownership (%)		Note
			2019	2018	
Far EasTone	NCIC ARCOA	Type I, II telecommunications services Sales of communications products and office equipment	100.00 61.63	100.00 61.63	
	KGEx.com YSDT Yuan Cing	Type II telecommunications services Electronic information services Call center services	99.99 86.41 100.00	99.99 86.41 100.00	
	FEIS Omnic	Investment Electronic information services	100.00 -	100.00 50.00	Disposed of on April 30, 2019
	Qware	Type II telecommunications services	-	-	Disolved on June 30, 2018 due to the merger with Far EasTone
	Yuan Bao	Data processing services and electronic information services	100.00	-	
FEIS	FETI	Computer software, data processing and network information services	41.67	41.67	
NCIC	ISSDU	Security and monitoring service via Internet	100.00	100.00	
	DU (Cayman) New Diligent	Investment	100.00	100.00	
	YSDT	Investment	100.00	100.00	
	Prime Ecopower	Electronic information services	2.40	2.40	
	Nextlink Technology	Energy technology services	100.00	100.00	
	FEND	Investment	70.00	-	
	Sino Lead	Investment	100.00	100.00	
	New Diligent Hong Kong	Telecommunications services	100.00	100.00	
FEND	FETI	Computer software, data processing and network information services	58.33	58.33	Disolved on February 9, 2018 with the approval of the local government
	FENCIT	Electronic information services	-	-	Disolved on February 9, 2018 with the approval of the local government
FETI	FENCIT	Electronic information services	-	-	Disolved on February 9, 2018 with the approval of the local government
DU (Cayman)	DUIT	Design, research, installment and maintenance of computer software and systems	100.00	100.00	
ARCOA DataExpress	DataExpress Linkwell	Sale of communications products	70.00	70.00	
	Home Master	Sale of communications products	100.00	100.00	
	Microfusion Technology	Sale of communications products Electronic information services	100.00 100.00	100.00 -	
	Nextlink (HK) Technology	Electronic information services	100.00	-	
	Microfusion Technology	Electronic information services	-	-	Disolved on November 8, 2019 with the approval of the local government
	Nextlink (HK) Technology	Electronic information services	100.00	-	
	Nextlink (SH) Technology	Electronic information services	-	-	

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

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	December 31	2018
Material associate		
Far Eastern Electronic Toll Collection Co., Ltd.	\$ 1,051,441	\$ 924,758
Associates that are not individually material	<u>468,320</u>	<u>428,683</u>
	<u>\$ 1,519,761</u>	<u>\$ 1,353,441</u>

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

a. Material associates

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

Summarized financial information in respect of each of the 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.

Far Eastern Electronic Toll Collection Co., Ltd.

	December 31	2018
Current assets	\$ 836,693	\$ 431,720
Noncurrent assets	6,379,184	6,403,125
Current liabilities	(1,107,350)	(893,567)
Noncurrent liabilities	<u>(3,441,046)</u>	<u>(3,595,189)</u>
Equity	<u>\$ 2,667,481</u>	<u>\$ 2,346,089</u>
Proportion of the Group's ownership	39.42%	39.42%
Carrying amount	<u>\$ 1,051,441</u>	<u>\$ 924,758</u>
For the Year Ended December 31		
	2019	2018
Operating revenue	<u>\$ 2,221,644</u>	<u>\$ 2,096,764</u>
Net profit for the year	\$ 420,815	\$ 239,893
Other comprehensive (loss) income	<u>(90,443)</u>	<u>31,312</u>
Total comprehensive income for the year	<u>\$ 330,372</u>	<u>\$ 271,205</u>

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

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

b. Aggregate information of associates that are not individually material

	2019	2018
The Group's share of:		
Net loss for the year	\$ (77,605)	\$ (74,284)
Other comprehensive (loss) income	<u>(174)</u>	<u>52</u>
Total comprehensive loss for the year	<u>\$ (77,779)</u>	<u>\$ (74,232)</u>

The Group 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 Group has significant influence over these associates.

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

13. PROPERTY, PLANT AND EQUIPMENT

Cost	Freehold Land	Buildings	Operating Equipment	Computer Equipment	Other Equipment	Construction-in-progress	Total
Balance at January 1, 2019	\$ 7,023,832	\$ 7,984,142	\$ 80,647,866	\$ 14,592,715	\$ 6,930,269	\$ 1,782,104	\$ 118,960,928
Disposals			(28,281)		(28,912)		(56,193)
Balance at January 1, 2019 (restated)	7,023,832	7,984,142	80,366,585	14,592,715	6,647,357	1,782,104	118,396,735
Additions		8,066	15,016	(6,799)	60,433	5,072,206	5,166,730
Disposals		(49,715)	(2,680,139)	(1,013,372)	(423,072)	(2,684)	(4,194,157)
Acquisition through business combinations				1,192	6,269		7,461
Effect of disposal of a subsidiary				(2,869)	(241)		(3,110)
Effect of foreign currency exchange				(1)			(1)
Adjustment and reclassification	10,850	37,239	3,703,350	(91,408)	137,175	(4,380,329)	(67)
Balance at December 31, 2019	<u>\$ 7,034,682</u>	<u>\$ 7,980,524</u>	<u>\$ 81,695,422</u>	<u>\$ 14,499,627</u>	<u>\$ 6,677,924</u>	<u>\$ 1,454,510</u>	<u>\$ 119,350,116</u>

(Continued)

Accumulated depreciation and impairment	Freehold Land	Buildings	Operating Equipment	Computer Equipment	Other Equipment	Construction-in-progress	Total
Balance at January 1, 2019	\$ (95,894)	\$ (4,092,612)	\$ (53,690,734)	\$ (13,172,356)	\$ (6,066,279)	\$ -	\$ (77,117,875)
AFRS 16 on initial application of	-	-	-	-	-	-	-
Balance at January 1, 2019 (restated)	(95,894)	(4,092,612)	(53,690,734)	(13,172,356)	(6,066,279)	-	(77,117,875)
Depreciation expense	(215,339)	(835,339)	(8,332,539)	(835,339)	(5,909,862)	-	(9,706,000)
Accrual through business combinations	-	42,236	1,942,023	1,013,071	396,281	-	3,759,611
Effect of disposal of a subsidiary	-	-	-	(908)	(2,208)	-	(3,116)
Adjustments and reclassification	-	(1,680)	1,680	2,369	176	-	2,545
Balance at December 31, 2019	<u>\$ (95,894)</u>	<u>\$ (4,627,425)</u>	<u>\$ (59,881,652)</u>	<u>\$ (12,296,513)</u>	<u>\$ (5,873,419)</u>	<u>\$ -</u>	<u>\$ (83,115,253)</u>
Carrying amount at December 31, 2019	<u>\$ 6,938,828</u>	<u>\$ 3,772,809</u>	<u>\$ 21,523,470</u>	<u>\$ 1,088,139</u>	<u>\$ 584,402</u>	<u>\$ -</u>	<u>\$ 8,927,648</u>
Cost							
Balance at January 1, 2018	\$ 5,250,776	\$ 79,019,971	\$ 852,111,653	\$ 14,628,610	\$ 7,281,029	\$ 2,623,257	\$ 122,906,296
Disposals	(19,841)	(50,499)	(8,906,155)	(642,884)	(659,908)	(21,272)	(10,300,559)
Adjustments and reclassification	1,292,897	122,230	4,275,197	599,145	267,814	(6,936,030)	70,653
Balance at December 31, 2018	<u>\$ 7,023,832</u>	<u>\$ 7,984,412</u>	<u>\$ 80,647,696</u>	<u>\$ 14,592,271</u>	<u>\$ 6,930,939</u>	<u>\$ 1,792,104</u>	<u>\$ 118,960,928</u>
Accumulated depreciation and impairment							
Balance at January 1, 2018	\$ (95,894)	\$ (6,905,177)	\$ (53,948,462)	\$ (12,499,174)	\$ (6,323,892)	\$ -	\$ (79,672,509)
Depreciation expense	-	(226,085)	(8,431,977)	(1,138,733)	(4,688,220)	-	(10,265,135)
Disposals	-	42,658	8,512,689	642,222	626,288	-	9,823,857
Adjustments and reclassification	-	(4,098)	176,436	(176,671)	235	-	(4,008)
Balance at December 31, 2018	<u>\$ (95,894)</u>	<u>\$ (4,692,612)</u>	<u>\$ (53,690,734)</u>	<u>\$ (13,172,356)</u>	<u>\$ (6,066,279)</u>	<u>\$ -</u>	<u>\$ (77,117,875)</u>
Carrying amount at December 31, 2018	<u>\$ 6,927,628</u>	<u>\$ 3,891,430</u>	<u>\$ 26,857,132</u>	<u>\$ 1,420,359</u>	<u>\$ 863,590</u>	<u>\$ 1,792,104</u>	<u>\$ 8,883,163</u>

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

Buildings	41-55 years
Main buildings	3-10 years
Other building equipment	2-26 years
Operating equipment	1-10 years
Computer equipment	1-11 years
Other equipment	

14. LEASE ARRANGEMENTS

- a. Right-of-use assets - 2019

	December 31, 2019
Carrying amounts	\$ 8,108,374
Buildings	<u>203,858</u>
Other equipment	<u>8,312,232</u>

	For the Year Ended December 31, 2019
Additions to right-of-use assets	<u>\$ 3,644,436</u>
Depreciation charge for right-of-use assets	\$ 3,512,282
Buildings	<u>133,955</u>
Other equipment	<u>\$ 3,646,237</u>

- b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	
Current	<u>\$ 2,753,214</u>
Non-current	<u>\$ 5,146,503</u>

Discount rate ranges for lease liabilities were as follows:

	December 31, 2019
Buildings	0.71%-1.44%
Other equipment	0.71%-0.99%

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

The Group entered into lease arrangements to lease other equipment including vehicles and computer equipment for operating uses with lease terms of 1 to 5 years. These arrangements do not contain renewal or purchase options.

The Group also leases some of the buildings for cell sites, data centers, offices and retail stores with lease terms of 0.5 to 20 years. The Group does not have bargain purchase options to acquire the buildings at the end of the lease terms.

- d. Other lease information

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

	2019
Expenses relating to short-term leases	\$ 57,554
Total cash outflow for leases	<u>\$ (3,687,138)</u>

The maturity analysis of lease payments receivable under operating leases of investment properties as of December 31, 2019 is as follows:

	December 31, 2019
Year 1	\$ 21,514
Year 2	15,135
Year 3	8,827
Year 4	3,178
Year 5	75
Year 6 onwards	-
	<u>\$ 48,729</u>

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

	December 31, 2018
Not later than 1 year	\$ 21,539
Later than 1 year and not later than 5 years	47,564
Later than 5 years	75
	<u>\$ 69,178</u>

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

	December 31 2019	2018
Independent valuation	<u>\$ 983,635</u>	<u>\$ 992,546</u>

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

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

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

	December 31 2019	2018
Expected future cash inflows	\$ 1,626,536	\$ 1,598,541
Expected future cash outflows	<u>(46,629)</u>	<u>(44,745)</u>
Expected future cash inflows, net	<u>\$ 1,579,907</u>	<u>\$ 1,553,796</u>
Discount rate	2.00%-2.29%	2.00%-2.25%

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.

2018

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

	December 31, 2018
Not later than 1 year	\$ 2,918,074
Later than 1 year and not later than 5 years	5,294,309
Later than 5 years	<u>15,635</u>
	<u>\$ 8,228,018</u>

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

	For the Year Ended December 31, 2018
Minimum lease payments	<u>\$ 3,666,801</u>

15. INVESTMENT PROPERTIES

Completed Investment Properties

Balance at January 1, 2019	\$ 992,546
Loss on change in fair value of investment properties	<u>(8,911)</u>
Balance at December 31, 2019	<u>\$ 983,635</u>
Balance at January 1, 2018	\$ 1,082,453
Reclassified to property, plant and equipment	<u>(66,645)</u>
Loss on change in fair value of investment properties	<u>(23,262)</u>
Balance at December 31, 2018	<u>\$ 992,546</u>

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

The market rentals in the area where the investment properties are located were between \$1 thousand and \$19 thousand per month (1 ping = 3.3 square meters). The market rentals for comparable properties were between \$1 thousand and \$16 thousand and \$16 thousand per ping per month.

All of the investment properties have been leased out under operating leases. The rental incomes generated for the years ended December 31, 2019 and 2018 were \$24,409 thousand and \$24,224 thousand, respectively.

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

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

16. INTANGIBLE ASSETS

	Concessions	Goodwill	Computer Software	Other Intangible Assets	Total
Cost					
Balance at January 1, 2019	\$ 57,129,000	\$ 10,823,401	\$ 17,800,539	\$ 738,727	\$ 86,491,667
Additions	-	-	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
Balance at December 31, 2019	\$ 46,960,000	\$ 11,194,104	\$ 17,830,546	\$ 852,827	\$ 76,837,477

(Continued)

	Concessions	Goodwill	Computer Software	Other Intangible Assets	Total
Accumulated amortization and impairment					
Balance at January 1, 2019	\$ (18,440,747)	\$ (17,273)	\$ (14,476,664)	\$ (434,298)	\$ (33,368,982)
Amortization	(2,835,884)	-	(951,865)	(56,275)	(3,844,024)
Disposals	10,169,000	-	741,914	-	10,910,914
Acquisition through business combinations	-	-	(594)	-	(594)
Effect of disposal of a subsidiary	-	-	69	-	69
Reclassification	-	-	(43)	-	(43)
Balance at December 31, 2019	\$ (11,107,631)	\$ (17,273)	\$ (14,687,183)	\$ (490,573)	\$ (26,302,660)
Carrying amount at December 31, 2019	\$ 35,852,369	\$ 11,176,831	\$ 3,143,363	\$ 361,954	\$ 50,534,517
Cost					
Balance at January 1, 2018	\$ 57,129,000	\$ 10,883,789	\$ 17,173,627	\$ 871,368	\$ 86,057,784
Additions	-	-	1,064,076	-	1,064,076
Disposals	-	(57,615)	(437,164)	(132,641)	(627,420)
Impairment loss	-	(2,773)	-	-	(2,773)
Balance at December 31, 2018	\$ 57,129,000	\$ 10,823,401	\$ 17,800,539	\$ 738,727	\$ 86,491,667

Accumulated amortization and impairment

Balance at January 1, 2018	\$ (15,308,490)	\$ (74,888)	\$ (14,040,823)	\$ (524,212)	\$ (29,948,413)
Amortization	(3,132,257)	-	(871,481)	(42,727)	(4,046,465)
Disposals	-	57,615	435,640	132,641	625,896

Balance at December 31, 2018

Balance at January 1, 2018	\$ (18,440,747)	\$ (17,273)	\$ (14,476,664)	\$ (434,298)	\$ (33,368,982)
Carrying amount at December 31, 2018	\$ 38,688,253	\$ 10,806,128	\$ 3,323,875	\$ 304,429	\$ 53,122,685

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

Concessions	13.5 to 17.75 years
Computer software	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 2019, which are the mobile telecommunications service business, telecommunications equipment business, integrated network business and cloud service business; and was divided into three identifiable cash-generating units in 2018, which are the mobile telecommunications service business, telecommunications equipment business and integrated network business.

As of December 31, 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 \$98,502,604 thousand; as of December 31, 2018, the carrying amount of the property, plant and equipment, intangible assets and the incremental costs of obtaining a contract used by the Group was \$96,767,901 thousand. The Group's management estimated the recoverable amounts of core assets based on their expected useful lives and thus based the cash flow forecast on the following discount rates as of December 31, 2019 and 2018: Mobile telecommunications service business - 6.87% and 5.63%, respectively; telecommunications equipment business - 6.73% and 7.23%, respectively; integrated network business - 7.76% and 5.83%, respectively. As of December 31, 2019, the discount rate of the cloud service business was 27.25%. The operating revenue forecast was based on the expected future growth rate of the telecom industry along with the projected advancement of the Group's own business. 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 telecommunications industry
 - 1) Mobile voice service (MVS): The anticipated MVS is measured based on the actual effective customer base and minutes of usage of previous years, taking into account the market trend.
 - 2) Mobile data service (MDS): The anticipated MDS is measured based on the proportion of MDS to the total telecommunications service revenue of previous years, taking into account the demands and changes of the market.
 - 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 impact of revenue, cost and expense is taken into account individually.

The Group's management believes that any reasonable change in the principal assumptions would not result in the carrying amounts exceeding the recoverable amounts. For the year ended December 31, 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; for the year ended December 31, 2018, an impairment loss of \$2,773 thousand was recognized in other gains and losses for the mobile telecommunications service business.

17. OTHER NONCURRENT ASSETS

	December 31	2018
Refundable deposits	\$1,081,584	\$ 851,895
Others	<u>1,215,135</u>	<u>88,711</u>
	<u>\$2,296,719</u>	<u>\$ 940,606</u>

The deposit for the bidding price amounting to \$1,000,000 thousand that FarEasTone used to bid for a 5G wireless communication license in September 2019 was included in other noncurrent assets. Refer to Note 1 for the details.

18. BORROWINGS

- a. Short-term borrowings

	December 31	2018
<u>Unsecured bank loans</u>		
Credit loans	<u>\$ 490,000</u>	<u>\$ 2,120,000</u>
Interest rate range	1.15%-1.65%	0.73%-2.20%

- b. Short-term bills payable

	December 31	2018
Commercial paper payable	\$ 355,000	\$ 1,270,000
Less: Unamortized discount	<u>365</u>	<u>627</u>
	<u>\$ 354,635</u>	<u>\$ 1,269,373</u>
Interest rate range	1.15%-1.588%	0.818%-1.538%

- c. Long-term borrowings

	December 31	2018
<u>Unsecured bank loans</u>		
Credit loans	<u>\$ 4,400,000</u>	<u>\$ 700,000</u>
Interest rate range	0.75%-1.0456%	0.74%

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

19. BONDS PAYABLE

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

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

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

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

On December 20, 2019, Far EasTone 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 EasTone repaid \$3,200,000 thousand of the 6th unsecured domestic bonds which were due in 2019.

20. OTHER LIABILITIES

	December 31	
	2019	2018
Current		
Other payables		
Salaries and bonuses	\$ 1,265,661	\$ 1,608,723
Commission	1,025,834	1,083,592
Acquisition of properties	889,047	1,190,517
Maintenance fees	592,618	609,949
Employees' compensation and remuneration of directors	317,250	335,911
Others	<u>2,006,360</u>	<u>2,031,655</u>
	<u>\$ 6,096,770</u>	<u>\$ 6,860,347</u>
Other current liabilities		
Other payables - related parties	\$ 110,039	\$ 112,635
Temporary receipts due to litigation	-	791,867
Lease payables	-	49,585
Others	<u>877,250</u>	<u>782,790</u>
	<u>\$ 987,289</u>	<u>\$ 1,736,877</u>

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

21. PROVISIONS

	December 31	
	2019	2018
Current		
Dismantling obligation	\$ 133,304	\$ 125,211
Product warranty	<u>46,945</u>	<u>44,528</u>
	<u>\$ 180,249</u>	<u>\$ 169,739</u>
Noncurrent		
Dismantling obligation	<u>\$ 961,398</u>	<u>\$ 911,333</u>

	Dismantling Obligation	Product Warranty
Balance at January 1, 2019	\$ 1,036,544	\$ 44,528
Additional provisions recognized	70,716	22,752
Reductions arising from payments	<u>(12,558)</u>	<u>(20,335)</u>
Balance at December 31, 2019	<u>\$ 1,094,702</u>	<u>\$ 46,945</u>
Balance at January 1, 2018	\$ 1,022,012	\$ 92,965
Additional provisions recognized	80,293	34,006
Reductions arising from payments	<u>(65,761)</u>	<u>(82,443)</u>
Balance at December 31, 2018	<u>\$ 1,036,544</u>	<u>\$ 44,528</u>

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 \$213,733 thousand and \$232,875 thousand for the years ended December 31, 2019 and 2018, respectively.

b. Defined benefit plan

The defined benefit plan adopted by the Group in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The 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 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:

	2019	2018
Present value of defined benefit obligation	\$ 1,583,995	\$ 1,695,396
Fair value of plan assets	<u>(1,111,010)</u>	<u>(1,048,007)</u>
	<u>\$ 472,985</u>	<u>\$ 647,389</u>
Net defined benefit liabilities	\$ 486,495	\$ 661,240
Net defined benefit assets	<u>(13,510)</u>	<u>(13,851)</u>
	<u>\$ 472,985</u>	<u>\$ 647,389</u>

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2019	\$ 1,695,396	\$ (1,048,007)	\$ 647,389
Service cost	9,909	-	9,909
Current service cost	1,932	-	1,932
Prior service cost	(152,088)	7,615	(144,473)
(Gain) loss on settlement	19,211	(13,135)	6,076
Net interest expense (income)	<u>(121,036)</u>	<u>(5,520)</u>	<u>(126,556)</u>
Recognized in profit or loss			
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(35,858)	(35,858)
Actuarial (gain) loss - changes in demographic assumptions	911	-	911
Actuarial (gain) loss - changes in financial assumptions	1,959	-	1,959
Actuarial (gain) loss - experience adjustments	16,862	-	16,862
Recognized in other comprehensive income	19,732	(35,858)	(16,126)
Contributions from the employer	(10,097)	10,097	-
Benefits paid	<u>(10,097)</u>	<u>10,097</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ 1,583,995</u>	<u>\$ (1,111,010)</u>	<u>\$ 472,985</u>
Balance at January 1, 2018	\$ 1,730,869	\$ (1,019,650)	\$ 711,219
Service cost	10,678	-	10,678
Current service cost	4,217	-	4,217
Prior service cost	25,849	(15,452)	10,397
Net interest expense (income)	40,744	(15,452)	25,292
Recognized in profit or loss	<u>40,744</u>	<u>(15,452)</u>	<u>25,292</u>
			(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Re measurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ (25,725)	\$ (25,725)
Actuarial (gain) loss - changes in demographic assumptions	14,431	-	14,431
Actuarial (gain) loss - changes in financial assumptions	46,605	-	46,605
Actuarial (gain) loss - experience adjustments	(89,311)	-	(89,311)
Recognized in other comprehensive income	(28,275)	(25,725)	(54,000)
Contributions from the employer	-	(35,122)	(35,122)
Benefits paid	(47,942)	47,942	-
Balance at December 31, 2018	\$ 1,695,396	\$ (1,048,007)	\$ 647,389
			(Concluded)

Through the defined benefit plans under the Labor Standards Law, 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 by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	2018
	2019	
Discount rates	1.00%	1.25%-1.375%
Expected rates of salary increase	1.50%-2.75%	1.75%-2.75%

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

	December 31	2018
	2019	
Discount rates	\$ (41,343)	\$ (47,191)
0.25% increase	\$ 42,869	\$ 49,000
0.25% decrease		
Expected rates of salary increase/decrease	\$ 42,527	\$ 48,617
0.25% increase	\$ (41,223)	\$ (47,060)
0.25% decrease		

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

	December 31	2018
	2019	
The expected contributions to the plan for the next year	\$ 32,188	\$ 35,726
The average duration of the defined benefit obligation	10.7-14.9 years	11.4-15.1 years

23. EQUITY

- a. Capital stock

- 1) Common stock

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

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

- 2) Global depositary receipts (GDRs)

Since 2004, part of 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, 2019 and 2018, there were 194 thousand and 195 thousand units of GDRs outstanding, representing 2,917 thousand and 2,921 thousand common stock, respectively.

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

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

b. Capital surplus

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

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

c. Retained earnings and dividend policy

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

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

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

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

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

	2018	2017
Legal reserve	\$ 938,135	\$ 1,082,290
Special reserve	(19,598)	(157,139)
Cash dividends	12,219,378	9,896,067
Cash dividends per share (NT\$)	3.75	3.037

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

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

	2019	2018
Legal reserve	\$ 873,498	(7,742)
Special reserve	(7,742)	10,456,529
Cash dividends	10,456,529	3,209
Cash dividends per share (NT\$)	3.209	3.209

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

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

d. Special reserve

	2019	2018
Beginning balance	\$ 626,328	\$ 783,467
Reversal in respect of	(19,598)	(23,659)
Application of the fair value model for investment properties	-	(133,480)
Reversal of debit to other equity items	-	-
Ending balance	<u>\$ 606,730</u>	<u>\$ 626,328</u>

e. Other equity items

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

	2019	2018	Total
Exchange Differences on Translating the Financial Statements of Foreign Operations	\$ 4,197	\$ 808	\$ 5,005
Unrealized Gains and Losses on Financial Assets at Fair Value through Other Comprehensive Income	(8,907)	21,419	12,512
Unrealized Gains and Losses on Cash Flow Hedges	(5,007)	(2,953)	(7,960)
Unrealized Gains and Losses on Hedging Instruments	(19,717)	25,180	5,463
Ending balance	\$ (19,717)	\$ 25,180	\$ 5,463
For the year ended December 31, 2018			
Beginning balance	\$ 4,122	\$ -	\$ 4,122
Effects of retrospective application of IFRS 9	-	(11,733)	(11,733)
Recorded as adjustments to stockholders' equity	4,122	(11,733)	(7,611)
Share of other comprehensive income of associates	31	12,533	12,564
Share of other comprehensive income of associates	44	8	52
Ending balance	\$ 4,197	\$ 808	\$ 5,005

f. Noncontrolling interests

	2019	2018
Beginning balance	\$ 718,685	\$ 687,801
Effects of retrospective application of IFRS 16	(560)	-
Beginning balance (IFRS 16)	718,125	687,801
Share of profit	72,759	43,425
Other comprehensive income during the year		
Exchange differences on translating the financial statements of foreign operations	(42)	7
Unrealized (loss) gain on financial assets at FVTOCI	(171)	172
Noncontrolling interests arising from acquisition of a subsidiary	133,333	-
Disposal of a subsidiary	(11,276)	-
Remeasurement of defined benefit plans	(239)	299
Cash dividends distributed by subsidiaries	(70,024)	(46,235)
Remittance of cash due to liquidation of a subsidiary	-	(360)
Equity transactions	-	33,576
Ending balance	\$ 842,465	\$ 718,685

24. REVENUE

	2019	2018
Contract revenue	\$ 28,854,002	\$ 29,716,250
Sales of inventories	47,518,690	50,580,903
Telecommunications service revenue	76,372,692	80,297,153
Other operating revenue	7,493,180	6,337,818
	\$ 83,865,872	\$ 86,634,971

a. Contract information

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

b. Contract balances

	December 31, 2019	December 31, 2018	January 1, 2018
Contract assets	\$ 6,655,168	\$ 5,433,852	\$ 6,004,544
Bundle sale of goods	(135,925)	(135,925)	-
Less: Allowance for impairment loss	6,519,243	5,297,927	6,004,544
Contract assets - current	\$ 4,186,206	\$ 3,762,170	\$ 4,006,717
Contract assets - noncurrent	2,333,037	1,535,757	1,997,827
	\$ 6,519,243	\$ 5,297,927	\$ 6,004,544
Contract liabilities			
Goods	\$ 119,538	\$ 312,797	\$ 573,974
Services	2,131,740	2,151,475	2,267,138
	\$ 2,251,278	\$ 2,464,272	\$ 2,841,112
Contract liabilities - current	\$ 2,040,678	\$ 2,256,000	\$ 2,655,346
Contract liabilities - noncurrent	210,600	208,272	185,766
	\$ 2,251,278	\$ 2,464,272	\$ 2,841,112

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

The changes in the balance 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:

For the Year Ended December 31

	2019	2018
--	-------------	-------------

Contract assets
Transfers of beginning balance to accounts receivable

	\$ (4,075,086)	\$ (4,244,776)
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The Group measures the loss allowance for contract assets at an amount equal to lifetime ECLs. The contract assets will be transferred to accounts receivable when the corresponding invoice is billed to the client, and the contract assets have substantially the same risk characteristics as the accounts receivable for the same types of contracts. Therefore, the Group concluded that the expected loss rates for accounts receivable can be applied to the contract assets.

December 31

	2019	2018
--	-------------	-------------

Expected credit loss rate	0.1%-3.09%	0.79%-3%
Gross carrying amount	\$ 6,655,168	\$ 5,433,852
Allowance for impairment loss (Lifetime ECLs)	(135,925)	(135,925)
	\$ 6,519,243	\$ 5,297,927

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

For the Year Ended December 31

	2019	2018
--	-------------	-------------

Balance at January 1	\$ 135,925	\$ -
Add: Net remeasurement of loss allowance	-	135,925
Balance at December 31	\$ 135,925	\$ 135,925

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

For the Year Ended December 31

	2019	2018
--	-------------	-------------

From contract liabilities at the start of the year	\$ 311,018	\$ 567,914
Goods	1,292,140	1,643,416
Services	1,603,158	2,211,330

c. Assets related to contract costs

December 31

	2019	2018
--	-------------	-------------

Noncurrent	\$ 3,398,107	\$ 1,802,163
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 \$2,469,923 thousand and \$1,886,908 thousand for the years ended December 31, 2019 and 2018, respectively.

d. Disaggregation of revenue

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

e. Partially completed contracts

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

December 31

	2019	2018
--	-------------	-------------

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

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

25. CONSOLIDATED NET INCOME

The items included in consolidated net income are as follows:

a. Other income

For the Year Ended December 31

	2019	2018
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Interest income	\$ 83,565	\$ 62,262
Rental income	35,249	30,690
Government grants	32,098	354
Dividend income	9,932	2,863
	160,844	96,169

b. Other gains and losses

	For the Year Ended December 31 2019	2018
Gain from property insurance claims	\$ 3,335	\$ 73,345
Others	<u>128,120</u>	<u>91,952</u>
	<u>\$ 131,455</u>	<u>\$ 165,297</u>

c. Depreciation and amortization

	For the Year Ended December 31 2019	2018
Property, plant and equipment	\$ 9,736,006	\$ 10,265,135
Right-of-use assets	3,646,237	-
Intangible assets	<u>1,008,140</u>	<u>914,208</u>
	<u>\$ 14,390,383</u>	<u>\$ 11,179,343</u>

Depreciation expense categorized by function

Operating costs	\$ 11,822,101	\$ 9,164,493
Operating expenses	<u>1,560,142</u>	<u>1,100,642</u>
	<u>\$ 13,382,243</u>	<u>\$ 10,265,135</u>

Amortization expense categorized by function

Operating costs	\$ 264,587	\$ 280,525
Marketing expenses	197,174	148,709
General and administrative expenses	<u>546,379</u>	<u>484,974</u>
	<u>\$ 1,008,140</u>	<u>\$ 914,208</u>

d. Financial costs

	For the Year Ended December 31 2019	2018
Interest on financial liabilities measured at amortized cost	\$ 359,202	\$ 402,746
Interest on lease liabilities	78,429	-
Interest on compensation arising from lawsuits	42,305	-
Other financial costs	<u>33,762</u>	<u>24,335</u>
	<u>\$ 513,698</u>	<u>\$ 427,081</u>

e. Employee benefits expense

	For the Year Ended December 31 2019	2018
Retirement benefits	\$ 213,733	\$ 232,875
Defined contribution plans	<u>(126,556)</u>	<u>25,292</u>
Defined benefit plans (Note 22)	87,177	258,167
Other employee benefits	5,728,068	6,335,402
Salary	514,934	542,513
Insurance	<u>337,114</u>	<u>356,588</u>
Others	<u>6,580,116</u>	<u>7,234,503</u>
	<u>\$ 6,667,293</u>	<u>\$ 7,492,670</u>

Categorized by function

Operating costs	\$ 1,173,765	\$ 1,236,310
Operating expenses	<u>5,493,528</u>	<u>6,256,360</u>
	<u>\$ 6,667,293</u>	<u>\$ 7,492,670</u>

f. Employees' compensation and remuneration of directors

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

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

	For the Year Ended December 31 2019	2018
Employees' compensation	\$ 213,933	\$ 233,689
Remuneration of directors	<u>77,016</u>	<u>84,128</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 employees' compensation 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, 2018 and 2017.

Information on employees' compensation and remuneration of directors resolved by Far EasTone's board of directors during 2020 and 2019 is available on 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 (income) were as follows:

	<u>For the Year Ended December 31</u> <u>2019</u>	<u>2018</u>
Current tax	\$ 2,165,742	\$ 2,095,150
Deferred tax	<u>38,034</u>	<u>349,504</u>
Income tax expense recognized in profit or loss	<u>\$ 2,203,776</u>	<u>\$ 2,444,654</u>

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

	<u>For the Year Ended December 31</u> <u>2019</u>	<u>2018</u>
Profit before tax	<u>\$ 11,011,519</u>	<u>\$ 11,869,430</u>
Income tax expense computed at the statutory tax rate	\$ 2,537,017	\$ 2,761,286
Add (deduct) tax effects of:		
Investments accounted for using the equity method	(280,842)	(493,826)
Effect of tax rate changes	-	364,183
Others	15,584	70,374
Prior year's adjustments	<u>(67,983)</u>	<u>(257,363)</u>
Income tax expense recognized in profit or loss	<u>\$ 2,203,776</u>	<u>\$ 2,444,654</u>

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

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

- b. Income tax recognized in other comprehensive income

For the Year Ended December 31
2019 2018

<u>Deferred tax</u>	\$	\$
Effect of change in tax rate - remeasurement of defined benefit plan	-	\$ 10,790
Effect of change in tax rate - financial assets at fair value through other comprehensive income	-	1,604
In respect of the current year	-	-
Financial assets at fair value through other comprehensive income	(299)	(20)
Remeasurement of defined benefit plan	<u>(2,612)</u>	<u>(10,903)</u>
Income tax recognized in other comprehensive income	<u>\$ (2,911)</u>	<u>\$ 1,471</u>

- c. Deferred income tax assets and liabilities

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

For the year ended December 31, 2019

	<u>Opening Balance</u>	<u>Acquisition Through Business Combinations</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in Other Comprehensive Income</u>	<u>Closing Balance</u>
<u>Deferred income tax assets</u>					
Allowance for impairment loss	\$ 358,623	-	\$ (99,713)	-	\$ 258,910
Defined benefit obligation	130,128	-	(32,009)	(2,612)	95,507
Others	<u>365,271</u>	<u>11,209</u>	<u>91,772</u>	<u>(446)</u>	<u>467,811</u>
	<u>\$ 854,022</u>	<u>\$ 11,209</u>	<u>\$ (39,945)</u>	<u>\$ (3,058)</u>	<u>\$ 822,228</u>
<u>Deferred income tax liabilities</u>					
Amortization of goodwill	\$ 2,056,606	-	-	-	\$ 2,056,606
Investment properties	112,616	-	4	-	112,620
Others	<u>3,376</u>	<u>2,560</u>	<u>(1,915)</u>	<u>(147)</u>	<u>3,874</u>
	<u>\$ 2,172,598</u>	<u>\$ 2,560</u>	<u>\$ (1,911)</u>	<u>\$ (147)</u>	<u>\$ 2,173,100</u>

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Other Comprehensive Income	Closing Balance
<u>Deferred income tax assets</u>				
Allowance for impairment loss	\$ 338,393	\$ 20,230	\$ -	\$ 358,623
Defined benefit obligation	122,155	8,086	(113)	130,128
Others	<u>299,361</u>	<u>64,326</u>	<u>1,584</u>	<u>365,271</u>
	\$ <u>759,909</u>	\$ <u>92,642</u>	\$ <u>1,471</u>	\$ <u>854,022</u>
<u>Deferred income tax liabilities</u>				
Amortization of goodwill	\$ 1,613,645	\$ 442,961	\$ -	\$ 2,056,606
Investment properties	113,996	(1,380)	-	112,616
Others	<u>2,811</u>	<u>565</u>	-	<u>3,376</u>
	\$ <u>1,730,452</u>	\$ <u>442,146</u>	\$ -	\$ <u>2,172,598</u>

d. Deductible temporary differences and unused loss carryforwards for which no deferred income tax assets have been recognized in the consolidated balance sheets

	December 31	
	2019	2018
<u>Loss carryforwards</u>		
Expiry in 2018	\$ -	\$ 6,410
Expiry in 2019	85,124	192,248
Expiry in 2020	84,325	94,463
Expiry in 2021	89,324	111,116
Expiry in 2022	58,971	69,592
Expiry in 2023	47,873	65,800
Expiry in 2024	108,659	108,659
Expiry in 2025	307,602	307,602
Expiry in 2026	247,175	253,577
Expiry in 2027	341,075	343,363
Expiry in 2028	333,297	327,272
Expiry in 2029	<u>220,455</u>	-
	1,923,880	1,880,102
Unrealized gains or losses on property, plant and equipment	420,905	433,406
Investment gains or losses	1,139,129	1,138,238
Others	<u>143,755</u>	<u>96,910</u>
	\$ <u>3,627,669</u>	\$ <u>3,548,656</u>

e. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2019 comprised:

Unused Amount	Expiry Year
\$ 85,124	2019
84,325	2020
90,072	2021
60,585	2022
49,993	2023
120,374	2024
307,602	2025
250,328	2026
341,075	2027
334,907	2028
<u>220,455</u>	2029
\$ <u>1,944,840</u>	

f. Income tax assessments

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

Income tax returns of KG Telecom (dissolved due to the merger with Far EasTone on January 1, 2010) through 2010 had been assessed by the tax authorities. However, Far EasTone disagreed with the tax authorities' assessment of its 2000 and 2004 returns and thus filed administrative litigation for the reexamination of these returns. Nevertheless, Far EasTone accrued the related tax.

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

27. EARNINGS PER SHARE

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

Net Income for the Year	2019	2018
Net income attributable to Far EasTone	\$ 8,734,984	\$ 9,381,351
Effect of potentially dilutive common stock:		
Employees' compensation	-	-
Earnings used in the calculation of diluted earnings per share	\$ <u>8,734,984</u>	\$ <u>9,381,351</u>

Weighted Average Number of Common Stock Outstanding

	(In Thousands of Shares)	
	For the Year Ended December 31 2019	2018
Weighted average number of common stock used in the calculation of basic earnings per share	3,258,501	3,258,501
Effect of potentially dilutive common stock:		
Employees' compensation	<u>3,424</u>	<u>3,587</u>
Weighted average number of common stock used in the calculation of diluted earnings per share	<u>3,261,925</u>	<u>3,262,088</u>

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

28. BUSINESS COMBINATIONS

a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Nextlink Technology Co., Ltd.	Electronic information services	March 4, 2019	70%	<u>\$ 420,000</u>

In line with Far EasTone's overall strategy of increasing the market share of the fast growing cloud services market, the board of directors of NCIC (Far EasTone's 100%-owned subsidiary) 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

Cash	
	Nextlink Technology
	<u>\$ 420,000</u>

c. Assets acquired and liabilities assumed at the date of acquisition

	Nextlink Technology
Current assets	\$ 314,100
Noncurrent assets	146,885
Current liabilities	<u>(267,471)</u>
Noncurrent liabilities	<u>(10,884)</u>
	<u>\$ 182,630</u>

d. Noncontrolling interests

The fair value of the noncontrolling interest 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 interest on the date of acquisition, which was \$133,333 thousand.

e. Goodwill recognized on acquisition

	Nextlink Technology
Consideration transferred	\$ 420,000
Plus: Noncontrolling interests (30% in Nextlink Technology)	133,333
Less: Fair value of identifiable net assets acquired	<u>(182,630)</u>
Goodwill recognized on acquisition	<u>\$ 370,703</u>

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 paid in cash	\$ 420,000
Less: Cash and cash equivalent balances acquired	<u>(68,196)</u>
	<u>\$ 351,804</u>

g. Impact of acquisitions on the results of the Group

The financial results of the acquiree since the acquisition date, which are included in the consolidated statements of comprehensive income, are as follows:

	Nextlink Technology
Operating revenue	\$ 1,176,325
Net loss	<u>(515)</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, on which date control of Omusic passed to the acquirer.

a. Consideration received from the disposal	Omusic	<u>\$ 10,500</u>
Consideration received in cash		
b. Analysis of assets and liabilities on the date control was lost	Omusic	
Current assets	\$ 99,652	
Noncurrent assets	989	
Current liabilities	<u>(78,092)</u>	
Net assets disposed of	<u>\$ 22,549</u>	
c. Loss on disposal of a subsidiary	Omusic	
Consideration received	\$ 10,500	
Net assets disposed of	(22,549)	
Noncontrolling interests	<u>11,276</u>	
Loss on disposal	<u>\$ (773)</u>	
d. Net cash outflow on disposal of a subsidiary	Omusic	
Consideration received in cash	\$ 10,500	
Less: Cash and cash equivalent balances disposed of	<u>(50,303)</u>	
	<u>\$ (39,803)</u>	

30. EQUITY TRANSACTIONS WITH NONCONTROLLING INTERESTS

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

The above transactions were accounted for as equity transactions since the Group did not lose control over the subsidiary.

Cash consideration paid	Qware	
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to noncontrolling interests	\$ 5,398	
	<u>28,576</u>	
Difference arising from equity transactions	<u>\$ 33,974</u>	
Line items adjusted for equity transactions		
Unappropriated earnings	<u>\$ (33,974)</u>	

31. CAPITAL MANAGEMENT

The Group 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 Group'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.

32. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments that are not measured at fair value
- 1) Except as detailed in the following table, the Group considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values

	December 31			
	2019	2018		
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>				
Refundable deposits	\$ 1,081,584	\$ 1,035,148	\$ 851,895	\$ 849,135
<u>Financial liabilities</u>				
Bonds payable	30,271,462	30,427,690	25,374,262	25,583,418

2) Fair value hierarchy

	December 31, 2019			Total
	Level 1	Level 2	Level 3	
Financial assets				
Refundable deposits	\$ -	\$ -	\$ 1,035,148	\$ 1,035,148
Financial liabilities				
Bonds payable	\$ 30,427,690	\$ -	\$ -	\$ 30,427,690
Financial assets				
Refundable deposits	\$ -	\$ -	\$ 849,135	\$ 849,135
Financial liabilities				
Bonds payable	\$ 25,583,418	\$ -	\$ -	\$ 25,583,418

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

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

1) Fair value hierarchy

	December 31, 2019			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss				
Mutual funds	\$ -	\$ 629,338	\$ -	\$ 629,338
Financial assets at fair value through other comprehensive income				
Domestic/foreign unlisted common stock	\$ -	\$ -	\$ 447,735	\$ 447,735

December 31, 2018

	December 31, 2018			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss				
Mutual funds	\$ 150,409	\$ 582,489	\$ -	\$ 732,898
Financial assets for hedging				
Fair value hedges - foreign exchange swap contracts	\$ -	\$ -	\$ 1,868	\$ 1,868
Financial assets at fair value through other comprehensive income				
Domestic/foreign unlisted common stock	\$ -	\$ -	\$ 432,111	\$ 432,111

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

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

	For the Year Ended December 31, 2019	
	Financial Instruments for Hedging	Financial Instruments at Fair Value Through Other Comprehensive Income
Beginning balance	\$ 1,868	\$ 432,111
Recognized in profit or loss (included in other gains and losses)	(1,868)	-
Recognized in other comprehensive income	-	21,547
Effect of foreign currency exchange differences	-	(5,923)
Ending balance	\$ -	\$ 447,735

	For the Year Ended December 31, 2018	
	Financial Instruments for Hedging	Financial Instruments at Fair Value Through Other Comprehensive Income
Beginning balance	\$ 1,700	\$ 251,575
Additions	-	229,770
Recognized in profit or loss (included in other gains and losses)	168	-
Recognized in other comprehensive income	-	11,120
Remittance of cash due to capital reduction	-	(61,500)
Effect of foreign currency exchange differences	-	1,146
Ending balance	\$ 1,868	\$ 432,111

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

Financial Instrument	Valuation Techniques and Inputs
Mutual funds	Valuation is based on the fair value of a portfolio of funds, calculated through each subfund by fair value net of management and operating expenses for the subfund.

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

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

	2019	2018
<u>Financial assets</u>		
Financial assets for hedging	\$ -	\$ 1,868
Financial assets at fair value through profit or loss	629,338	732,898
Financial assets at amortized cost (Note 1)	19,805,530	15,577,302
Financial assets at fair value through other comprehensive income	447,735	432,111
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	47,248,091	41,464,164

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

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

d. Financial risk management objectives and policies

The 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 Group's board of directors 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.

1) Market risk

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

a) Foreign currency risk

The Group owns foreign currency-denominated assets and enters into transactions where expected future purchases or payments are denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed through 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, shown by the negative amount below, there was a decrease in pre-tax profit.

	USD Impact	
	For the Year Ended December 31, 2019	2018
5% change in profit or loss	\$ (37,504)	\$ (28,245)
USD		

Hedge accounting

For the year ended December 31, 2018

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.

The following tables summarize the information relating to the hedges of foreign currency risk.

December 31, 2018

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in		Change in Value Used for Calculating Hedge Ineffectiveness
					Balance Sheet	Carrying Amount	
Fair value hedge Foreign exchange swap contracts	US\$ to NTD	US\$ 10,000 thousand	2019.01.03-2019.01.31	\$30.770/30.825	Financial assets (liabilities) for hedging	\$ 1,868	\$ -

Hedged Item	Carrying Amount		Accumulated Amount of Fair Value Hedge Adjustments	Change in Value Used for Calculating Hedge Ineffectiveness	Accumulated Amount of Fair Value Hedge Adjustments for Hedged Items That Are Adjusted for Hedging Gains and Losses
	Asset	Liability			
Fair value hedge Overseas mutual funds	\$ 291,245	\$ -	\$ 7,850	\$ -	\$ -

The Group invested in overseas mutual funds, whose fair values are exposed to the changes of net asset value and exchange rates. Thus, the Group used foreign exchange swap contracts to manage the risk due to foreign exchange rate fluctuations.

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:

	December 31, 2019	2018
Fair value interest rate risk		
Financial assets	\$ 6,479,522	\$ 4,153,111
Financial liabilities	43,681,347	29,295,360
Cash flow interest rate risk		
Financial assets	5,634,662	3,125,240
Financial liabilities	200,000	740,000

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, 2019 and 2018 would have increased/decreased by \$13,587 thousand and \$5,963 thousand, respectively, mainly affected by bank deposits and borrowings with floating interest rates.

c) Other price risks

The Group is exposed to equity price risks through its equity investments in mutual fund beneficial certificates and domestic/foreign unlisted common stock. The Group manages the risk by holding a portfolio of investments with different risk levels. In addition, the Group has appointed a special team to monitor the price risk 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, 2019 and 2018 would have increased/decreased by \$31,467 thousand and \$36,645 thousand, respectively, as a result of the changes in fair value of financial assets at FV/TPL; and the pre-tax other comprehensive income for the years ended December 31, 2019 and 2018 would have increased/decreased by \$22,387 thousand and \$21,606 thousand, respectively, as a result of the changes in fair value of financial assets at FV/TOCI.

2) Credit risk

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

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

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

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. The Group's unutilized overdraft and bank loan facilities amounted to \$36,851,388 thousand and \$38,972,514 thousand as of December 31, 2019 and 2018, 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, 2019</u>					
Short-term borrowings	\$ 490,000	\$ 490,814	\$ 490,814	\$ -	\$ -
Short-term bills payable	354,635	355,000	355,000	-	-
Long-term borrowings	4,400,000	4,475,778	37,224	4,438,554	-
Bonds payable	30,271,462	31,583,080	2,812,470	20,255,775	8,514,835
Lease liabilities	7,899,717	8,030,075	2,819,184	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>
<u>December 31, 2018</u>					
Short-term borrowings	\$ 2,120,000	\$ 2,122,041	\$ 2,122,041	\$ -	\$ -
Short-term bills payable	1,269,373	1,270,000	1,270,000	-	-
Long-term borrowings	700,000	710,360	5,180	705,180	-
Bonds payable	25,374,262	26,584,845	3,499,400	15,974,995	7,110,450
	<u>\$29,463,635</u>	<u>\$30,687,246</u>	<u>\$ 6,896,621</u>	<u>\$ 16,680,175</u>	<u>\$ 7,110,450</u>

Additional information about the maturity analysis for lease liabilities:

	Within 1 Year	1-5 Years	5-10 Years
Lease liabilities	<u>\$ 2,819,184</u>	<u>\$ 5,183,066</u>	<u>\$ 27,825</u>

33. TRANSACTIONS WITH RELATED PARTIES

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

a. The Group's related parties and their relationships

Related Party	Relationship with the Group
Far Eastern New Century Corporation (FENC)	Ultimate parent company
Far Eastern Electronic Toll Collection Co., Ltd.	Subsidiary of FENC
Ding Ding Integrated Marketing Service Co., Ltd.	Subsidiary of FENC
Far Eastern International Leasing Corp.	Other related party (equity-method investee of subsidiary of FENC)
Telecommunication and Transportation Foundation	Other related party (Far EastTone'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. (FERD)	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)

(Continued)

Related Party	Relationship with the Group
Alliance Digital Technology Co., Ltd.	Associate (dissolved on December 31, 2018 and the liquidation procedures have not been completed)
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
U-Ming Marine Transport (Hong Kong) Ltd.	Other related party (substantive related party)
U-Ming Marine Transport (Singapore) Pte. Ltd.	Other related party (substantive related party)
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)
Oriental Petrochemical (Yangzhou) Corporation	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	Other related party (substantive related party)
Yuan Ding Enterprise (Shanghai) Limited	Other related party (substantive related party)
Systex Corporation	Other related party (juristic-person director of associate)
HIM International Music Inc. (HIM)	Other related party (juristic-person supervisor of subsidiary)
Universal Music Taiwan Ltd.	Other related party (juristic-person director of subsidiary)
Forward Music Co., Ltd.	Other related party (juristic-person director of subsidiary)
Sony Music Entertainment Taiwan Ltd.	Other related party (juristic-person director of subsidiary)
Otiga Technologies Ltd. (Otiga)	Other related party (juristic-person supervisor of subsidiary)
Yuan Ding Investment Co., Ltd	Subsidiary of FENC
Oriental Green Materials Limited	Subsidiary of FENC
Drive Catalyst SPC-SP Tranche One	Associate
Drive Catalyst SPC-SP Tranche Three	Associate
b. Operating revenue	
	For the Year Ended December 31
	2019
	2018
FENC	\$ 38,530
Subsidiaries of FENC	\$ 45,178
Associates	137,959
Other related parties	221,548
	10
	<u>297,948</u>
	<u>245,405</u>
	<u>\$ 474,437</u>
	<u>\$ 512,141</u>

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

Related Party	Relationship with the Group
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
Far Eastern Investment (Holding) Ltd.	Subsidiary of FENC
Nan Hwa Cement Corporation	Other related party (same chairman as parent company's)
Ya Tung Ready Mixed Concrete Co., Ltd.	Other related party (same chairman as parent company's)
Oriental Securities Corporation Ltd.	Other related party (Equity-method investee of FENC)
Yuan Ding Co., Ltd.	Subsidiary of FENC
Far Eastern Department Stores Co., Ltd.	Other related party (same chairman as Far EasTone'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 Medical Foundation	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 Kwok Garment Manufacturing Co., Ltd.	Subsidiary of FENC
Oriental Petrochemical (Taiwan) Co., Ltd.	Subsidiary of FENC
Air Liquide Far Eastern Co., Ltd.	Other related party (equity-method investee of FENC)
Far Eastern General Contractor Inc.	Subsidiary of FENC
Oriental Resources Development Limited	Subsidiary of FENC
Far Eastern Fibertech Co., Ltd.	Subsidiary of FENC
Far Eastern Realty Management Co., Ltd.	Subsidiary of FENC
Ding & Ding Management Consultant Co., Ltd.	Other related party (substantive related party)
Yuan Hsin Digital Payment Co., Ltd.	Subsidiary of FENC

(Continued)

c. Operating costs and expenses

	For the Year Ended December 31 2019	2018
Operating costs		
FENC	\$ 40	\$ 1,439
Subsidiaries of FENC	19,681	32,013
Other related parties	66,393	59,195
	<u>\$ 86,114</u>	<u>\$ 92,647</u>
Operating expenses		
FENC	\$ 103,063	\$ 123,866
Subsidiaries of FENC	213,316	263,335
Associates	-	1,048
Other related parties	99,247	130,128
	<u>\$ 415,626</u>	<u>\$ 518,377</u>

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

d. Property transactions

	For the Year Ended December 31 2019	2018
Acquisition of property, plant and equipment and intangible assets		
Subsidiaries of FENC	\$ -	\$ 712,183
FERD	20,979	7,365
Others	20,979	719,548
	<u>47,706</u>	<u>-</u>
Other related parties		
	<u>\$ 68,685</u>	<u>\$ 719,548</u>

Acquisition of financial assets at fair value through profit or loss

Other related parties	<u>\$ -</u>	<u>\$ 150,000</u>
DFEAMC		
Acquisition of securities		
Other related parties	\$ 122,300	\$ -
Drive Catalyst SPC-SP Tranche Three		123,220
Drive Catalyst SPC-SP Tranche One	<u>\$ 122,300</u>	<u>\$ 123,220</u>

(Continued)

For the Year Ended December 31

	2019	2018
Disposal of securities		
Other related parties	\$ 3,255	\$ -
Otiga	2,205	-
HIM	1,890	-
Others	<u>7,350</u>	<u>-</u>
Disposal of financial assets at fair value through profit or loss		
Other related parties	<u>\$ 150,885</u>	<u>-</u>
DFEAMC		(Concluded)

With the need for the expansion of space for network equipment, the board of directors of NCIC (Far EastTone's 100% owned subsidiary) resolved on May 4, 2017 that NCIC purchase part of the land from FERD, which is located in the Taipei Far Eastern Telecom park, so as to build a new integrated building which will be utilized as an office and internet data center. The acquisition price for the aforementioned transaction amounted to \$1,749,577 thousand and was determined through price negotiations based on appraisal reports issued by independent qualified professional appraisers. The acquisition price has been paid in full, of which \$712,183 has been paid during the year ended December 31, 2018.

The Group acquired a mutual fund of DFEAMC with a carrying amount of \$150,000 thousand in May 2018. In August 2019, the Group disposed of the fund with the proceeds from the disposal amounting to \$150,885 thousand. The gain on disposal of the fund was \$885 thousand.

In April 2019, the Group disposed of Omusic Co., Ltd. (Far EastTone'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 disposal loss of \$542 thousand.

In October 2019, the Group acquired a partial interest in Drive Catalyst SPC-SP Tranche Three for \$122,300 thousand; in December 2018, the Group acquired a partial interest in Drive Catalyst SPC-SP Tranche One for \$123,220 thousand.

e. Lease arrangements - the Group is lessee

	For the Year Ended December 31, 2019
Acquisition of right-of-use assets	
Other related parties	<u>\$ 14,550</u>
Lease liabilities - current	
FENC	\$ 3,208
Subsidiaries of FENC	37,776
Other related parties	<u>24,456</u>
	<u>\$ 65,440</u>

(Continued)

	For the Year Ended December 31, 2019	2018
Lease liabilities - noncurrent		
FENC	\$ 4,493	\$ 7,486
Subsidiaries of FENC	45,484	55,377
Other related parties	<u>26,867</u>	<u>10</u>
	<u>\$ 76,844</u>	<u>\$ 259,108</u>
	(Concluded)	

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

	For the Year Ended December 31 2019	2018
Financial costs		
FENC	\$ 92	\$ -
Subsidiaries of FENC	1,107	-
Other related parties	<u>535</u>	<u>-</u>
	<u>\$ 1,734</u>	<u>\$ -</u>

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

	December 31 2019	2018
f. Bank deposits, financial assets at amortized cost and other financial assets		
Other related parties	\$ 2,925,180	\$ 3,117,050
FEIB	<u>3,117,050</u>	<u>3,117,050</u>

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

	December 31 2019	2018
g. Financial assets for hedging - current		
Other related parties	\$ -	\$ 1,868
FEIB	<u>1,868</u>	<u>1,868</u>

NCIC entered into foreign exchange swap contracts with FEIB to hedge against exchange rate fluctuations of its foreign currency denominated assets. The notional amount was US\$10,000 thousand as of December 31, 2018. Related expenses were treated as financial costs.

h. Receivables and payables - related parties

	December 31 2019	2018
Accounts receivable - related parties		
FENC	\$ 4,726	\$ 7,486
Subsidiaries of FENC	36,001	55,377
Associates	-	10
Other related parties	<u>204,211</u>	<u>196,235</u>
	<u>\$ 244,938</u>	<u>\$ 259,108</u>

Other receivables - related parties (included in other current assets)

Subsidiaries of FENC	\$ 3,269	\$ 3,848
Associates	-	6,149
Other related parties	<u>10,932</u>	<u>12,078</u>
	<u>\$ 14,201</u>	<u>\$ 22,075</u>

Accounts payable - related parties (included in accounts payable)

Subsidiaries of FENC	\$ 3,658	\$ 1,115
Other related parties	<u>12,834</u>	<u>8,080</u>
	<u>\$ 16,492</u>	<u>\$ 9,195</u>

Other payables - related parties (included in other current liabilities)

FENC	\$ 22,506	\$ 23,204
Subsidiaries of FENC	78,829	84,809
Other related parties	<u>8,704</u>	<u>4,622</u>
	<u>\$ 110,039</u>	<u>\$ 112,635</u>

i. Refundable deposits

	December 31 2019	2018
Refundable deposits		
Subsidiaries of FENC	\$ 66,361	\$ 69,003
Other related parties	<u>1,451</u>	<u>1,486</u>
	<u>\$ 67,812</u>	<u>\$ 70,489</u>

j. Others

	For the Year Ended December 31, 2019	December 31, 2018
Interest income	\$ 22	\$ 22
Subsidiaries of FENC		
Other related parties	25,695	34,271
FEIB	3	12
Others	25,698	34,283
	<u>\$ 25,720</u>	<u>\$ 34,305</u>
Financial costs		
Other related parties	<u>\$ 977</u>	<u>\$ 7,953</u>

k. Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the years ended December 31, 2019 and 2018 were as follows:

	For the Year Ended December 31, 2019	December 31, 2018
Short-term benefits	\$ 274,739	\$ 332,525
Post-employment benefits	3,200	3,898
	<u>\$ 277,939</u>	<u>\$ 336,423</u>

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

34. ASSETS PLEDGED OR MORTGAGED

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

	December 31, 2019	December 31, 2018
Other financial assets - current	<u>\$ 621,122</u>	<u>\$ 641,094</u>

35. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

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

	December 31, 2019	December 31, 2018
a. Unpaid acquisition of property, plant and equipment and intangible assets under contracts	\$ 4,241,999	\$ 3,634,677
Unpaid acquisition of inventories under contracts	<u>\$ 3,895,806</u>	<u>\$ 5,359,431</u>
b. All lease commitments (the Group as a lessee) with lease terms commencing after the balance sheet dates are as follows:		
Lease commitments	<u>\$ 247,816</u>	<u>\$ 247,816</u>
c. The Group provided a \$100,000 thousand bank guarantee for its purchases as of both December 31, 2019 and 2018.		

36. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	(In Thousands, Except Exchange Rate)			
	December 31, 2019	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>				
Monetary items				
USD	\$ 41,079		29.98 (USD:NTD)	\$ 1,231,561
Nonmonetary items				
USD	30,026		29.98 (USD:NTD)	900,192
USD	5,000		6.964 (USD:RMB)	149,900
<u>Financial liabilities</u>				
Monetary items				
USD	16,060		29.98 (USD:NTD)	481,471

December 31, 2018

Financial assets

Monetary items					
USD	\$	26,682	30.715 (USD:NTD)	\$	819,552
Nonmonetary items					
USD		23,976	30.715 (USD:NTD)		736,424
USD		5,000	6.868 (USD:RMB)		153,575

Financial liabilities

Monetary items					
USD		8,291	30.715 (USD:NTD)		254,660

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

Foreign Currency	For the Year Ended December 31		Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
	2019	2018			
NTD	1 (NTD:NTD)		\$ (6,824)	1 (NTD:NTD)	\$ 6,716
RMB	4,472 (RMB:NTD)		788	4.560 (RMB:NTD)	1,427
HKD	3,945 (HKD:NTD)		(2,096)	- (HKD:NTD)	-
			<u>\$ (8,132)</u>		<u>\$ 8,143</u>

37. SEPARATELY DISCLOSED ITEMS

- a. Information about significant transactions and investees:
- 1) Financing provided to others: Schedule A
 - 2) Endorsements/guarantees provided: None
 - 3) Marketable securities held (excluding investment in subsidiaries, associates and jointly controlled entities): Schedule B
 - 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Schedule C
 - 5) Acquisition of 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 transactions: Note 32

10) Significant transactions between Far EasTone and its subsidiaries and among subsidiaries: Schedule F

11) Information on investees: Schedule G

b. Information on investments in mainland China

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

38. SEGMENT INFORMATION

a. Products and services from which reportable segments derive revenues:

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

- 1) Mobile services business: Providing mobile telecommunications services
- 2) Fixed-line services business: Providing international direct dial, local network, long-distance network and broadband access services

3) 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.

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

	For the Year Ended December 31, 2019				
	Mobile Services Business	Fixed-line Services Business	Sales Business	Adjustment and Elimination	Consolidation
Revenue generated from external customers	\$ 45,330,653	\$ 8,967,784	\$ 29,567,435	\$ -	\$ 83,865,872
Revenue generated within the Group (Note)	292,052	2,485,998	46,613	(2,824,663)	-
Total revenue	\$ 45,622,705	\$ 11,453,782	\$ 29,614,048	\$ (2,824,663)	\$ 83,865,872
Segment operating income	\$ 7,023,035	\$ 1,956,473	\$ 3,635,602	\$ (1,603,591)	\$ 11,011,519

	For the Year Ended December 31, 2018				
	Mobile Services Business	Fixed-line Services Business	Sales Business	Adjustment and Elimination	Consolidation
Revenue generated from external customers	\$ 48,325,660	\$ 7,841,052	\$ 30,468,259	\$ -	\$ 86,634,971
Revenue generated within the Group (Note)	384,231	2,919,774	19,379	(3,323,384)	-
Total revenue	\$ 48,709,891	\$ 10,760,826	\$ 30,487,638	\$ (3,323,384)	\$ 86,634,971
Segment operating income	\$ 8,638,897	\$ 2,409,781	\$ 2,901,243	\$ (2,080,491)	\$ 11,869,430

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

- b. Geographical information
- The Group has no revenue-generating unit that operates outside the ROC.
- c. Information on major customers
- There was no customer that accounted for at least 10% of the Group's total operating revenue in both 2019 and 2018.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note A)	Aggregate Financing Limit (Note A)
													Item	Value		
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 7,500,000 2,500,000	\$ 300,000 7,500,000 1,500,000	\$ 300,000 3,500,000 400,000	1.53% 0.83% 0.83%	Short-term financing Short-term financing Transaction	\$ - - 2,547,833	For business operations For business operations -	\$ - - -	\$ - - -	\$ 8,327,941 8,327,941 2,547,833	\$ 11,897,058 11,897,058 11,897,058	

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

SCHEDULE B

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2019
(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, 2019			Note	Highest Shares/Units Held During the Year	
				Number of Shares	Carrying Amount	Percentage of Ownership (%)			Fair Value
Far EasTone Telecommunications Co., Ltd.	Stock App Works Fund II Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	8,850,000	\$ 104,620	11.11	\$ 104,620	B	8,850,000
	CDIB Capital Innovation Accelerator Limited	-	Financial assets at fair value through other comprehensive income - noncurrent	9,000,000	94,081	10.71	94,081	B	9,000,000
ARCOA Communication Co., Ltd.	Stock THI consultants	-	Financial assets at fair value through other comprehensive income - noncurrent	1,213,594	12,190	18.32	12,190	B	1,213,594
	Web Point Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	160,627	1,618	0.63	1,618	B	160,627
New Century InfoComm Tech Co., Ltd.	Stock Kaohsiung Rapid Transit Corporation	Other related party	Financial assets at fair value through other comprehensive income - noncurrent	8,858,191	50,846	3.18	50,846	B	8,858,191
	Bank Pro E-service Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	450,000	4,500	3.33	4,500	B	450,000
Digital United (Cayman) Ltd.	Stock certificate Changing.ai Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	500,000	29,980	2.50	29,980	B	500,000
	Overseas funds Opas Fund Segregated Portfolio Tranche A	Other related party	Financial assets at fair value through profit or loss - current	13,491,781	462,442	-	462,442	A	13,491,781
	Opas Fund Segregated Portfolio Tranche B	Other related party	Financial assets at fair value through profit or loss - current	5,000,000	166,896	-	166,896	A	5,000,000
	Stock certificate TBCASoft, Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	980,435	149,900	6.77	149,900	B	980,435

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

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

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, 2019**
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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

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

Note B: The amount is the cost of acquisition.

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, 2019
(In Thousands of New Taiwan Dollars)

Purchaser (Seller) of Goods	Related Party	Relationship	Transaction Details		Abnormal Transaction		Accounts/Other Receivables (Payables)			
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Ending Balance	% of Total	
Far EastTone Telecommunications Co., Ltd.	ARCOA Communication Co., Ltd.	Subsidiary	Operating costs and marketing expenses	\$ 8,074,786	16	-	-	Accounts payable and other payables	\$ (972,158)	(7)
	New Century InfoComm Tech Co., Ltd.	Subsidiary	Operating revenue	(331,812)	(1)	-	-	Accounts receivable	95,873	2
	Yuanishi Digital Technology Co., Ltd.	Subsidiary	Operating revenue	(234,169)	-	-	-	Accounts receivable	2,584	-
Far EastTone Telecommunications Co., Ltd.	Far Cheng Human Resources Consultant Corp.	Same ultimate parent company	Operating costs	2,313,664	5	-	-	Accounts payable and other payables (Note A)	(549,143)	(4)
	Far EastTone Telecommunications Co., Ltd.	Parent company	Operating revenue	(192,138)	-	-	-	Accounts receivable	41,081	1
New Century InfoComm Tech Co., Ltd.	Far EastTone Telecommunications Co., Ltd.	Parent company	Service fees	128,293	1	-	-	Other payables	(11,048)	-
	KGEx. com. Co., Ltd.	Same parent company	Operating costs and rental	(2,313,664)	(22)	-	-	Accounts receivable (Note B)	549,143	37
	Sino Lead Enterprise Limited	Subsidiary	Operating costs	234,169	3	-	-	Accounts payable	(2,584)	-
ARCOA Communication Co., Ltd.	Far EastTone Telecommunications Co., Ltd.	Parent company	Operating costs	105,384	1	-	-	Accounts payable and other payables	(19,595)	(1)
	Home Master Technology Ltd.	Subsidiary of DataExpress Infotech Co., Ltd.	Operating costs	112,647	2	-	-	Accounts payable	(9,384)	(1)
	New Century InfoComm Tech Co., Ltd.	Parent company	Operating revenue	(8,074,786)	(67)	-	-	Accounts receivable	972,158	66
KGEx. com. Co., Ltd.	New Century InfoComm Tech Co., Ltd.	Same parent company	Operating costs	331,812	3	-	-	Accounts payable	(95,873)	(7)
	New Century InfoComm Tech Co., Ltd.	Parent company	Operating revenue	(1,050,123)	(9)	-	-	Accounts receivable	262,817	18
Sino Lead Enterprise Limited	New Century InfoComm Tech Co., Ltd.	Parent company	Operating revenue	(105,384)	(19)	-	-	Accounts receivable	19,595	43
	DataExpress Infotech Co., Ltd.	Subsidiary	Operating revenue	(112,647)	(100)	-	-	Accounts receivable	9,384	56
Yuanishi Digital Technology Co., Ltd.	Linkwell Tech, Ltd.	Subsidiary	Operating costs	154,094	4	-	-	Accounts payable	(2,133)	(1)
	Home Master Technology Ltd.	Subsidiary	Operating revenue	(198,153)	(5)	-	-	Accounts receivable	542	-
Linkwell Tech, Ltd.	Far EastTone Telecommunications Co., Ltd.	Parent company	Operating costs	192,138	12	-	-	Accounts payable	(41,081)	(22)
	DataExpress Infotech Co., Ltd.	Parent company	Operating revenue	(154,094)	(27)	-	-	Accounts receivable	2,133	24
Home Master Technology Ltd.	ARCOA Communication Co., Ltd.	Parent company	Operating costs	1,050,123	69	-	-	Accounts payable	(262,817)	(97)
	DataExpress Infotech Co., Ltd.	Parent company	Operating costs	198,153	13	-	-	Accounts payable	(342)	-

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2019**
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
Far Eastone Telecommunications Co., Ltd.	ARCOA Communication Co., Ltd.	Subsidiary	\$ 122,568	13.44	\$ -	-	\$ 69,413	\$ -
New Century InfoComm Tech Co., Ltd.	Far Eastone Telecommunications Co., Ltd. Yuanshi Digital Technology Co., Ltd.	Parent company Subsidiary of Far Eastone Telecommunications Co., Ltd.	4,514,694 303,176	(Note A) (Note B)	-	-	269,714 800	-
ARCOA Communication Co., Ltd.	Far Eastone Telecommunications Co., Ltd. Home Master Technology Ltd.	Parent company Subsidiary of DataExpress Infotech Co., Ltd.	972,158 263,033	10.00 3.78	-	-	448,358 97,711	-

Note A: All interconnection revenue, cost and collection of international direct dial revenue between Far Eastone and NCIC were settled at net amounts and were included in accounts receivable/payable - related parties. The turnover rate was unavailable as the receivables from related parties were due to the collection of telecommunications bills by Far Eastone for NCIC.

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

SCHEDULE F

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			% of Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
0	Far EasTone Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd.	1	Accounts receivable - related parties	\$ 2,584	Note E	-
				Other receivables - related parties	17,238	Note E	-
				Refundable deposits	3,532	Note E	-
				Accounts payable - related parties	13,868	Note E	-
				Other payables - related parties	4,500,826	Note E	3
				Contract liabilities	6,766	Note E	-
				Operating revenue	234,169	Note E	-
				Operating costs	2,313,664	Note E	3
				Operating expenses	67,290	Note E	-
				Nonoperating income and gains	56,966	Note E	-
				Nonoperating expenses	45,990	Note E	-
			1	Accounts receivable - related parties	95,873	Note E	-
				Other receivables - related parties	26,695	Note E	-
				Accounts payable - related parties	929,440	Note E	1
				Other payables - related parties	42,718	Note E	-
				Contract liabilities	21,061	Note E	-
				Operating revenue	331,812	Note E	-
				Operating costs	7,604,521	Note E	9
				Operating expenses	491,131	Note E	1
				Nonoperating income and gains	2,580	Note E	-
			1	Accounts receivable - related parties	8,738	Note E	-
				Other payables - related parties	9,490	Note E	-
				Operating revenue	52,613	Note E	-
				Operating expenses	56,393	Note E	-
				Nonoperating income and gains	1,160	Note E	-
			1	Other receivables - related parties	2,928	Note E	-
				Other payables - related parties	9,205	Note E	-
				Operating expenses	25,182	Note E	-
				Nonoperating income and gains	1,976	Note E	-
			1	Other receivables - related parties	4,937	Note E	-
				Other payables - related parties	28,768	Note E	-
				Operating revenue	3,867	Note E	-
				Operating costs	5,825	Note E	-
				Operating expenses	32,834	Note E	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			% of Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
		Omusic Co., Ltd. Linkwell Tech. Ltd.	1	Operating costs	\$ 49,410	Note E	-
			1	Other payables - related parties	2,992	Note E	-
		Home Master Technology Ltd.	1	Operating expenses	26,185	Note E	-
				Other payables - related parties	20,099	Note E	-
		Information Security Service Digital United Inc.	1	Operating expenses	44,883	Note E	-
				Other receivables - related parties	6,894	Note E	-
				Accounts payable - related parties	6,252	Note E	-
				Other payables - related parties	10,473	Note E	-
				Operating revenue	1,103	Note E	-
				Operating costs	35,752	Note E	-
				Operating expenses	6,093	Note E	-
		Yuanshi Digital Technology Co., Ltd.	1	Accounts receivable - related parties	41,081	Note E	-
				Other receivables - related parties	2,153	Note E	-
				Accounts payable - related parties	15,221	Note E	-
				Other payables - related parties	23,307	Note E	-
				Operating revenue	192,138	Note E	-
		Sino Lead Enterprise Limited	1	Operating expenses	3,139	Note E	-
		Prime EcoPower Co., Ltd.	1	Other payables - related parties	7,443	Note E	-
				Operating costs	16,718	Note E	-
1	New Century InfoComm Tech Co., Ltd.	ARCOA Communication Co., Ltd. KGEX.com Co., Ltd.	3	Operating revenue	1,036	Note E	-
			3	Accounts receivable - related parties	1,765	Note E	-
				Accounts payable - related parties	10,843	Note E	-
				Other payables - related parties	8,752	Note E	-
				Operating revenue	22,236	Note E	-
				Operating costs	74,554	Note E	-
		Sino Lead Enterprise Limited	3	Operating expenses	30,830	Note E	-
				Accounts payable - related parties	9,384	Note E	-
				Operating costs	112,647	Note E	-
				Operating expenses	4,005	Note E	-
		Yuan Cing Co., Ltd.	3	Other receivables - related parties	1,236	Note E	-
		Information Security Service Digital United Inc.	3	Accounts payable - related parties	50,368	Note E	-
				Operating revenue	1,619	Note E	-
				Operating costs	95,029	Note E	-
				Operating expenses	3,070	Note E	-
				Nonoperating income and gains	5,414	Note E	-
		Yuanshi Digital Technology Co., Ltd.	3	Accounts receivable - related parties	1,127	Note E	-
				Other receivables - related parties	302,049	Note E	-
				Operating revenue	6,586	Note E	-
				Operating expenses	3,753	Note E	-
				Nonoperating income and gains	9,785	Note E	-
		DataExpress Infotech Co., Ltd.	3	Operating revenue	1,657	Note E	-
				Nonoperating income and gains	3,545	Note E	-
		Nextlink Technology Co., Ltd.	3	Accounts payable - related parties	7,152	Note E	-
				Operating costs	19,710	Note E	-
		Microfusion Technology Co., Ltd.	3	Operating costs	6,365	Note E	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			% of Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
2	ARCOA Communication Co., Ltd. Yuan Cing Co., Ltd. Yuanshi Digital Technology Co., Ltd.	KGE.com Co., Ltd. Yuan Cing Co., Ltd. Yuanshi Digital Technology Co., Ltd.	3	Operating expenses	\$ 1,032	Note E	-
				Operating expenses	1,219	Note E	-
				Accounts receivable - related parties	1,701	Note E	-
3	DataExpress Infotech Co., Ltd.	DataExpress Infotech Co., Ltd.	3	Operating revenue	20,326	Note E	-
				Other receivables - related parties	1,339	Note E	-
				Operating revenue	4,668	Note E	-
3	Linkwell Tech. Ltd. Home Master Technology Ltd.	Linkwell Tech. Ltd. Home Master Technology Ltd.	3	Nonoperating income and gains	1,249	Note E	-
				Operating revenue	1,251	Note E	-
				Accounts receivable - related parties	262,817	Note E	-
3	Yuan Cing Co., Ltd.	Yuanshi Digital Technology Co., Ltd.	3	Operating revenue	1,050,123	Note E	1
				Accounts receivable - related parties	2,611	Note E	-
				Operating revenue	14,939	Note E	-
4	DataExpress Infotech Co., Ltd.	Linkwell Tech. Ltd.	3	Accounts receivable - related parties	1,961	Note E	-
				Accounts payable - related parties	2,133	Note E	-
				Operating revenue	64,992	Note E	-
3	Home Master Technology Ltd.	Home Master Technology Ltd.	3	Operating costs	154,094	Note E	-
				Nonoperating income and gains	5,125	Note E	-
				Operating revenue	198,153	Note E	-
5	Linkwell Tech. Ltd.	Home Master Technology Ltd.	3	Operating costs	70,356	Note E	-
				Nonoperating income and gains	11,310	Note E	-
				Operating revenue	10,165	Note E	-
6	Yuanshi Digital Technology Co., Ltd.	Information Security Service Digital United Inc.	3	Operating costs	1,658	Note E	-
				Operating expenses	2,303	Note E	-
				Operating revenue	1,953	Note E	-
7	Nextlink Technology Co., Ltd.	Microfusion Technology Co., Ltd.	3	Other receivables - related parties	14,432	Note E	-
				Operating revenue	12,374	Note E	-
				Operating costs	4,501	Note E	-
8	Microfusion Technology Co., Ltd.	Nextlink (HK) Technology Co., Ltd.	3	Accounts receivable - related parties	4,500	Note E	-
				Other receivables - related parties	47,201	Note E	-
				Operating revenue	13,029	Note E	-
8	Nextlink (Shanghai) Technology Co., Ltd.	Nextlink (Shanghai) Technology Co., Ltd.	3	Accounts receivable - related parties	64,912	Note E	-
				Operating revenue	5,380	Note E	-
				Operating revenue	3,678	Note E	-

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

1. "0" for Far East Tone Telecommunications Co., Ltd. ("Far EastTone").
2. "1" onward for subsidiaries.

(Continued)

Note B: The flow of related-party transactions is numbered 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, 2019; while revenue, costs and expenses are shown as a percentage of consolidated total operating revenue for the year ended December 31, 2019.

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

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

(Concluded)

SCHEDULE C

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2019		Net Income (Loss) of the Investee	Share of Profit (Loss)	Note	Highest Shares/Units Held During the Year
				December 31, 2019	December 31, 2018	Number of Shares	Percentage of Ownership (%)				
Far Eastone Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd. ARCOA Communication Co., Ltd.	Taiwan Taiwan	Type I, II telecommunications services Sales of communications products and office equipment	\$ 22,249,283 1,305,802	\$ 22,249,283 1,305,802	2,100,000,000 82,762,221	100.00 61.63	\$ 1,432,896 178,773	\$ 1,329,613 (186,023)	A A	2,100,000,000 82,762,221
	KGEX.com Co., Ltd. Yuanhsi Digital Technology Co., Ltd. Yuan Cing Co., Ltd. Far Eastern Info Service (Holding) Ltd. Omuse Co., Ltd. Yuan Bao Fintech Co., Ltd.	Taiwan Taiwan Taiwan Bermuda Taiwan Taiwan	Type II telecommunications services Electronic information services Call center services Investments Electronic information services Data processing service and electronic information services	2,340,472 886,169 92,616 25,000 60,000	2,340,472 886,169 92,616 25,000 60,000	68,897,234 90,014,424 2,000,000 1,200 6,000,000	99.99 86.41 100.00 100.00 100.00	150,084 (582,357) 6,843 4,829 1,431 59,680	149,625 (177,346) 6,843 (7) 714 (320)	A A A and E A A A	68,897,234 90,014,424 2,000,000 1,200 2,500,000 6,000,000
	Far Eastern Electronic Toll Collection Co., Ltd. Ding Ding Integrated Marketing Service Co., Ltd. Yuan Hsin Digital Payment Co., Ltd.	Taiwan Taiwan Taiwan	Electronic information services and electronic toll collection services Marketing Other financing and support services	2,542,396 139,500 600,000	2,542,396 139,500 600,000	118,250,967 5,446,644 23,302,111	39.42 15.00 30.00	420,815 (48,697) (228,345)	164,534 (6,925) (68,562)	B B B	118,250,967 5,446,644 30,626,472
ARCOA Communication Co., Ltd.	DataExpress Infotech Co., Ltd.	Taiwan	Sale of communications products	141,750	141,750	12,866,353	70.00	100,008	-	C	12,866,353
New Century InfoComm Tech Co., Ltd.	New Diligent Co., Ltd. Information Security Service Digital United Inc. Digital United (Cayman) Ltd. Yuanhsi Digital Technology Co., Ltd. Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan Taiwan Cayman Islands Taiwan Taiwan	Investments Security and monitoring service via Internet Investments Electronic information services Marketing	540,000 148,777 317,446 20,000 46,500	540,000 148,777 317,446 20,000 46,500	54,000,000 10,249,047 10,320,000 2,499,617 1,815,548	100.00 100.00 100.00 2.40 5.00	86,448 24,205 (1,075) (205,230) (48,697)	- - - - -	C C C A B	54,000,000 10,249,047 10,320,000 2,499,617 1,815,548
	Prime EcoPower Co., Ltd. Drive Catalyst SPC-SP Tranche One Drive Catalyst SPC-SP Tranche Three Nextlink Technology Co., Ltd.	Taiwan Cayman Islands Cayman Islands Taiwan	Energy technology services Investments Investments Electronic information services	160,000 123,220 122,300 420,000	160,000 123,220 122,300 420,000	16,000,000 4,000 4,000 3,430,000	100.00 25.00 25.00 70.00	140,448 3,831 119,174 2,999	- - - -	C B B C	16,000,000 4,000 4,000 3,430,000
New Diligent Co., Ltd.	Sino Lead Enterprise Limited Far Eastern New Diligent Company Ltd. New Diligent Hong Kong Co., Ltd.	Hong Kong British Virgin Islands Hong Kong	Telecommunications services Investments Investments	125 330,598 3,051	125 330,598 3,051	30,000 - -	100.00 100.00 100.00	295 24,180 2,709	- - -	C C C	30,000 - -
DataExpress Infotech Co., Ltd.	Linkwell Tech. Ltd. Home Master Technology Ltd.	Taiwan Taiwan	Sale of communications products Sale of communications products	10,000 10,000	10,000 10,000	- -	100.00 100.00	15,471 29,152	- -	C C	- -
Nextlink Technology Co., Ltd.	Nextlink Technology Co., Ltd. Nextlink (HK) Technology Co., Ltd.	Taiwan Hong Kong	Electronic information services Electronic information services	17,000 973	17,000 973	2,600,000 -	100.00 100.00	16,462 5,523	- -	C C	2,600,000 -
Microfusion Technology Co., Ltd.	Microfusion (HK) Technology Co., Ltd.	Hong Kong	Electronic information services	-	-	-	-	-	-	C and F	-

Note A: Subsidiary.

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

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

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note A)	Accumulated Outward Investment from January 1, 2019	Remittance of Funds		Accumulated Outward Investment from December 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2019	Accumulated Repatriation of Investment Income as of December 31, 2019
					Outward	Inward						
Digital United Information Technologies (Shanghai) Ltd.	Design, research, installment and maintenance of computer software and systems	\$ 92,938 (US\$ 3,100,000)	2	\$ 92,938 (US\$ 3,100,000)	\$ -	\$ -	\$ 92,938 (US\$ 3,100,000)	\$ (2,182)	100.00	\$ (2,182)	\$ (378) (RMB (88,000))	\$ -
Far Eastern Tech-info Ltd. (Shanghai)	Computer software, data processing and network information services	179,880 (US\$ 6,000,000)	2	197,546 (Note E)	-	-	197,546 (Note E)	(25)	100.00 (Note B)	(25) (Note B)	11,148 (RMB 2,589,000) (Note B)	-
Nextlink (Shanghai) Technologies Co., Ltd.	Electronic information services	2,159 (US\$ 72,000)	2	2,159 (US\$ 72,000)	-	-	2,159 (US\$ 72,000)	(637)	70.00	(935)	1,426 (HK\$ 372,000)	-

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

Note A: Method of investment is as follows:

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

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

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

Note D: The amount includes US\$11,427,000 from an investee company which was dissolved, but the registration of the investment amount had not been written off with the Investment Commission of the MOEA. In addition, an investment amount of US\$573,000 registered with the Investment Commission of the MOEA was remitted back to Taiwan on June 27, 2012 and the same amount was written off on the same date.

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

5. 2019 Independent Auditors' Report, Standalone Financial Statements and Notes

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

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

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

evaluation of such assets' impairment. Thus, the impairment of property, plant and equipment, intangible assets, intangible assets and the incremental costs of obtaining a contract is considered a key audit matter.

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

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

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

Recognition of Mobile Telecommunications Service Revenue

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

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

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

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

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

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

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



Deloitte & Touche
Taipei, Taiwan
Republic of China

February 19, 2020

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, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

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

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

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FAR EASTONE TELECOMMUNICATIONS CO., LTD.

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

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

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

(Concluded)

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FAR EASTONE TELECOMMUNICATIONS CO., LTD.

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

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

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

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	\$ -	\$ (45,000)
Remittance of cash due to capital reduction of financial assets at fair value through other comprehensive income	-	61,500
Acquisition of financial assets at amortized cost	(16,397)	(3,511)
Acquisition of investments accounted for using the equity method	(60,000)	-
Increase in prepayment for an investment	(105,000)	-
Net cash inflow on disposal of a subsidiary	10,500	-
Acquisition of property, plant and equipment	(3,874,384)	(4,264,224)
Proceeds from the disposal of property, plant and equipment	15,291	139,930
Increase in refundable deposits	(458,670)	(245,017)
Decrease in refundable deposits	262,559	163,961
Acquisition of intangible assets	(707,198)	(951,970)
Cash received through a merger	-	3,761
(Increase) decrease in other financial assets	(2,695)	1,165,546
Increase in other noncurrent assets	(1,001,501)	-
Net cash used in investing activities	<u>(5,937,515)</u>	<u>(3,975,024)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term borrowings	(1,500,000)	981,000
(Decrease) increase in short-term bills payable	(999,720)	999,720
Proceeds from the issuance of bonds payable	8,088,850	4,993,390
Repayment of bonds payable	(3,200,000)	(6,500,000)
Proceeds from long-term borrowings	4,400,000	700,000
Repayment of long-term borrowings	(700,000)	(10,100,000)
Increase in guarantee deposits received	38,150	48,807
(Decrease) increase in financing obtained from other payables - related parties	(53,963)	(126,352)
Repayment of the principal portion of lease liabilities	(3,600,000)	4,570,000
Cash dividends paid	(3,414,737)	-
Acquisition of partial interest of subsidiary	(12,219,378)	(12,219,378)
Net cash used in financing activities	<u>(13,160,798)</u>	<u>(16,658,211)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	882,317	158,387
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>1,251,405</u>	<u>1,093,018</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 2,133,722</u>	<u>\$ 1,251,405</u>

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

(Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

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

1. ORGANIZATION AND OPERATIONS

Far Eastone Telecommunications Co., Ltd. (the Company) was incorporated in the Republic of China (ROC) on April 11, 1997 and began commercial operations on January 20, 1998. The Company's stock was initially listed and commenced trading on the over-the-counter (OTC) securities exchange (known as the Taipei Exchange, TPEx) of the ROC on December 10, 2001, but later ceased trading on the TPEx and transferred listing of its stock on the Taiwan Stock Exchange (TWSE) on August 24, 2005. The Company provides wireless communications, Internet and international simple resale (ISR) services and also sells cellular phone equipment and accessories. As of December 31, 2019 and 2018, Far Eastern New Century Corporation (Far Eastern New Century) and its affiliates directly and indirectly owned 38.28% of the Company's stock. Since Far Eastern New Century and its subsidiaries have the power to cast the majority of votes at the meeting of the Company's board of directors, Far Eastern New Century has control over the Company's finances, operations and personnel affairs. Thus, Far Eastern New Century is the ultimate parent company of the Company.

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

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

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

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

IFRS 16 "Leases"

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

Definition of a lease

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

The Company as lessee

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

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

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

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

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

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

The Company as lessor

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

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

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

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

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

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

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

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

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

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

	New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"		To be determined by IASB
IFRS 17 "Insurance Contracts"		January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"		January 1, 2022

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

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

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

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

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

Classification of Current and Noncurrent Assets and Liabilities

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within 12 months after the reporting period; and
- c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

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

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

Foreign Currencies

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

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

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

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

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

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

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

Inventories

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

Investments in Subsidiaries

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

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

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

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

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

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

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

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

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

Investments in Associates

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

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

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

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

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

liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

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

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

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

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

Property, Plant and Equipment

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

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

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

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

Investment Properties

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

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

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

Goodwill

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

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

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

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

Intangible Assets

- a. Intangible assets acquired separately

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

- b. Intangible assets acquired in a business combination

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

- c. Derecognition of intangible assets

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

Assets Related to Contract Costs

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

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

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

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

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

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

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

Financial Instruments

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

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

a. Financial assets

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

1) Measurement category

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

a) Financial assets at amortized cost

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

- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

- i. Significant financial difficulty of the issuer or the borrower;
- ii. Breach of contract, such as a default;
- iii. It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv. The disappearance of an active market for that financial asset because of financial difficulties.

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

b) Investments in equity instruments at FVTOCI

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

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

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

2) Impairment of financial assets and contract assets

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

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

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

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

- a) Internal or external information show that the debtor is unlikely to pay its creditors.
- b) When a financial asset is more than 120 days past due, unless the Company has reasonable and corroborative information to support a more lagged default criterion.

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

3) Derecognition of financial assets

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

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

b. Equity instruments

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

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

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

c. Financial liabilities

1) Subsequent measurement

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

2) Derecognition of financial liabilities

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

Provisions

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

a. Decommissioning, restoration and similar liabilities

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

- 1) Its purchase price;
- 2) Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- 3) The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

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

b. Warranties

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

Revenue Recognition

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

a. Revenue from the sale of goods

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

b. Revenue from the rendering of services

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

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

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

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

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

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

Leasing

2019

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

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

a. The Company as lessor

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

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

b. The Company as lessee

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

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

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

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

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

2018

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

a. The Company as lessor

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

b. The Company as lessee

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

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

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

Borrowing Costs

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

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

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

Government Grants

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

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

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

c. Termination benefits

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

Taxation

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

a. Current tax

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

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

b. Deferred tax

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

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

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

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

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

c. Current and deferred taxes

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical Accounting Judgments

a. Lease terms - 2019

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

Key Sources of Estimation Uncertainty

a. Estimated impairment of financial assets

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

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

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

c. Impairment of goodwill

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

d. Income tax

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

6. CASH AND CASH EQUIVALENTS

	December 31	2018
Cash on hand	\$ 8,825	\$ 8,637
Checking and demand deposits	<u>2,124,897</u>	<u>1,242,768</u>
	<u>\$ 2,133,722</u>	<u>\$ 1,251,405</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	2018
Noncurrent		
Investments in equity instruments at FVTOCI	<u>\$ 198,701</u>	<u>\$ 191,245</u>

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

8. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

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

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

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

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

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

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

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

December 31, 2019

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

December 31, 2018

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

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

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

Sale of Overdue Accounts Receivable

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

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

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

9. INVENTORIES

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

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

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

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

a. Investments in subsidiaries

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

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

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

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

b. Investments in associates

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

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

1) Material associates

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

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

Far Eastern Electronic Toll Collection Co., Ltd.

	December 31	2018
	2019	
Current assets	\$ 836,693	\$ 431,720
Noncurrent assets	6,379,184	6,403,125
Current liabilities	(1,107,350)	(893,567)
Noncurrent liabilities	<u>(3,441,046)</u>	<u>(3,595,189)</u>
Equity	<u>\$ 2,667,481</u>	<u>\$ 2,346,089</u>
Proportion of the Company's ownership	39.42%	39.42%
Carrying amount	<u>\$ 1,051,441</u>	<u>\$ 924,758</u>
	For the Year Ended December 31	2018
	2019	
Operating revenue	<u>\$ 2,221,644</u>	<u>\$ 2,096,764</u>
Net profit for the year	\$ 420,815	\$ 239,893
Other comprehensive (loss) income	<u>(90,443)</u>	<u>31,312</u>
Total comprehensive income for the year	<u>\$ 330,372</u>	<u>\$ 271,205</u>

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

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

2) Aggregate information of associates that are not individually material

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

The Company's share of:
 Net loss for the year
 Other comprehensive (loss) income
 Total comprehensive loss for the year

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

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

11. PROPERTY, PLANT AND EQUIPMENT

Cost	Freehold Land	Buildings	Operating Equipment	Computer Equipment	Other Equipment	Construction-in-progress	Total
Balance at January 1, 2019	\$ 1,150,222	\$ 2,257,790	\$ 56,257,385	\$ 11,099,865	\$ 4,100,303	\$ 1,207,021	\$ 76,073,086
Acquisitions on initial application of AFRS (16)	-	-	(281,281)	-	(234,227)	-	(515,508)
Balance at January 1, 2019 (restated)	1,150,222	2,257,790	55,976,104	11,099,865	3,866,076	1,207,021	75,557,578
Additions	-	-	(9,216,019)	(835,637)	(337,805)	(6,221,727)	(3,418,188)
Disposals	-	(17,682)	3,141,025	458,129	55,609	(6,692,087)	(3,418,188)
Reclassification	10,560	(6,083)	-	-	-	-	4,477
Balance at December 31, 2019	<u>\$ 1,160,882</u>	<u>\$ 2,251,708</u>	<u>\$ 46,760,085</u>	<u>\$ 10,703,007</u>	<u>\$ 3,634,271</u>	<u>\$ 1,041,297</u>	<u>\$ 75,667,340</u>
Accumulated depreciation and impairment							
Balance at January 1, 2019	\$ -	\$ (1,151,687)	\$ (16,439,729)	\$ (10,016,949)	\$ (3,483,790)	\$ -	\$ (31,092,155)
Acquisitions on initial application of AFRS (16)	-	-	188,608	-	136,087	-	324,695
Balance at January 1, 2019 (restated)	-	(1,151,687)	(16,251,121)	(10,016,949)	(3,347,703)	-	(29,767,460)
Depreciation expense	-	(66,210)	(6,775,623)	(688,912)	(231,972)	-	(7,762,717)
Disposals	-	10,618	1,516,468	834,887	301,602	-	2,653,575
Reclassification	-	-	1,608	-	-	-	1,608
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ (1,207,279)</u>	<u>\$ (21,505,288)</u>	<u>\$ (10,870,974)</u>	<u>\$ (3,252,063)</u>	<u>\$ -</u>	<u>\$ (36,737,524)</u>
Carrying amount at December 31, 2019	<u>\$ 1,160,882</u>	<u>\$ 1,044,429</u>	<u>\$ 25,254,797</u>	<u>\$ 882,033</u>	<u>\$ 382,208</u>	<u>\$ 1,041,297</u>	<u>\$ 38,929,816</u>
Cost							
Balance at January 1, 2018	\$ 1,170,887	\$ 2,278,659	\$ 59,406,340	\$ 10,684,464	\$ 4,424,182	\$ 1,250,845	\$ 79,165,187
Disposals	(20,165)	(30,999)	(7,146,668)	(107,307)	(552,272)	(23,458)	(8,059,869)
Acquisition through a merger	-	-	3,608	224,714	-	(64,279,235)	(28,819)
Reclassification	-	101,230	3,943,029	297,294	228,532	-	228,322
Balance at December 31, 2018	<u>\$ 1,150,722</u>	<u>\$ 2,247,660</u>	<u>\$ 56,257,585</u>	<u>\$ 11,099,865</u>	<u>\$ 4,100,303</u>	<u>\$ 1,207,021</u>	<u>\$ 76,073,086</u>
Accumulated depreciation and impairment							
Balance at January 1, 2018	\$ -	\$ (1,104,277)	\$ (16,382,703)	\$ (9,993,051)	\$ (3,677,196)	\$ -	\$ (30,257,227)
Depreciation expense	-	(71,234)	(6,848,305)	(852,294)	(330,037)	-	(8,100,870)
Disposals	-	23,824	6,793,080	107,188	523,443	-	7,447,535
Acquisition through a merger	-	-	(1,801)	(178,792)	-	-	(1,800,993)
Reclassification	-	-	-	-	-	-	-
Balance at December 31, 2018	<u>\$ 1,150,722</u>	<u>\$ (1,151,687)</u>	<u>\$ (16,439,729)</u>	<u>\$ (10,016,949)</u>	<u>\$ (3,483,790)</u>	<u>\$ -</u>	<u>\$ (31,092,155)</u>
Carrying amount at December 31, 2018	<u>\$ 1,150,722</u>	<u>\$ 1,095,973</u>	<u>\$ 19,817,856</u>	<u>\$ 1,082,916</u>	<u>\$ 616,513</u>	<u>\$ 1,207,021</u>	<u>\$ 34,986,831</u>

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

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

12. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

Cost	Buildings	Other Equipment	Total
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>
Accumulated depreciation			
Balance at January 1, 2019	\$ (7,887,020)	\$ (183,721)	\$ (8,070,741)
Depreciation expense	(3,337,935)	(94,810)	(3,432,745)
Disposals	3,253,179	108,093	3,361,272
Balance at December 31, 2019	<u>\$ (7,971,776)</u>	<u>\$ (170,438)</u>	<u>\$ (8,142,214)</u>
Carrying amount at December 31, 2019	<u>\$ 7,775,639</u>	<u>\$ 130,025</u>	<u>\$ 7,905,664</u>

b. Lease liabilities - 2019

Item	Lease Term	Discount Rate
Building	2000.10.01-2029.09.19	0.71%-1.44%
Other Equipment	2017.01.03-2022.10.23	0.71%-0.89%
		<u>\$ 7,522,038</u>
Lease liabilities - current		<u>\$ 2,583,464</u>
Lease liabilities - non-current		<u>\$ 4,938,574</u>
		<u>\$ 7,522,038</u>

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

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

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

d. Other lease information

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

2019

For the Year Ended December 31, 2019

Expenses relating to short-term leases \$ 665,529
Total cash outflow for leases \$ (4,117,680)

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

2018

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

December 31, 2018

\$ 3,054,092
5,059,255
13,856
\$ 8,127,203

Not later than 1 year
Later than 1 year and not later than 5 years
Later than 5 years

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

For the Year Ended December 31, 2018

\$ 3,549,321

Minimum lease payments

13. INVESTMENT PROPERTIES

December 31
2019 **2018**

Investment properties \$ 734,944 \$ 739,771

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

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

The maturity analysis of lease payments receivable under operating leases of investment properties as of December 31, 2019 is as follows:

December 31,
2019

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

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

December 31,
2018

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

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

December 31
2019 **2018**

Independent valuation \$ 734,944 \$ 739,771

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

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

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

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

The market rentals in the area where the investment properties are located were between \$1 thousand and \$19 thousand per ping per month (1 ping = 3.3 square meters). The market rentals for comparable properties were between \$1 thousand and \$16 thousand per ping per month.

All of the investment properties have been leased out under operating leases. The rental incomes generated for the years ended December 31, 2019 and 2018 were \$15,375 thousand and \$16,352 thousand, respectively.

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

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

14. INTANGIBLE ASSETS

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

(Continued)

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

(Concluded)

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

Concessions	13.5 to 17.75 years
Computer software	3 to 7 years

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

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

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

- Expected future growth rate of the telecommunications industry
 - 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.
 - 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.
 - Expected ratio of service EBITDA (earnings before interest, taxes, depreciation and amortization) to operating revenue: The expected ratio is anticipated based on the historical ratio of EBITDA to operating revenue, while the possible impact of revenue, cost and expense are taken into account individually.
- Based on the key assumptions of each cash-generating unit, for the years ended December 31, 2019 and 2018, the Company's management believes that the carrying amounts of operating assets and goodwill did not exceed their recoverable amounts even if there were reasonable changes in the critical assumptions used to estimate the recoverable amounts.

15. BORROWINGS

- Short-term borrowings

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

- Short-term bills payable

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

- Long-term borrowings

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

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

16. BONDS PAYABLE

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

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

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

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

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

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

17. OTHER LIABILITIES

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

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

Noncurrent

Credit balance on the carrying amount of investments accounted for using the equity method

Lease payables

	December 31	
	2019	2018
	\$ 582,357	\$ 405,011
	<u>-</u>	<u>47,260</u>
	<u>\$ 582,357</u>	<u>\$ 452,271</u>

18. PROVISIONS

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

	Dismantling Obligation	Product Warranty
Balance at January 1, 2019	\$ 367,802	\$ 19,816
Additional provisions recognized	45,592	18,763
Reductions arising from payments	<u>(11,655)</u>	<u>(20,159)</u>
Balance at December 31, 2019	<u>\$ 401,739</u>	<u>\$ 18,420</u>
Balance at January 1, 2018	\$ 360,454	\$ 25,361
Acquisition through a merger	13,370	-
Additional provisions recognized	58,534	23,830
Reductions arising from payments	<u>(64,556)</u>	<u>(29,375)</u>
Balance at December 31, 2018	<u>\$ 367,802</u>	<u>\$ 19,816</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, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plan

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

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

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

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

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

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

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the corporate/government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

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

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

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

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

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

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

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

20. EQUITY

- a. Capital stock
- 1) Common stock

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

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

2) Global 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, 2019 and 2018, there were 194 thousand and 195 thousand units of GDRs outstanding, representing 2,917 thousand and 2,921 thousand common stock, respectively.

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

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

b. Capital surplus

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

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

c. Retained earnings and dividend policy

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

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

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

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

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

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

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

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

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

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

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

d. Special reserve

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

e. Other equity items

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

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

21. REVENUE

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

a. Contract information

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

b. Contract balances

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

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

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

For the Year Ended December 31

	2019	2018
Contract assets		
Transfers of beginning balance to accounts receivable	\$ (4,075,086)	\$ (4,244,776)

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

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

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

	For the Year Ended December 31	2018
Balance at January 1	\$ 135,925	\$ -
Add: Net remeasurement of loss allowance	<u>-</u>	<u>135,925</u>
Balance at December 31	\$ <u>135,925</u>	\$ <u>135,925</u>

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

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

c. Assets related to contract costs

	December 31	2018
Non-current		
Incremental costs of obtaining a contract	\$ <u>3,999,985</u>	\$ <u>2,106,684</u>

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

d. Disaggregation of revenue

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

e. Partially completed contracts

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

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

	For the Year Ended December 31	2019	2018
a. Other income			
Management services revenue	\$ 49,207	\$ 50,189	\$ 50,189
Interest income	34,524	33,131	33,131
Rental income	33,662	43,273	43,273
Government grants	32,098	354	354
Dividend income	<u>5,400</u>	<u>-</u>	<u>-</u>
	\$ <u>154,891</u>	\$ <u>126,947</u>	\$ <u>126,947</u>
b. Other gains and losses			
Gain from property insurance claims	\$ 3,051	\$ 72,853	\$ 72,853
Others	<u>71,840</u>	<u>105,073</u>	<u>105,073</u>
	\$ <u>74,891</u>	\$ <u>177,926</u>	\$ <u>177,926</u>
c. Depreciation and amortization			
Property, plant and equipment	\$ 7,702,717	\$ 8,101,870	\$ 8,101,870
Right-of-use assets	3,432,745	-	-
Intangible assets	<u>842,021</u>	<u>759,851</u>	<u>759,851</u>
	\$ <u>11,977,483</u>	\$ <u>8,861,721</u>	\$ <u>8,861,721</u>
Depreciation expense categorized by function			
Operating costs	\$ 9,905,769	\$ 7,288,674	\$ 7,288,674
Operating expenses	<u>1,229,693</u>	<u>813,196</u>	<u>813,196</u>
	\$ <u>11,135,462</u>	\$ <u>8,101,870</u>	\$ <u>8,101,870</u>
Amortization expense categorized by function			
Operating costs	\$ 176,960	\$ 195,010	\$ 195,010
Marketing expenses	161,340	116,237	116,237
General and administrative expenses	<u>503,721</u>	<u>448,604</u>	<u>448,604</u>
	\$ <u>842,021</u>	\$ <u>759,851</u>	\$ <u>759,851</u>

d. Financial costs

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

e. Employee benefits expense

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

For the Year Ended December 31, 2018

	For the Year Ended December 31, 2018		
	Operating Costs	Operating Expenses	Costs or Expenses Deduction
			Total
Retirement benefits			
Defined contribution plans	\$ 33,252	\$ 119,817	\$ 36,905
Defined benefit plans	4,609	16,609	-
Other employee benefits			
Salary	723,863	3,970,941	770,987
Insurance	59,758	336,302	63,190
Remuneration of directors	-	92,447	-
Others	<u>21,581</u>	<u>233,417</u>	<u>27,042</u>
	<u>\$ 843,063</u>	<u>\$ 4,769,533</u>	<u>\$ 898,124</u>
			<u>\$ 6,510,720</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 5,852 and 6,386, both of which include 11 directors not serving concurrently as employees, for the years ended December 31, 2019 and 2018, respectively.

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

f. Employees' compensation and remuneration of directors

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

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

	For the Year Ended December 31, 2019	2018
Employees' compensation	\$ 213,933	\$ 233,689
Remuneration of directors	<u>77,016</u>	<u>84,128</u>

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

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

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

23. INCOME TAX

a. Income tax recognized in profit or loss

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

	For the Year Ended December 31, 2019	2018
Current tax	\$ 1,628,425	\$ 1,568,931
Deferred tax	<u>42,310</u>	<u>416,336</u>
	<u>\$ 1,670,735</u>	<u>\$ 1,985,267</u>

Income tax expense recognized in profit or loss

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

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

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

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

b. Income tax recognized in other comprehensive income

	<u>For the Year Ended December 31</u>	<u>2019</u>	<u>2018</u>
<u>Deferred tax</u>			
Effect of change in tax rate - remeasurement of defined benefit plan		\$ -	\$ 10,790
Remeasurement of defined benefit plan		<u>(2,767)</u>	<u>(10,708)</u>
Income tax recognized in other comprehensive income		<u>\$ (2,767)</u>	<u>\$ 82</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, 2019</u>		<u>For the year ended December 31, 2018</u>	
	<u>Opening Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in Other Comprehensive Income</u>	<u>Closing Balance</u>
Deferred income tax assets				
Allowance for impairment loss	\$ 355,273	\$ (99,715)	\$ -	\$ 255,558
Defined benefit obligation	130,501	(32,009)	(2,767)	95,725
Others	<u>215,685</u>	<u>89,414</u>	<u>-</u>	<u>305,099</u>
	<u>\$ 701,459</u>	<u>\$ (42,310)</u>	<u>\$ (2,767)</u>	<u>\$ 656,382</u>
Deferred income tax liabilities				
Amortization of goodwill	\$ 2,056,606	\$ -	\$ -	\$ 2,056,606
Investment property	<u>15,659</u>	<u>-</u>	<u>-</u>	<u>15,659</u>
	<u>\$ 2,072,265</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,072,265</u>

For the year ended December 31, 2018

	<u>For the year ended December 31, 2018</u>		<u>For the year ended December 31, 2017</u>	
	<u>Opening Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in Other Comprehensive Income</u>	<u>Closing Balance</u>
Deferred income tax assets				
Allowance for impairment loss	\$ 333,490	\$ 21,783	\$ -	\$ 355,273
Defined benefit obligation	122,334	8,085	82	130,501
Others	<u>219,512</u>	<u>(3,827)</u>	<u>-</u>	<u>215,685</u>
	<u>\$ 675,336</u>	<u>\$ 26,041</u>	<u>\$ 82</u>	<u>\$ 701,459</u>
Deferred income tax liabilities				
Amortization of goodwill	\$ 1,613,645	\$ 442,961	\$ -	\$ 2,056,606
Investment property	<u>16,243</u>	<u>(584)</u>	<u>-</u>	<u>15,659</u>
	<u>\$ 1,629,888</u>	<u>\$ 442,377</u>	<u>\$ -</u>	<u>\$ 2,072,265</u>

d. Income tax assessments

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

24. EARNINGS PER SHARE

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

	2019	2018
Net Income		
Net income	\$ 8,734,984	\$ 9,381,351
Effect of potentially dilutive common stock:		
Employees' compensation	-	-
Earnings used in the calculation of diluted earnings per share	<u>\$ 8,734,984</u>	<u>\$ 9,381,351</u>

Weighted Average Number of Common Stock Outstanding

	(In Thousands of Shares)	
	2019	2018
Weighted average number of common stock used in the calculation of basic earnings per share	3,258,501	3,258,501
Effect of potentially dilutive common stock:		
Employees' compensation	3,424	3,587
Weighted average number of common stock used in the calculation of diluted earnings per share	<u>3,261,925</u>	<u>3,262,088</u>

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

25. DISPOSAL OF SUBSIDIARIES

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

26. EQUITY TRANSACTIONS WITH NONCONTROLLING INTERESTS

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

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

27. CAPITAL MANAGEMENT

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

28. FINANCIAL INSTRUMENTS

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

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

	December 31		
	2019	Fair Value	2018
	Carrying Amount	Fair Value	Carrying Amount
<u>Financial assets</u>			
Refundable deposits	\$ 739,399	\$ 694,069	\$ 543,268
<u>Financial liabilities</u>			
Bonds payable	30,271,462	30,427,690	25,583,418

2) Fair value hierarchy

	December 31, 2019			Total
	Level 1	Level 2	Level 3	
<u>Financial assets</u>				
Refundable deposits	\$ -	\$ -	\$ 694,069	\$ 694,069
<u>Financial liabilities</u>				
Bonds payable	\$ 30,427,690	\$ -	\$ -	\$ 30,427,690
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets</u>				
Refundable deposits	\$ -	\$ -	\$ 542,564	\$ 542,564
<u>Financial liabilities</u>				
Bonds payable	\$ 25,583,418	\$ -	\$ -	\$ 25,583,418

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

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

1) Fair value hierarchy

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

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

Financial assets measured at fair value through other comprehensive income

Domestic unlisted common stock

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

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

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

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

Financial Instrument	Valuation Techniques and Inputs	
	2019	2018
Domestic unlisted common stock	a) Asset-based approach. Valuation based on the fair value of an investee, calculated through each investment of the investee using the income approach, market approach or a combination of the two approaches, while also taking the liquidity premium into consideration.	a) Asset-based approach. Valuation based on the fair value of an investee, calculated through each investment of the investee using the income approach, market approach or a combination of the two approaches, while also taking the liquidity premium into consideration.
	b) Transaction method of market approach. The approach is a valuation strategy that looks at market ratios of companies with similar profitability at the end of the reporting period, while taking the liquidity premium into consideration.	b) Transaction method of market approach. The approach is a valuation strategy that looks at market ratios of companies with similar profitability at the end of the reporting period, while taking the liquidity premium into consideration.

c. Categories of financial instruments

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

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

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

d. Financial risk management objectives and policies

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

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

1) Market risk

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

a) Foreign currency risk

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

Foreign currency sensitivity analysis

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

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

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

b) Interest rate risk

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

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

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

Sensitivity analysis

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

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

c) Other price risk

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

Sensitivity analysis

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

If equity prices had been 5% higher/lower, the pre-tax other comprehensive income for the years ended December 31, 2019 and 2018 would have increased/decreased by \$9,935 thousand and \$9,562 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

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

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

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

3) Liquidity risk

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

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

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

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

Additional information about the maturity analysis for lease liabilities:

	Within 1 Year	1-5 Years	5-10 Years
Lease liabilities	<u>\$ 2,643,387</u>	<u>\$ 4,973,507</u>	<u>\$ 27,400</u>

29. TRANSACTIONS WITH RELATED PARTIES

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

a. The Company's related parties and their relationships

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

(Continued)

Related Party	Relationship with the Company
Qware Communications Co., Ltd. (Qware)	Subsidiary (dissolved after merging with the Company on June 30, 2018)
Far Eastern Info Service (Holding) Ltd. (FEIS)	Subsidiary
KGEX.com Co., Ltd.	Subsidiary
Yuan Qing Co., Ltd.	Subsidiary
Yuanshi Digital Technology Co., Ltd.	Subsidiary
Yuan Bao Fintech Co., Ltd.	Subsidiary
Far Eastern Tech-info Ltd. (Shanghai)	Subsidiary of FEIS
Omusic Co., Ltd.	Subsidiary (disposed of on April 30, 2019)
New Century InfoComm Tech Co., Ltd. (NCIC)	Subsidiary
Nextlink Technology Co., Ltd. (Nextlink)	Subsidiary of NCIC (from March 2019)
Microfusion Technology Co., Ltd.	Subsidiary of Nextlink
Nextlink (HK) Technology Co., Ltd. (Nextlink (HK))	Subsidiary of Nextlink
Nextlink (Shanghai) Technology Co., Ltd.	Subsidiary of Nextlink (HK)
Prime Ecopower Co., Ltd.	Subsidiary of NCIC
Information Security Service Digital United Inc.	Subsidiary of NCIC
New Diligent Co., Ltd. (New Diligent)	Subsidiary of NCIC
Sino Lead Enterprise Limited	Subsidiary of New Diligent
New Diligent Hong Kong Co., Ltd.	Subsidiary of New Diligent
Far Eastern New Diligent Company Ltd. (FEND)	Subsidiary of New Diligent
Far Eastern New Century Information Technology (Beijing) Limited	Subsidiary of FEND
Digital United (Cayman) Ltd. (DU Cayman)	Subsidiary of NCIC
Digital United Information Technologies (Shanghai) Co., Ltd.	Subsidiary of DU Cayman
Far Eastern Electronic Toll Collection Co., Ltd.	Subsidiary of FENC
Ding Ding Integrated Marketing Service Co., Ltd.	Subsidiary of FENC
Far Eastern International Leasing Corp.	Other related party (equity-method investee of subsidiary of FENC)
Telecommunication and Transportation Foundation	Other related party (the Company's donation is over one third of the foundation's fund)
Far Eastern Apparel Co., Ltd.	Subsidiary of FENC
Far Cheng Human Resources Consultant Corp.	Subsidiary of FENC
Far Eastern Resource Development Co., Ltd.	Subsidiary of FENC
Pacific Sogo Department Stores Co., Ltd. (SOGO)	Other related party (same chairman as parent company's)
Far Eastern Big City Shopping Malls Co., Ltd.	Subsidiary of SOGO
Far Eastern Citysuper Co., Ltd.	Other related party (same chairman as parent company's)
Ya Tung Department Store Co., Ltd.	Other related party (same chairman as parent company's)
Fu Dar Transportation Corporation	Other related party (same chairman as parent company's)
Fu-Ming Transportation Co., Ltd.	Other related party (same chairman as parent company's)
YDT Technology International Co., Ltd.	Subsidiary of FENC
Nan Hwa Cement Corporation	Other related party (same chairman as parent company's)
Ya Tung Ready Mixed Concrete Co., Ltd.	Other related party (same chairman as parent company's)

(Continued)

Related Party	Relationship with the Company
Oriental Securities Corporation Ltd.	Other related party (equity-method investee of FENC)
Yuan Ding Co., Ltd.	Subsidiary of FENC
Far Eastern Department Stores Co., Ltd.	Other related party (same chairman as the Company's)
Asia Cement Co., Ltd.	Other related party (same chairman as the Company's)
Oriental Union Chemical Corporation	Other related party (same chairman as the Company's)
Far Eastern Ai Mai Co., Ltd.	Other related party (same chairman as the Company's)
Far Eastern Hospital	Other related party (same chairman as the Company's)
Oriental Institute of Technology	Other related party (same chairman as the Company's)
Far Eastern Plaza Hotel	Subsidiary of FENC
Yuan-Ze University	Other related party (same chairman as the Company's)
U-Ming Marine Transport Corporation	Other related party (same chairman as the Company's)
Chiahui Power Corporation	Other related party (same chairman as the Company's)
Far Eastern Medical Foundation	Other related party (same chairman as the Company's)
Far Eastern International Bank (FEIB)	Other related party (the Company's chairman is FEIB's vice chairman)
Far Eastern Construction Co., Ltd.	Subsidiary of FENC
Fu Kwok Garment Manufacturing Co., Ltd.	Subsidiary of FENC
Oriental Petrochemical (Taiwan) Co., Ltd.	Subsidiary of FENC
Air Liquide Far Eastern Co., Ltd.	Other related party (equity-method investee of FENC)
Far Eastern General Contractor Inc.	Subsidiary of FENC
Oriental Resources Development Limited	Subsidiary of FENC
Far Eastern Fibertech Co., Ltd.	Subsidiary of FENC
Far Eastern Realty Management Co., Ltd.	Subsidiary of FENC
Ding & Ding Management Consultant Co., Ltd.	Other related party (substantive related party)
Yuan Hsin Digital Payment Co., Ltd.	Subsidiary of FENC
Alliance Digital Technology Co., Ltd.	Associate (dissolved on December 31, 2018 and the liquidation procedures have not been completed)
Far Eastern Memorial Foundation	Other related party (same chairman as the Company's)
FETC International Co., Ltd.	Subsidiary of FENC
Far Eastern Investment (Holding) Ltd.	Subsidiary of FENC
Kaohsiung Rapid Transit Corporation	Other related party (substantive related party)
Everest Textile Co., Ltd.	Other related party (substantive related party)
Systex Corporation	Other related party (juristic-person director of associate)

(Continued)

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

(Concluded)

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

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

c. Operating costs and expenses

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

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

d. Property transactions

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

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

e. Lease arrangements - the Company is lessee

	<u>For the Year Ended December 31, 2019</u>	<u>December 31, 2019</u>
Acquisition of right-of-use assets	\$ 14,550	
Other related parties		
Lease liabilities - current		
FENC	\$ 3,207	\$ 3,207
Subsidiaries of FENC	33,226	33,226
Other related parties	23,199	23,199
	<u>\$ 59,632</u>	<u>\$ 59,632</u>

(Continued)

December 31, 2019

Lease liabilities - noncurrent		
FENC	\$ 4,494	
Subsidiaries of FENC	45,356	
Other related parties	25,753	
	<u>\$ 75,603</u>	

(Concluded)

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

	<u>For the Year Ended December 31</u>	<u>2018</u>
Financial costs		
FENC	\$ 92	\$ -
Subsidiaries of FENC	980	-
Subsidiaries	31	-
Other related parties	504	-
	<u>\$ 1,607</u>	<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>2018</u>
Other related parties		
FEIB	\$ 1,864,477	\$ 1,787,775

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

g. Receivables and payables - related parties

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

(Continued)

	December 31	
	2019	2018
Other receivables - related parties (not including loans to related parties)		
Subsidiaries of FENC	\$ 3,252	\$ 3,832
Subsidiaries		
NCIC	17,468	11,413
ARCOA	26,695	1,602
Others	18,242	15,266
Associates	62,405	28,281
Other related parties	-	6,149
	5,877	3,991
	<u>\$ 71,534</u>	<u>\$ 42,253</u>
Accounts payable - related parties		
Subsidiaries of FENC	\$ 703	\$ 112
Subsidiaries		
ARCOA	929,440	591,465
Others	36,097	72,571
Other related parties	965,537	664,036
	1,275	1,179
	<u>\$ 967,515</u>	<u>\$ 665,327</u>
Other payables - related parties (not including loans from related parties)		
FENC	\$ 22,436	\$ 23,144
Subsidiaries of FENC	75,549	81,342
Subsidiaries		
NCIC	600,826	644,017
Others	154,496	156,435
Other related parties	755,322	800,452
	7,160	3,341
	<u>\$ 860,467</u>	<u>\$ 908,279</u>
		(Concluded)
h. Refundable deposits		
Refundable deposits		
Subsidiaries of FENC	\$ 20,449	\$ 23,517
Subsidiaries	4,430	4,430
Other related parties	1,406	1,441
	<u>\$ 26,285</u>	<u>\$ 29,388</u>

i. Others

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

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

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

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

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

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

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

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

33. SEPARATELY DISCLOSED ITEMS

- a. Information about significant transactions and the Company's investees:
 - 1) Financing provided to others: (Schedule A)
 - 2) Endorsements/guarantees provided: (None)
 - 3) Marketable securities held (excluding investment in subsidiaries, associates and jointly controlled entities): (Schedule B)
 - 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: (Schedule C)
 - 5) Acquisition of real estate at costs of at least NT\$300 million or 20% of the paid-in capital: (None)
 - 6) Disposal of real estate at prices of at least NT\$300 million or 20% of the paid-in capital: (None)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: (Schedule D)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: (Schedule E)
 - 9) Trading in derivative transactions: (None)
 - 10) Information on investees: (Schedule F)
- b. Information on investments in mainland China
 - 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: (Schedule G)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (None)
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEEs

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note A)	Aggregate Financing Limits (Note A)
													Item	Value		
1	New Century InfoComm Tech Co., Ltd.	Yuanshi Digital Technology Co., Ltd. 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 7,500,000 2,500,000	\$ 300,000 7,500,000 1,500,000	\$ 300,000 3,500,000 400,000	1.53% 0.83% 0.83%	Short-term financing Short-term financing Transaction	\$ - - 2,547,833	For business operations For business operations -	\$ - - -	\$ - - -	\$ 8,327,941 8,327,941 2,547,833	\$ 11,897,058 11,897,058 11,897,058	

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

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

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

Holding Company Name	Type and Name of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2019			Note	
				Number of Shares	Carrying Amount	Percentage of Ownership (%)		Fair Value
Far EasTone Telecommunications Co., Ltd.	Stock App Works Fund II Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	8,850,000	\$ 104,620	11.11	\$ 104,620	B
	CDIB Capital Innovation Accelerator Limited	-	Financial assets at fair value through other comprehensive income - noncurrent	9,000,000	94,081	10.71	94,081	B
ARCOA Communication Co., Ltd.	Stock THI consultants	-	Financial assets at fair value through other comprehensive income - noncurrent	1,213,594	12,190	18.32	12,190	B
	Web Point Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	160,627	1,618	0.63	1,618	B
New Century InfoComm Tech Co., Ltd.	Stock Kaohsiung Rapid Transit Corporation	Other related party	Financial assets at fair value through other comprehensive income - noncurrent	8,858,191	50,846	3.18	50,846	B
	Bank Pro E-service Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	450,000	4,500	3.33	4,500	B
	Stock certificate Changing.ai Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	500,000	29,980	2.50	29,980	B
Digital United (Cayman) Ltd.	<u>Overseas funds</u> Opas Fund Segregated Portfolio Tranche A	Other related party	Financial asset at fair value through profit or loss - current	13,491,781	462,442	-	462,442	A
	Opas Fund Segregated Portfolio Tranche B	Other related party	Financial asset at fair value through profit or loss - current	5,000,000	166,896	-	166,896	A
	Stock certificate TBCASoft, Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	980,435	149,900	6.77	149,900	B

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEEES

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

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

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

Note B: The amount is the cost of acquisition.

SCHEDULE D

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEEES

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

Purchaser (Seller) of Goods	Related Party	Relationship	Purchase/Sale	Transaction Details		Abnormal Transaction Unit Price	Payment Terms	Accounts/other Receivables (Payables) Financial Statement Account and Ending Balance	% of Total
				Amount	% of Total				
Far EastTone Telecommunications Co., Ltd.	ARCOA Communication Co., Ltd.	Subsidiary	Operating costs and marketing expenses	\$ 8,074,786	16	\$ -	-	Accounts payable and other payables	(7)
	New Century InfoComm Tech Co., Ltd.	Subsidiary	Operating revenue	(331,812)	(1)	-	-	Accounts receivable	2
			Operating revenue	(234,169)	-	-	-	Accounts receivable	-
			Operating costs	2,313,664	5	-	-	Accounts payable and other payables (Note A)	(4)
	Yuanshi Digital Technology Co., Ltd.	Subsidiary	Operating revenue	(192,138)	-	-	-	Accounts receivable	1
	Far Cheng Human Resources Consultant Corp.	Same ultimate parent company	Service fee	128,293	1	-	-	Other payables	-
	Far East Tone Telecommunications Co., Ltd.	Parent company	Operating revenue	(2,313,664)	(22)	-	-	Accounts receivable (Note B)	37
			Operating costs	234,169	3	-	-	Accounts payable	-
	KGEx. com. Co., Ltd.	Same parent company	Operating costs and rental	105,384	1	-	-	Accounts payable and other payables	(1)
	Sino Lead Enterprise Limited	Subsidiary	Operating costs	112,647	2	-	-	Accounts payable	(1)
	Far East Tone Telecommunications Co., Ltd.	Parent company	Operating revenue	(8,074,786)	(67)	-	-	Accounts receivable	66
			Operating costs	331,812	3	-	-	Accounts payable	(7)
	Home Master Technology Ltd.	Subsidiary of DataExpress Infotech Co., Ltd.	Operating revenue	(1,050,123)	(9)	-	-	Accounts receivable	18
	New Century InfoComm Tech Co., Ltd.	Same parent company	Operating revenue	(105,384)	(19)	-	-	Accounts receivable	43
	New Century InfoComm Tech Co., Ltd.	Parent company	Operating revenue	(112,647)	(100)	-	-	Accounts receivable	56
	Linkwell Tech. Ltd.	Subsidiary	Operating costs	154,094	4	-	-	Accounts payable	(1)
	Home Master Technology Ltd.	Subsidiary	Operating revenue	(198,153)	(5)	-	-	Accounts receivable	-
	Far East Tone Telecommunications Co., Ltd.	Parent company	Operating costs	192,138	12	-	-	Accounts payable	(22)
	DataExpress Infotech Co., Ltd.	Parent company	Operating revenue	(154,094)	(27)	-	-	Accounts receivable	24
	ARCOA Communication Co., Ltd.	Parent company	Operating costs	1,050,123	69	-	-	Accounts payable	(97)
	DataExpress Infotech Co., Ltd.	Parent company	Operating costs	198,153	13	-	-	Accounts payable	-

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 INVESTEEES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
Far EasTone Telecommunications Co., Ltd.	ARCOA Communication Co., Ltd.	Subsidiary	\$ 122,568	13.44	\$ -	-	\$ 69,413	\$ -
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd. Yuanshi Digital Technology Co., Ltd.	Parent company Subsidiary of Far EasTone Telecommunications Co., Ltd.	4,514,694 303,176	(Note A) (Note B)	-	-	269,714 800	-
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd. Home Master Technology Ltd.	Parent company Subsidiary of DataExpress Infotech Co., Ltd.	972,158 263,033	10.00 3.78	-	-	448,358 97,711	-

Note A: All interconnection revenue, cost and collection of international direct dial revenue between the Company and NCIC were settled at net amounts and were included in accounts receivable/payable - related parties. The turnover rate was unavailable as the receivables from related parties were due to the collection of telecommunications bills by the Company for NCIC.

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

SCHEDULE F

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEEES

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

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of December 31, 2019		Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2019	December 31, 2018	Number of Shares	Percentage of Ownership (%)			
Far Eastone Telecommunication Co., Ltd.	New Century InfoComm Tech Co., Ltd.	Taiwan	Type II telecommunications services	\$ 22,249,283	\$ 22,249,283	2,100,000,000	100.00	\$ 1,432,896	\$ 1,329,613	A
	ARCOA Communication Co., Ltd.	Taiwan	Sales of communications products and office equipment	1,305,802	1,305,802	82,762,221	61.63	178,773	(186,023)	A
New Century InfoComm Tech Co., Ltd.	KGFEX.com Co., Ltd.	Taiwan	Type II telecommunications services	2,340,472	2,340,472	68,897,234	99.99	877,725	149,625	A
	Yuan-shi Digital Technology Co., Ltd.	Taiwan	Electronic information services	886,169	886,169	90,014,424	86.41	(205,230)	(177,346)	A
	Yuan Qing Co., Ltd.	Taiwan	Call center services	92,616	92,616	2,000,000	100.00	6,843	6,843	A and E
	Far Eastone Info Service (Holding) Ltd.	Bermuda	Investment	60,000	60,000	1,200	100.00	(7)	(7)	A
	Omnicast Co., Ltd.	Taiwan	Electronic information services	25,000	25,000	-	100.00	1,431	714	A
ARCOA Communication Co., Ltd.	Yuan Bao Fintech Co., Ltd.	Taiwan	Data processing services and electronic information services	60,000	60,000	6,000,000	100.00	59,680	(320)	A
	Far Eastern Electronic Toll Collection Co., Ltd.	Taiwan	Electronic information services and electronic toll collection service	2,542,396	2,542,396	118,250,967	39.42	1,051,441	164,534	B
ARCOA Communication Co., Ltd.	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	139,500	139,500	5,446,644	15.00	47,200	(48,697)	B
	Yuan Hsin Digital Payment Co., Ltd.	Taiwan	Other financing and supporting services	600,000	600,000	23,302,111	30.00	164,513	(228,345)	B
New Century InfoComm Tech Co., Ltd.	DataExpress Infotech Co., Ltd.	Taiwan	Sale of communications products	141,750	141,750	12,866,353	70.00	233,027	-	C
	New Diligent Co., Ltd.	Taiwan	Investments	540,000	540,000	54,000,000	100.00	86,448	415	C
	Information Security Service Digital United Inc.	Taiwan	Security and monitoring service via internet	148,777	148,777	10,249,047	100.00	133,306	24,205	C
	Digital United (Cayman) Ltd.	Cayman Islands	Investments	317,446	317,446	10,320,000	100.00	191,698	(1,075)	C
	Yuan-shi Digital Technology Co., Ltd.	Taiwan	Electronic information services	20,000	20,000	2,499,617	2.40	(16,171)	(205,230)	A
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	46,500	46,500	1,815,548	5.00	15,733	(48,697)	B
	Prime Ecopower Co., Ltd.	Taiwan	Energy technology services	160,000	160,000	16,000,000	100.00	140,448	(14,868)	C
	Drive Catalyst SP-SP Franchise One	Cayman Islands	Investments	123,220	123,220	4,000	25.00	3,831	3,831	B
	Drive Catalyst SP-SP Franchise Three	Cayman Islands	Investments	420,000	420,000	4,000	25.00	119,174	(3,076)	B
	Nextlink Technology Co., Ltd.	Taiwan	Electronic information services	-	-	3,430,000	70.00	409,810	2,999	C
New Diligent Co., Ltd.	Sino Lead Enterprise Limited	Hong Kong	Telecommunications services	125	125	30,000	100.00	295	53	C
	Far Eastern New Diligent Company Ltd.	British Virgin Islands	Investments	330,598	330,598	-	100.00	24,180	306	C
DataExpress Infotech Co., Ltd.	New Diligent Hong Kong Co., Ltd.	Hong Kong	Investments	3,051	3,051	-	100.00	2,709	(226)	C
	Linkwell Tech. Ltd.	Taiwan	Sale of communications products	10,000	10,000	-	100.00	65,428	15,471	C
Nextlink Technology Co., Ltd.	Home Master Technology Ltd.	Taiwan	Sale of communications products	10,000	10,000	-	100.00	45,477	29,152	C
	Nextlink (HK) Technology Co., Ltd.	Hong Kong	Electronic information services	17,000	17,000	2,600,000	100.00	16,462	9,093	C
Microfusion Technology Co., Ltd.	Nextlink (HK) Technology Co., Ltd.	Hong Kong	Electronic information services	973	973	-	100.00	5,523	(2,646)	C
	Microfusion (HK) Technology Co., Ltd.	Hong Kong	Electronic information services	-	-	-	-	-	-	C and F

Note A: Subsidiary.

Note B: Investee of the Company or NICC, accounted for using the equity method.

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

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

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND INVESTEEES

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

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

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

Note A: Method of investment is as follows:

- The Company made the investment directly.
- 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.
- Others.

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

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

Note D: The amount includes US\$11,427,000 from an investee company which was dissolved, but the registration of the investment amount had not been written off with the Investment Commission of the MOEA. In addition, an investment amount of US\$73,000 registered with the Investment Commission of the MOEA was remitted back to Taiwan on June 27, 2012 and the same amount was written off on the same date.

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

遠傳四大核心價值





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