

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

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2020 and 2019 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Far EasTone Telecommunications Co., Ltd. ("Far EasTone") and its subsidiaries (collectively, the "Group") as of September 30, 2020 and 2019, the related consolidated statements of comprehensive income for the three months ended September 30, 2020 and 2019 and the nine months ended September 30, 2020 and 2019, the related consolidated statements of changes in equity and cash flows for the nine months ended September 30, 2020 and 2019 and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2020 and 2019, its consolidated financial performance for the three months ended September 30, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 5, 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 review such consolidated financial statements are those generally applied in the Republic of China.

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2020 (Reviewed)		December 31, 2019 (Audited)		September 30, 2019 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Notes 6 and 33)	\$ 4,130,791	3	\$ 7,874,817	6	\$ 5,161,052	4
Financial assets at fair value through profit or loss - current (Note 32)	651,496	-	629,338	-	616,447	1
Financial assets at amortized cost - current (Notes 8 and 33)	664,287	-	485,587	-	482,752	-
Contract assets - current (Note 24)	4,850,843	3	4,186,206	3	4,122,595	3
Notes receivable, net (Note 9)	24,678	-	517,177	-	69,626	-
Accounts receivable, net (Notes 9 and 33)	7,326,687	4	7,896,860	6	8,457,507	6
Inventories (Note 10)	2,147,716	1	2,968,819	2	3,462,920	3
Prepaid expenses	1,012,398	1	826,392	1	1,004,340	1
Other financial assets - current (Notes 33 and 34)	881,116	1	1,725,496	1	1,736,765	1
Other current assets (Notes 24 and 33)	<u>191,633</u>	<u>-</u>	<u>146,525</u>	<u>-</u>	<u>156,819</u>	<u>-</u>
Total current assets	<u>21,881,645</u>	<u>13</u>	<u>27,257,217</u>	<u>19</u>	<u>25,270,823</u>	<u>19</u>
NONCURRENT ASSETS						
Financial assets at fair value through other comprehensive income - noncurrent (Notes 7 and 32)	839,394	-	447,735	-	442,238	-
Investments accounted for using the equity method (Note 12)	1,623,971	1	1,519,761	1	1,384,054	1
Contract assets - noncurrent (Note 24)	3,048,394	2	2,333,037	2	2,183,379	2
Property, plant and equipment, net (Notes 13 and 33)	36,518,838	21	36,257,748	27	36,932,445	28
Right-of-use assets (Notes 14 and 33)	8,565,271	5	8,312,232	6	8,179,144	6
Investment properties (Note 15)	983,635	1	983,635	1	992,546	1
Concessions, net (Notes 1 and 16)	76,302,671	45	35,852,369	27	36,561,340	27
Goodwill (Notes 16 and 28)	11,176,831	7	11,176,831	8	11,176,831	8
Other intangible assets (Note 16)	3,178,515	2	3,505,317	3	3,529,189	3
Deferred income tax assets (Note 4)	773,537	-	822,228	1	879,778	1
Incremental costs of obtaining a contract - noncurrent (Note 24)	3,195,315	2	3,398,107	3	3,200,141	2
Other noncurrent assets (Notes 4, 9, 17 and 33)	<u>1,175,370</u>	<u>1</u>	<u>2,296,719</u>	<u>2</u>	<u>2,270,259</u>	<u>2</u>
Total noncurrent assets	<u>147,381,742</u>	<u>87</u>	<u>106,905,719</u>	<u>81</u>	<u>107,731,344</u>	<u>81</u>
TOTAL	<u>\$ 169,263,387</u>	<u>100</u>	<u>\$ 134,162,936</u>	<u>100</u>	<u>\$ 133,002,167</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 18)	\$ 8,961,700	5	\$ 490,000	-	\$ 2,265,000	2
Short-term bills payable (Note 18)	3,269,098	2	354,635	-	354,705	-
Contract liabilities - current (Note 24)	2,038,669	1	2,040,678	2	2,112,813	2
Notes payable	9,410	-	19,563	-	27,056	-
Accounts payable (Note 33)	5,147,359	3	5,040,089	4	8,060,431	6
Other payables (Note 20)	7,053,450	4	6,096,770	5	5,494,757	4
Current tax liabilities (Note 4)	2,248,131	1	1,478,938	1	1,958,124	1
Provisions - current (Note 21)	179,987	-	180,249	-	179,451	-
Lease liabilities - current (Notes 14 and 33)	2,796,665	2	2,753,214	2	2,945,318	2
Current portion of long-term borrowings (Note 19)	1,400,000	1	2,499,356	2	5,698,820	5
Other current liabilities (Notes 20 and 33)	<u>984,121</u>	<u>1</u>	<u>1,178,723</u>	<u>1</u>	<u>1,023,059</u>	<u>1</u>
Total current liabilities	<u>34,088,590</u>	<u>20</u>	<u>22,132,215</u>	<u>17</u>	<u>30,119,534</u>	<u>23</u>
NONCURRENT LIABILITIES						
Contract liabilities - noncurrent (Note 24)	193,946	-	210,600	-	216,959	-
Bonds payable (Note 19)	33,769,706	20	27,772,106	21	24,675,023	19
Long-term borrowings (Note 18)	25,548,536	16	4,400,000	3	500,000	-
Provisions - noncurrent (Note 21)	1,016,300	1	961,398	1	942,830	1
Deferred income tax liabilities (Note 4)	2,173,944	1	2,173,100	2	2,174,061	2
Lease liabilities - noncurrent (Notes 14 and 33)	5,362,149	3	5,146,503	4	5,003,734	4
Net defined benefit liabilities - noncurrent (Note 4)	472,924	-	486,495	-	651,172	-
Guarantee deposits received - noncurrent	<u>263,486</u>	<u>-</u>	<u>274,099</u>	<u>-</u>	<u>274,373</u>	<u>-</u>
Total noncurrent liabilities	<u>68,800,991</u>	<u>41</u>	<u>41,424,301</u>	<u>31</u>	<u>34,438,152</u>	<u>26</u>
Total liabilities	<u>102,889,581</u>	<u>61</u>	<u>63,556,516</u>	<u>48</u>	<u>64,557,686</u>	<u>49</u>
EQUITY ATTRIBUTABLE TO OWNERS OF FAR EASTONE						
Capital stock						
Common stock	<u>32,585,008</u>	<u>19</u>	<u>32,585,008</u>	<u>24</u>	<u>32,585,008</u>	<u>24</u>
Capital surplus	<u>5,686,442</u>	<u>3</u>	<u>5,820,041</u>	<u>4</u>	<u>5,820,041</u>	<u>4</u>
Retained earnings						
Legal reserve	20,299,484	12	19,425,986	15	19,425,986	15
Special reserve	598,988	-	606,730	-	606,730	-
Unappropriated earnings	<u>6,384,570</u>	<u>4</u>	<u>11,322,981</u>	<u>8</u>	<u>9,174,884</u>	<u>7</u>
Total retained earnings	<u>27,283,042</u>	<u>16</u>	<u>31,355,697</u>	<u>23</u>	<u>29,207,600</u>	<u>22</u>
Other equity	<u>(75,024)</u>	<u>-</u>	<u>3,209</u>	<u>-</u>	<u>(515)</u>	<u>-</u>
Total equity attributable to owners of Far EasTone	65,479,468	38	69,763,955	51	67,612,134	50
NONCONTROLLING INTERESTS	<u>894,338</u>	<u>1</u>	<u>842,465</u>	<u>1</u>	<u>832,347</u>	<u>1</u>
Total equity	<u>66,373,806</u>	<u>39</u>	<u>70,606,420</u>	<u>52</u>	<u>68,444,481</u>	<u>51</u>
TOTAL	<u>\$ 169,263,387</u>	<u>100</u>	<u>\$ 134,162,936</u>	<u>100</u>	<u>\$ 133,002,167</u>	<u>100</u>

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Notes 24 and 33)	\$ 18,630,069	100	\$ 21,407,239	100	\$ 56,693,648	100	\$ 62,651,958	100
OPERATING COSTS (Notes 10, 25 and 33)	<u>12,345,122</u>	<u>66</u>	<u>14,771,637</u>	<u>69</u>	<u>37,103,292</u>	<u>65</u>	<u>42,628,985</u>	<u>68</u>
GROSS PROFIT	<u>6,284,947</u>	<u>34</u>	<u>6,635,602</u>	<u>31</u>	<u>19,590,356</u>	<u>35</u>	<u>20,022,973</u>	<u>32</u>
OPERATING EXPENSES (Notes 25 and 33)								
Marketing	2,478,841	13	2,400,497	11	7,372,695	13	7,020,286	11
General and administrative	1,120,076	6	1,254,645	6	3,456,891	6	3,737,804	6
Expected credit losses	<u>79,169</u>	<u>1</u>	<u>2,046</u>	<u>-</u>	<u>216,696</u>	<u>1</u>	<u>180,026</u>	<u>-</u>
Total operating expenses	<u>3,678,086</u>	<u>20</u>	<u>3,657,188</u>	<u>17</u>	<u>11,046,282</u>	<u>20</u>	<u>10,938,116</u>	<u>17</u>
OPERATING INCOME	<u>2,606,861</u>	<u>14</u>	<u>2,978,414</u>	<u>14</u>	<u>8,544,074</u>	<u>15</u>	<u>9,084,857</u>	<u>15</u>
NONOPERATING INCOME AND EXPENSES (Notes 25, 32 and 33)								
Other income	28,359	-	37,186	-	158,430	1	103,459	-
Other gains and losses	34,045	-	19,584	-	88,373	-	110,275	-
Financial costs	(175,822)	(1)	(117,256)	-	(512,321)	(1)	(383,146)	-
Share of the gains of associates	36,886	-	22,494	-	89,746	-	72,388	-
Losses on disposal of property, plant and equipment and intangible assets	<u>(77,080)</u>	<u>-</u>	<u>(129,826)</u>	<u>(1)</u>	<u>(431,948)</u>	<u>(1)</u>	<u>(515,677)</u>	<u>(1)</u>
Total nonoperating income and expenses	<u>(153,612)</u>	<u>(1)</u>	<u>(167,818)</u>	<u>(1)</u>	<u>(607,720)</u>	<u>(1)</u>	<u>(612,701)</u>	<u>(1)</u>
INCOME BEFORE INCOME TAX	2,453,249	13	2,810,596	13	7,936,354	14	8,472,156	14
INCOME TAX (Notes 4 and 26)	<u>374,305</u>	<u>2</u>	<u>590,226</u>	<u>3</u>	<u>1,416,095</u>	<u>3</u>	<u>1,809,153</u>	<u>3</u>
NET INCOME	<u>2,078,944</u>	<u>11</u>	<u>2,220,370</u>	<u>10</u>	<u>6,520,259</u>	<u>11</u>	<u>6,663,003</u>	<u>11</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Note 23)								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized (losses) gains on investments in equity instruments designated as at fair value through other comprehensive income	(34,144)	-	10,874	-	(90,482)	-	13,949	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method	<u>16,291</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,701</u>	<u>-</u>	<u>(3)</u>	<u>-</u>
	<u>(17,853)</u>	<u>-</u>	<u>10,874</u>	<u>-</u>	<u>(74,781)</u>	<u>-</u>	<u>13,946</u>	<u>-</u>

(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations	\$ (812)	-	\$ (9,179)	-	\$ (10,434)	-	\$ (5,530)	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method	<u>1,627</u>	-	<u>3,990</u>	-	<u>6,919</u>	-	<u>(40,462)</u>	-
	<u>815</u>	-	<u>(5,189)</u>	-	<u>(3,515)</u>	-	<u>(45,992)</u>	-
Total other comprehensive (loss) income, net of income tax	<u>(17,038)</u>	-	<u>5,685</u>	-	<u>(78,296)</u>	-	<u>(32,046)</u>	-
TOTAL COMPREHENSIVE INCOME	<u>\$ 2,061,906</u>	<u>11</u>	<u>\$ 2,226,055</u>	<u>10</u>	<u>\$ 6,441,963</u>	<u>11</u>	<u>\$ 6,630,957</u>	<u>11</u>
NET INCOME								
ATTRIBUTABLE TO:								
Owners of Far EasTone	\$ 2,058,100	11	\$ 2,195,160	10	\$ 6,469,093	11	\$ 6,600,640	11
Noncontrolling interests	<u>20,844</u>	-	<u>25,210</u>	-	<u>51,166</u>	-	<u>62,363</u>	-
	<u>\$ 2,078,944</u>	<u>11</u>	<u>\$ 2,220,370</u>	<u>10</u>	<u>\$ 6,520,259</u>	<u>11</u>	<u>\$ 6,663,003</u>	<u>11</u>
COMPREHENSIVE INCOME								
ATTRIBUTABLE TO:								
Owners of Far EasTone	2,041,102	11	2,200,899	10	6,390,860	11	6,568,768	11
Noncontrolling interests	<u>\$ 20,804</u>	-	<u>\$ 25,156</u>	-	<u>\$ 51,103</u>	-	<u>\$ 62,189</u>	-
	<u>\$ 2,061,906</u>	<u>11</u>	<u>\$ 2,226,055</u>	<u>10</u>	<u>\$ 6,441,963</u>	<u>11</u>	<u>\$ 6,630,957</u>	<u>11</u>
EARNINGS PER SHARE, IN NEW TAIWAN DOLLARS (Note 27)								
Basic	<u>\$ 0.63</u>		<u>\$ 0.67</u>		<u>\$ 1.99</u>		<u>\$ 2.03</u>	
Diluted	<u>\$ 0.63</u>		<u>\$ 0.67</u>		<u>\$ 1.98</u>		<u>\$ 2.02</u>	

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

(Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of Far EasTone					Other Equity (Note 23)			Noncontrolling Interests (Notes 23, 28, 29 and 30)	Total Equity	
	Capital Stock (Note 23)	Capital Surplus (Note 23)	Retained Earnings			Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	Gains (Losses) on Hedging Instruments			Total
			Legal Reserve (Note 23)	Special Reserve (Note 23)	Unappropriated Earnings (Notes 23 and 30)						
BALANCE AT JANUARY 1, 2019	\$ 32,585,008	\$ 5,820,041	\$ 18,487,851	\$ 626,328	\$ 15,766,913	\$ 4,197	\$ 808	\$ 26,352	\$ 73,317,498	\$ 718,685	\$ 74,036,183
Effects of retrospective application and retrospective restatement	-	-	-	-	(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											
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)	-	(12,219,378)
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	(11,276)	(11,276)
Net income for the nine months ended September 30, 2019	-	-	-	-	6,600,640	-	-	-	6,600,640	62,363	6,663,003
Other comprehensive (loss) income for the nine months ended September 30, 2019, net of income tax	-	-	-	-	-	(5,698)	14,117	(40,291)	(31,872)	(174)	(32,046)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	133,333	133,333
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(70,024)	(70,024)
BALANCE AT SEPTEMBER 30, 2019	<u>\$ 32,585,008</u>	<u>\$ 5,820,041</u>	<u>\$ 19,425,986</u>	<u>\$ 606,730</u>	<u>\$ 9,174,884</u>	<u>\$ (1,501)</u>	<u>\$ 14,925</u>	<u>\$ (13,939)</u>	<u>\$ 67,612,134</u>	<u>\$ 832,347</u>	<u>\$ 68,444,481</u>
BALANCE AT JANUARY 1, 2020	\$ 32,585,008	\$ 5,820,041	\$ 19,425,986	\$ 606,730	\$ 11,322,981	\$ (9,717)	\$ 25,180	\$ (12,254)	\$ 69,763,955	\$ 842,465	\$ 70,606,420
Appropriation of the 2019 earnings											
Legal reserve	-	-	873,498	-	(873,498)	-	-	-	-	-	-
Special reserve	-	-	-	(7,742)	7,742	-	-	-	-	-	-
Cash dividends - NT\$3.209 per share	-	-	-	-	(10,456,529)	-	-	-	(10,456,529)	-	(10,456,529)
Cash dividends from capital surplus - NT\$0.041 per share	-	(133,599)	-	-	-	-	-	-	(133,599)	-	(133,599)
Net income for the nine months ended September 30, 2020	-	-	-	-	6,469,093	-	-	-	6,469,093	51,166	6,520,259
Other comprehensive (loss) income for the nine months ended September 30, 2020, net of income tax	-	-	-	-	-	(10,675)	(74,781)	7,223	(78,233)	(63)	(78,296)
Change in ownership interest of a subsidiary	-	-	-	-	(85,219)	-	-	-	(85,219)	85,219	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(84,449)	(84,449)
BALANCE AT SEPTEMBER 30, 2020	<u>\$ 32,585,008</u>	<u>\$ 5,686,442</u>	<u>\$ 20,299,484</u>	<u>\$ 598,988</u>	<u>\$ 6,384,570</u>	<u>\$ (20,392)</u>	<u>\$ (49,601)</u>	<u>\$ (5,031)</u>	<u>\$ 65,479,468</u>	<u>\$ 894,338</u>	<u>\$ 66,373,806</u>

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 7,936,354	\$ 8,472,156
Adjustments for:		
Depreciation	8,773,739	10,095,066
Amortization	789,781	753,319
Amortization of concessions	2,591,698	2,126,913
Expected credit losses	216,696	180,026
Net gains on fair value changes of financial assets at fair value through profit or loss	(22,158)	(34,434)
Financial costs	512,321	383,146
Interest income	(51,567)	(44,603)
Dividend income	(58,932)	(8,460)
Share of the gains of associates	(89,746)	(72,388)
Losses on disposal of property, plant and equipment and intangible assets	431,948	515,677
(Reversal of write-down) write-down of inventories	(37,720)	8,641
Gains on modifications of lease arrangements	(1,026)	(737)
Losses on disposal of a subsidiary	-	773
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	-	150,885
Financial assets for hedging	-	1,868
Contract assets	(1,379,994)	(1,008,047)
Notes receivable	46,208	(14,885)
Accounts receivable	327,422	(530,170)
Inventories	858,823	330,244
Prepaid expenses	(186,006)	(392,158)
Other current assets	(46,194)	(31,054)
Incremental costs of obtaining a contract	202,792	(1,397,978)
Contract liabilities	(18,663)	(183,996)
Notes payable	(10,153)	3,016
Accounts payable	107,270	3,524,259
Other payables	(650,929)	(825,567)
Provisions	(5,246)	(8,064)
Other current liabilities	(86,405)	(869,990)
Net defined benefit liabilities	(13,648)	(10,131)
Cash generated from operations	20,136,665	21,113,327
Interest received	71,294	44,310
Dividends received	58,932	8,460
Interest paid	(516,385)	(349,171)
Income taxes paid	(165,370)	(3,210,358)
Net cash generated from operating activities	19,585,136	17,606,568

(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	\$ (400,000)	\$ -
Remittance of cash due to capital reduction of financial assets at fair value through other comprehensive income	13,500	-
Acquisition of financial assets at amortized cost	(178,700)	-
Proceeds from the disposal of financial assets at amortized cost	-	43,448
Increase in prepayments for an investment	-	(100,000)
Net cash outflow on acquisition of a subsidiary	-	(351,804)
Net cash outflow on disposal of a subsidiary	-	(39,803)
Acquisition of property, plant and equipment	(5,175,605)	(3,757,575)
Proceeds from the disposal of property, plant and equipment	32,141	17,711
Increase in refundable deposits	(253,260)	(470,228)
Decrease in refundable deposits	304,700	272,847
Acquisition of intangible assets	(42,504,983)	(538,166)
Decrease (increase) in other financial assets	844,380	(6,280)
Increase in other noncurrent assets	<u>(3,800)</u>	<u>(1,000,000)</u>
Net cash used in investing activities	<u>(47,321,627)</u>	<u>(5,929,850)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	8,471,700	145,000
Increase (decrease) in short-term bills payable	2,914,463	(914,668)
Proceeds from the issuance of bonds payable	5,991,480	4,993,460
Repayment of bonds payable	(2,500,000)	-
Proceeds from long-term borrowings	40,345,830	500,000
Repayment of long-term borrowings	(17,797,294)	(700,000)
Increase in guarantee deposits received	52,980	37,813
Decrease in guarantee deposits received	(168,410)	(49,613)
Repayment of the principal portion of lease liabilities	(2,642,640)	(2,507,162)
Cash dividends paid	<u>(10,674,577)</u>	<u>(12,266,794)</u>
Net cash generated from (used in) financing activities	<u>23,993,532</u>	<u>(10,761,964)</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>(1,067)</u>	<u>(2,047)</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,744,026)	912,707
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	<u>7,874,817</u>	<u>4,248,345</u>
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	<u>\$ 4,130,791</u>	<u>\$ 5,161,052</u>

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

(Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

Far EasTone Telecommunications Co., Ltd. (Far EasTone) was incorporated in the Republic of China (ROC) on April 11, 1997 and began commercial operations on January 20, 1998. Far EasTone's stock was initially listed and commenced trading on the over-the-counter (OTC) securities exchange (also known as the Taipei Exchange, TPEx) of the ROC on December 10, 2001, but later ceased trading on the TPEx and transferred listing of its stock to the Taiwan Stock Exchange (TWSE) on August 24, 2005. Far EasTone provides wireless communications, internet and international simple resale (ISR) services and also sells cellular phone equipment and accessories. As of September 30, 2020 and 2019, Far Eastern New Century Corporation (Far Eastern New Century) and its affiliates directly and indirectly owned 38.28% of Far EasTone's stock. Since Far Eastern New Century and its subsidiaries have the power to cast the majority of votes at the board of directors' meeting of Far EasTone, Far Eastern New Century has control over Far EasTone's finance, operations and personnel affairs. Thus, Far Eastern New Century is the ultimate parent company of Far EasTone.

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

In 1999, the DGT also issued Far EasTone a type II license to provide internet and ISR services until December 2021.

Through the completion of the merger with Yuan-Ze Telecommunications Co., Ltd. on May 2, 2005, Far EasTone acquired a third-generation (3G) wireless communications license, which was issued by the DGT and 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 stands for 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.

In February 2020, Far EasTone bid for fifth-generation (5G) wireless communications licenses of 3.5 GHz and 28 GHz spectrum, which are valid through December 31, 2040.

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

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were reported to Far EasTone's board of directors on November 5, 2020.

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

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Noncurrent”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

c. Basis of consolidation

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.

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

d. Other significant accounting policies

Except for the following, the accounting policies applied in the interim consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2019. For the summary of other significant accounting policies, refer to the consolidated financial statements for the year ended December 31, 2019.

1) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

2) Taxation

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The critical accounting judgments and key sources of estimation uncertainty are the same as those applied to the consolidated financial statements for the year ended December 31, 2019.

6. CASH AND CASH EQUIVALENTS

	September 30, 2020	December 31, 2019	September 30, 2019
Cash on hand	\$ 11,108	\$ 11,650	\$ 17,535
Checking and demand deposits	3,464,102	5,091,170	4,942,684
Cash equivalents			
Commercial paper purchased under resale agreements	234,781	2,674,812	149,564
Certificates of deposits	<u>420,800</u>	<u>97,185</u>	<u>51,269</u>
	<u>\$ 4,130,791</u>	<u>\$ 7,874,817</u>	<u>\$ 5,161,052</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Noncurrent</u>			
Investments in equity instruments at FVTOCI	\$ 839,394	\$ 447,735	\$ 442,238

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 believed 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

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Current</u>			
Certificates of deposits with original maturities of more than 3 months	\$ 664,287	\$ 485,587	\$ 482,752

9. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Notes receivable</u>			
At amortized cost			
Gross carrying amount	\$ 24,678	\$ 517,177	\$ 69,626
Less: Allowance for impairment loss	-	-	-
	<u>\$ 24,678</u>	<u>\$ 517,177</u>	<u>\$ 69,626</u>
Notes receivable - operating	\$ 24,678	\$ 70,886	\$ 69,626
Notes receivable - non-operating	-	446,291	-
Less: Allowance for impairment loss	-	-	-
	<u>\$ 24,678</u>	<u>\$ 517,177</u>	<u>\$ 69,626</u>
<u>Accounts receivable (including noncurrent portions)</u>			
At amortized cost			
Gross carrying amount	\$ 8,160,848	\$ 8,683,994	\$ 9,242,173
Less: Allowance for impairment loss	(695,555)	(679,136)	(670,376)
Less: Unrealized interest income	(5,868)	(7,873)	(8,608)
Less: Unearned finance income	(6,377)	-	-
	<u>\$ 7,453,048</u>	<u>\$ 7,996,985</u>	<u>\$ 8,563,189</u>

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

	September 30, 2020	December 31, 2019	September 30, 2019
Gross amount of installment accounts receivable	\$ 111,550	\$ 130,025	\$ 136,184
Unrealized interest income	<u>(5,868)</u>	<u>(7,873)</u>	<u>(8,608)</u>
	<u>\$ 105,682</u>	<u>\$ 122,152</u>	<u>\$ 127,576</u>
Current	\$ 22,432	\$ 22,027	\$ 21,894
Noncurrent	<u>83,250</u>	<u>100,125</u>	<u>105,682</u>
	<u>\$ 105,682</u>	<u>\$ 122,152</u>	<u>\$ 127,576</u>

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

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

	September 30, 2020
Gross amount of finance lease receivables	\$ 55,835
Unearned finance income	<u>(6,377)</u>
	<u>\$ 49,458</u>
	September 30, 2020
<u>Undiscounted lease payments</u>	
Year 1	\$ 7,976
Year 2	7,976
Year 3	7,976
Year 4	7,976
Year 5	7,976
Year 6 onwards	<u>15,955</u>
	55,835
Less: Unearned finance income	(6,377)
Less: Allowance for impairment loss	<u>-</u>
Finance lease receivables	<u>\$ 49,458</u>
Current	\$ 6,347
Noncurrent	<u>43,111</u>
	<u>\$ 49,458</u>

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

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

The Group's expected credit loss rate ranges of receivables which were not overdue and receivables which were overdue were 0.05%-6% and 6.57%-100%, respectively.

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

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

September 30, 2020

	Not Overdue	Overdue Up to 60 Days	Overdue 61 Days or More	Total
Gross carrying amount	\$ 6,993,252	\$ 787,281	\$ 392,748	\$ 8,173,281
Loss allowance (lifetime ECLs)	<u>(358,407)</u>	<u>(74,776)</u>	<u>(262,372)</u>	<u>(695,555)</u>
Amortized cost	<u>\$ 6,634,845</u>	<u>\$ 712,505</u>	<u>\$ 130,376</u>	<u>\$ 7,477,726</u>

December 31, 2019

	Not Overdue	Overdue Up to 60 Days	Overdue 61 Days or More	Total
Gross carrying amount	\$ 8,070,798	\$ 813,239	\$ 309,261	\$ 9,193,298
Loss allowance (lifetime ECLs)	<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>

September 30, 2019

	Not Overdue	Overdue Up to 60 Days	Overdue 61 Days or More	Total
Gross carrying amount	\$ 7,857,351	\$ 1,062,131	\$ 383,709	\$ 9,303,191
Loss allowance (lifetime ECLs)	<u>(323,894)</u>	<u>(128,715)</u>	<u>(217,767)</u>	<u>(670,376)</u>
Amortized cost	<u>\$ 7,533,457</u>	<u>\$ 933,416</u>	<u>\$ 165,942</u>	<u>\$ 8,632,815</u>

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

	For the Nine Months Ended September 30	
	2020	2019
Balance at January 1	\$ 679,136	\$ 632,681
Add: Acquisitions through business combinations	-	5,205
Add: Amounts recovered	145,714	152,788
Add: Net remeasurement of loss allowance	216,696	180,026
Less: Amounts written off	(345,810)	(300,405)
Foreign exchange gains and losses	<u>(181)</u>	<u>81</u>
Balance at September 30	<u>\$ 695,555</u>	<u>\$ 670,376</u>

10. INVENTORIES

	September 30, 2020	December 31, 2019	September 30, 2019
Cellular phone equipment and accessories	\$ 1,649,632	\$ 2,518,999	\$ 3,061,928
Others	<u>498,084</u>	<u>449,820</u>	<u>400,992</u>
	<u>\$ 2,147,716</u>	<u>\$ 2,968,819</u>	<u>\$ 3,462,920</u>

Costs of inventories sold were \$5,138,132 thousand and \$7,345,694 thousand for the three months ended September 30, 2020 and 2019, respectively, and \$15,440,891 thousand and \$20,936,121 thousand for the nine months ended September 30, 2020 and 2019, respectively.

The reversal of write-down (write-down) of inventories amounting to \$4,294 thousand, \$14,073 thousand, \$37,720 thousand and \$(8,641) thousand were included in the cost of sales for the three months and nine months ended September 30, 2020 and 2019, respectively.

11. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

Main businesses and percentages of ownership are shown as follows:

Investor Company	Investee Company	Main Businesses and Products	Percentage of Ownership (%)			Note
			September 30, 2020	December 31, 2019	September 30, 2019	
Far EasTone	NCIC	Type I, II telecommunications services	100.00	100.00	100.00	Disposed of on April 30, 2019
	ARCOA	Sales of communications products and office equipment	61.63	61.63	61.63	
	KGEx.com	Type II telecommunications services	99.99	99.99	99.99	
	YSDT	Electronic information services	96.18	86.41	86.41	
	Yuan Cing	Call center services	100.00	100.00	100.00	
	FEIS	Investment	100.00	100.00	100.00	
	Omusic	Electronic information services	-	-	-	
	Yuan Bao	Data processing services and electronic information services	100.00	100.00	-	
FEIS	FEPIA	Property insurance agent	100.00	-	-	Dissolved in 2020 with the approval of the local government
	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	100.00	
	DU (Cayman)	Investment	100.00	100.00	100.00	
	New Diligent	Investment	100.00	100.00	100.00	
	YSDT	Electronic information services	0.67	2.40	2.40	
	Prime Ecopower	Energy technology services	100.00	100.00	100.00	
	Nextlink Technology	Electronic information services	70.00	70.00	70.00	
	FEND	Investment	100.00	100.00	100.00	
New Diligent	Sino Lead	Telecommunications services	100.00	100.00	100.00	
	New Diligent Hong Kong	Investment	100.00	100.00	100.00	
	FETI	Computer software, data processing and network information services	-	58.33	58.33	
DU (Cayman)	DUIT	Design, research, installment and maintenance of computer software and system	100.00	100.00	100.00	Dissolved in 2020 with the approval of the local government
ARCOA	DataExpress	Sale of communications products	70.00	70.00	70.00	
DataExpress	Linkwell	Sale of communications products	-	100.00	100.00	Dissolved on April 1, 2020 due to the merger with DataExpress
Nextlink Technology	Home Master	Sale of communications products	100.00	100.00	100.00	
	Microfusion Technology	Electronic information services	100.00	100.00	100.00	Established on September 3, 2020. Investment capital has not been remitted as of September 30, 2020.
	Nextlink (HK) Technology	Electronic information services	100.00	100.00	100.00	
	Microfusion Technology (HK)	Electronic information services	-	-	-	
Microfusion Technology	Microfusion Technology (HK)	Electronic information services	-	-	-	Dissolved in 2019 with the approval of the local government
Nextlink (HK) Technology	Nextlink (SH) Technology	Electronic information services	100.00	100.00	100.00	

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

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	September 30, 2020	December 31, 2019	September 30, 2019
Material associate			
Far Eastern Electronic Toll Collection Co., Ltd.	\$ 1,193,926	\$ 1,051,441	\$ 1,005,640
Associates that are not individually material	<u>430,045</u>	<u>468,320</u>	<u>378,414</u>
	<u>\$ 1,623,971</u>	<u>\$ 1,519,761</u>	<u>\$ 1,384,054</u>

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

Material associates:

Company	Nature of Business	Main Place of Business	Interests and Voting Rights		
			September 30, 2020	December 31, 2019	September 30, 2019
Far Eastern Electronic Toll Collection Co., Ltd.	Electronic information services and electronic toll collection services	Taiwan	39.42%	39.42%	39.42%

Far Eastern Electronic Toll Collection Co., Ltd.

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

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

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Operating Equipment	Computer Equipment	Other Equipment	Construction-in- progress	Total
<u>Cost</u>							
Balance at January 1, 2020	\$ 7,034,392	\$ 7,980,284	\$ 81,405,422	\$ 14,079,672	\$ 6,427,921	\$ 2,445,310	\$ 119,373,001
Additions	-	2,399	3,694	4,255	88,364	6,740,724	6,839,436
Disposals	-	(136,213)	(1,327,422)	(253,348)	(136,628)	(13,866)	(1,867,477)
Adjustments and reclassification	-	1,545,648	4,020,598	268,853	233,026	(6,068,125)	-
Balance at September 30, 2020	<u>\$ 7,034,392</u>	<u>\$ 9,392,118</u>	<u>\$ 84,102,292</u>	<u>\$ 14,099,432</u>	<u>\$ 6,612,683</u>	<u>\$ 3,104,043</u>	<u>\$ 124,344,960</u>

(Continued)

	Freehold Land	Buildings	Operating Equipment	Computer Equipment	Other Equipment	Construction-in-progress	Total
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2020	\$ (95,894)	\$ (4,267,375)	\$ (59,881,952)	\$ (12,996,513)	\$ (5,873,519)	\$ -	\$ (83,115,253)
Depreciation expense	-	(156,969)	(5,224,809)	(480,920)	(208,584)	-	(6,071,282)
Disposals	-	94,416	881,822	252,333	131,842	-	1,360,413
Adjustments and reclassification	-	-	-	-	-	-	-
Balance at September 30, 2020	<u>\$ (95,894)</u>	<u>\$ (4,329,928)</u>	<u>\$ (64,224,939)</u>	<u>\$ (13,225,100)</u>	<u>\$ (5,950,261)</u>	<u>\$ -</u>	<u>\$ (87,826,122)</u>
Carrying amount at January 1, 2020	<u>\$ 6,938,498</u>	<u>\$ 3,712,909</u>	<u>\$ 21,523,470</u>	<u>\$ 1,083,159</u>	<u>\$ 554,402</u>	<u>\$ 2,445,310</u>	<u>\$ 36,257,748</u>
Carrying amount at September 30, 2020	<u>\$ 6,938,498</u>	<u>\$ 5,062,190</u>	<u>\$ 19,877,353</u>	<u>\$ 874,332</u>	<u>\$ 662,422</u>	<u>\$ 3,104,043</u>	<u>\$ 36,518,838</u>
<u>Cost</u>							
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
Adjustments on initial application of IFRS 16	-	-	(281,281)	-	(282,912)	-	(564,193)
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	-	8,049	6,402	8,722	34,130	3,142,097	3,199,400
Disposals	-	(29,038)	(1,220,018)	(562,483)	(316,609)	(18,553)	(2,146,701)
Acquisitions through business combinations	-	-	-	1,192	6,269	-	7,461
Effect of disposal of a subsidiary	-	-	-	(2,869)	(241)	-	(3,110)
Effects of foreign currency exchange difference	-	-	-	(1)	-	-	(1)
Adjustments and reclassification	-	23,501	2,871,933	354,885	118,541	(3,368,860)	-
Balance at September 30, 2019	<u>\$ 7,023,832</u>	<u>\$ 7,986,654</u>	<u>\$ 82,024,902</u>	<u>\$ 14,392,161</u>	<u>\$ 6,489,447</u>	<u>\$ 1,536,788</u>	<u>\$ 119,453,784</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2019	\$ (95,894)	\$ (4,092,612)	\$ (53,690,734)	\$ (13,172,356)	\$ (6,066,279)	\$ -	\$ (77,117,875)
Adjustments on initial application of IFRS 16	-	-	188,608	-	156,917	-	345,525
Balance at January 1, 2019 (restated)	(95,894)	(4,092,612)	(53,502,126)	(13,172,356)	(5,909,362)	-	(76,772,350)
Depreciation expense	-	(161,903)	(6,270,605)	(650,922)	(277,563)	-	(7,360,993)
Disposals	-	28,947	726,364	562,245	295,019	-	1,612,575
Acquisitions through business combinations	-	-	-	(908)	(2,208)	-	(3,116)
Effect of disposal of a subsidiary	-	-	-	2,369	176	-	2,545
Adjustments and reclassification	-	-	-	(697)	697	-	-
Balance at September 30, 2019	<u>\$ (95,894)</u>	<u>\$ (4,225,568)</u>	<u>\$ (59,046,367)</u>	<u>\$ (13,260,269)</u>	<u>\$ (5,893,241)</u>	<u>\$ -</u>	<u>\$ (82,521,339)</u>
Carrying amount at September 30, 2019	<u>\$ 6,927,938</u>	<u>\$ 3,761,086</u>	<u>\$ 22,978,535</u>	<u>\$ 1,131,892</u>	<u>\$ 596,206</u>	<u>\$ 1,536,788</u>	<u>\$ 36,932,445</u>

(Concluded)

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

Buildings

Main buildings 41-55 years

Other building equipment 3-45 years

Operating equipment 2-26 years

Computer equipment 1-10 years

Other equipment 1-20 years

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Carrying amounts</u>			
Land	\$ 1,584	\$ -	\$ -
Buildings	8,351,170	8,108,374	7,977,055
Other equipment	<u>212,517</u>	<u>203,858</u>	<u>202,089</u>
	<u>\$ 8,565,271</u>	<u>\$ 8,312,232</u>	<u>\$ 8,179,144</u>

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Additions to right-of-use assets			<u>\$ 3,179,482</u>	<u>\$ 2,545,032</u>
Depreciation charge for right-of-use assets				
Land	\$ 144	\$ -	\$ 144	\$ -
Buildings	866,010	875,124	2,604,311	2,633,062
Other equipment	<u>32,525</u>	<u>33,009</u>	<u>98,002</u>	<u>101,011</u>
	<u>\$ 898,679</u>	<u>\$ 908,133</u>	<u>\$ 2,702,457</u>	<u>\$ 2,734,073</u>

Except for the aforementioned additions and recognized depreciation, the Group did not have any significant sublease or impairment of right-of-use assets during the nine months ended September 30, 2020 and 2019.

b. Lease liabilities

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Carrying amounts</u>			
Current	<u>\$ 2,796,665</u>	<u>\$ 2,753,214</u>	<u>\$ 2,945,318</u>
Noncurrent	<u>\$ 5,362,149</u>	<u>\$ 5,146,503</u>	<u>\$ 5,003,734</u>

Discount rate ranges for lease liabilities were as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Land	0.62%	-	-
Buildings	0.58%-1.44%	0.71%-1.44%	0.71%-1.44%
Other equipment	0.59%-0.99%	0.71%-0.99%	0.71%-0.99%

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

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

d. Other lease information

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Expenses relating to short-term leases	\$ 24,884	\$ 14,118	\$ 65,487	\$ 43,039
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ 549	\$ -	\$ 945	\$ -
Total cash outflow for leases			\$ (2,749,242)	\$ (2,591,149)

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

15. INVESTMENT PROPERTIES

Balance at September 30, 2020 and December 31, 2019	\$ 983,635
Balance at September 30, 2019	\$ 992,546

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 is as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Year 1	\$ 14,240	\$ 21,514	\$ 22,124
Year 2	10,362	15,135	17,335
Year 3	3,943	8,827	10,518
Year 4	527	3,178	3,864
Year 5	-	75	507
Year 6 onwards	-	-	-
	\$ 29,072	\$ 48,729	\$ 54,348

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

	September 30, 2020	December 31, 2019	September 30, 2019
Independent valuation	\$ 983,635	\$ 983,635	\$ 992,546

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 valuers, Mr. Lee, Ken-Yuan and Mr. Tsai, Chia-Ho, and on January 4, 2019 by independent qualified professional valuers, Ms. Hu, Chun-Chun and Mr. Tsai, Chia-Ho. The aforementioned valuers are from DTZ Cushman & Wakefield, a member of certified ROC real estate appraisers. After consultation with the appraisers, the Group determined that the fair values reported at December 31, 2019 and 2018 were still valid as of September 30, 2020 and 2019, respectively.

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

	September 30, 2020	December 31, 2019	September 30, 2019
Expected future cash inflows	\$ 1,626,536	\$ 1,626,536	\$ 1,598,541
Expected future cash outflows	<u>(46,629)</u>	<u>(46,629)</u>	<u>(44,745)</u>
Expected future cash inflows, net	<u>\$ 1,579,907</u>	<u>\$ 1,579,907</u>	<u>\$ 1,553,796</u>
Discount rate	2.00%-2.29%	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 income generated were \$4,994 thousand and \$6,108 thousand for the three months ended September 30, 2020 and 2019, respectively, and \$15,735 thousand and \$18,251 thousand for the nine months ended September 30, 2020 and 2019, 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 properties included expenditures such as land value taxes, house taxes, insurance premium, management fee, maintenance costs, replacement allowance and depreciation. These expenditures were extrapolated on the basis of the current level of expenditures, taking into account the future adjustment to the government-announced land value and the tax rate promulgated under the House Tax Act.

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

16. INTANGIBLE ASSETS

	Concessions	Goodwill	Computer Software	Other Intangible Assets	Total
<u>Cost</u>					
Balance at January 1, 2020	\$ 46,960,000	\$ 11,194,104	\$ 17,830,546	\$ 852,527	\$ 76,837,177
Additions	43,042,000	-	462,983	-	43,504,983
Disposals	<u>-</u>	<u>-</u>	<u>(27,449)</u>	<u>-</u>	<u>(27,449)</u>
Balance at September 30, 2020	<u>\$ 90,002,000</u>	<u>\$ 11,194,104</u>	<u>\$ 18,266,080</u>	<u>\$ 852,527</u>	<u>\$ 120,314,711</u>
<u>Accumulated amortization and impairment</u>					
Balance at January 1, 2020	\$ (11,107,631)	\$ (17,273)	\$ (14,687,183)	\$ (490,573)	\$ (26,302,660)
Amortization	(2,591,698)	-	(745,543)	(44,238)	(3,381,479)
Disposals	<u>-</u>	<u>-</u>	<u>27,445</u>	<u>-</u>	<u>27,445</u>
Balance at September 30, 2020	<u>\$ (13,699,329)</u>	<u>\$ (17,273)</u>	<u>\$ (15,405,281)</u>	<u>\$ (534,811)</u>	<u>\$ (29,656,694)</u>
Carrying amount at January 1, 2020	<u>\$ 35,852,369</u>	<u>\$ 11,176,831</u>	<u>\$ 3,143,363</u>	<u>\$ 361,954</u>	<u>\$ 50,534,517</u>
Carrying amount at September 30, 2020	<u>\$ 76,302,671</u>	<u>\$ 11,176,831</u>	<u>\$ 2,860,799</u>	<u>\$ 317,716</u>	<u>\$ 90,658,017</u>
<u>Cost</u>					
Balance at January 1, 2019	\$ 57,129,000	\$ 10,823,401	\$ 17,800,539	\$ 738,727	\$ 86,491,667
Additions	-	-	538,166	-	538,166
Disposals	(10,169,000)	-	(703,798)	-	(10,872,798)
Acquisitions through business combinations	-	370,703	3,113	113,800	487,616
Effect of disposal of a subsidiary	<u>-</u>	<u>-</u>	<u>(156)</u>	<u>-</u>	<u>(156)</u>
Balance at September 30, 2019	<u>\$ 46,960,000</u>	<u>\$ 11,194,104</u>	<u>\$ 17,637,864</u>	<u>\$ 852,527</u>	<u>\$ 76,644,495</u>
<u>Accumulated amortization and impairment</u>					
Balance at January 1, 2019	\$ (18,440,747)	\$ (17,273)	\$ (14,476,664)	\$ (434,298)	\$ (33,368,982)
Amortization	(2,126,913)	-	(711,791)	(41,528)	(2,880,232)
Disposals	10,169,000	-	703,604	-	10,872,604
Acquisitions through business combinations	-	-	(594)	-	(594)
Effect of disposal of a subsidiary	<u>-</u>	<u>-</u>	<u>69</u>	<u>-</u>	<u>69</u>
Balance at September 30, 2019	<u>\$ (10,398,660)</u>	<u>\$ (17,273)</u>	<u>\$ (14,485,376)</u>	<u>\$ (475,826)</u>	<u>\$ (25,377,135)</u>
Carrying amount at September 30, 2019	<u>\$ 36,561,340</u>	<u>\$ 11,176,831</u>	<u>\$ 3,152,488</u>	<u>\$ 376,701</u>	<u>\$ 51,267,360</u>

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

Concessions	13.5 to 20 years
Computer software	1 to 8 years
Other intangible assets	4 to 15.5 years

Refer to Note 16 to the consolidated financial statements for the year ended December 31, 2019 for the related information of goodwill.

17. OTHER NONCURRENT ASSETS

	September 30, 2020	December 31, 2019	September 30, 2019
Refundable deposits	\$ 1,030,122	\$ 1,081,584	\$ 1,050,663
Others	<u>145,248</u>	<u>1,215,135</u>	<u>1,219,596</u>
	<u>\$ 1,175,370</u>	<u>\$ 2,296,719</u>	<u>\$ 2,270,259</u>

The deposit for the bidding price amounting to \$1,000,000 thousand used by Far EasTone to bid for a 5G wireless communication license in September 2019 was included in other noncurrent assets on December 31, 2019 and September 30, 2019. In February 2020, the deposit was used to pay for a portion of the bidding price and was reclassified as intangible assets - concessions.

18. BORROWINGS

a. Short-term borrowings

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Unsecured bank loans</u>			
Credit loans	<u>\$ 8,961,700</u>	<u>\$ 490,000</u>	<u>\$ 2,265,000</u>
Interest rate range	0.70%-1.65%	1.15%-1.65%	0.71%-1.65%

b. Short-term bills payable

	September 30, 2020	December 31, 2019	September 30, 2019
Commercial papers payable	\$ 3,270,000	\$ 355,000	\$ 355,000
Less: Unamortized discount	<u>(902)</u>	<u>(365)</u>	<u>(295)</u>
	<u>\$ 3,269,098</u>	<u>\$ 354,635</u>	<u>\$ 354,705</u>
Interest rate range	0.53%-1.59%	1.15%-1.59%	1.02%-1.59%

c. Long-term borrowings

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Unsecured bank loans</u>			
Credit loans	\$ 17,050,000	\$ 4,400,000	\$ 500,000
Less: Current portion	(1,400,000)	-	-
Long-term commercial papers payable	9,900,000	-	-
Less: Unamortized discount on commercial papers payable	<u>(1,464)</u>	<u>-</u>	<u>-</u>
Long-term borrowings	<u>\$ 25,548,536</u>	<u>\$ 4,400,000</u>	<u>\$ 500,000</u>
Interest rate range of credit loans	0.68%-0.90%	0.75%-1.05%	0.76%-0.79%
Interest rate range of commercial papers payable	0.87%-0.93%	-	-

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

19. BONDS PAYABLE

	September 30, 2020	December 31, 2019	September 30, 2019
4th unsecured domestic bonds	\$ -	\$ 2,499,356	\$ 2,499,027
6th unsecured domestic bonds	-	-	3,199,793
2016 1st unsecured domestic bonds	5,197,885	5,196,626	5,196,207
2017 1st unsecured domestic bonds	4,497,711	4,496,618	4,496,253
2017 2nd unsecured domestic bonds	1,998,008	1,997,627	1,997,500
2017 3rd unsecured domestic bonds	2,997,236	2,996,623	2,996,419
2018 1st unsecured domestic bonds	4,995,929	4,995,136	4,994,871
2019 1st unsecured domestic bonds	4,994,946	4,994,066	4,993,773
2019 2nd unsecured domestic bonds	3,095,880	3,095,410	-
2020 1st unsecured domestic bonds	4,994,021	-	-
2020 2nd unsecured domestic bonds	<u>998,090</u>	<u>-</u>	<u>-</u>
	33,769,706	30,271,462	30,373,843
Less: Current portion	<u>-</u>	<u>2,499,356</u>	<u>5,698,820</u>
	<u>\$ 33,769,706</u>	<u>\$ 27,772,106</u>	<u>\$ 24,675,023</u>

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

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

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

In June 2020, Far EasTone repaid \$2,500,000 thousand of the 4th unsecured domestic bonds which were due in the same month.

20. OTHER LIABILITIES

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Current</u>			
Other payables			
Acquisition of properties	\$ 2,512,538	\$ 889,047	\$ 626,518
Salaries and bonuses	1,380,685	1,544,782	1,326,061
Commission	782,097	1,025,834	1,123,006
Maintenance fees	538,109	592,618	527,947
Employees' compensation and remuneration of directors	314,577	317,250	317,042
Others	<u>1,525,444</u>	<u>1,727,239</u>	<u>1,574,183</u>
	<u>\$ 7,053,450</u>	<u>\$ 6,096,770</u>	<u>\$ 5,494,757</u>
Other current liabilities			
Other payables - related parties	\$ 98,141	\$ 110,039	\$ 113,224
Guarantee deposits received	86,575	191,434	189,891
Others	<u>799,405</u>	<u>877,250</u>	<u>719,944</u>
	<u>\$ 984,121</u>	<u>\$ 1,178,723</u>	<u>\$ 1,023,059</u>

21. PROVISIONS

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Current</u>			
Dismantling obligation	\$ 133,302	\$ 133,304	\$ 131,843
Product warranty	<u>46,685</u>	<u>46,945</u>	<u>47,608</u>
	<u>\$ 179,987</u>	<u>\$ 180,249</u>	<u>\$ 179,451</u>
<u>Noncurrent</u>			
Dismantling obligation	<u>\$ 1,016,300</u>	<u>\$ 961,398</u>	<u>\$ 942,830</u>

	Dismantling Obligation	Product Warranty
Balance at January 1, 2020	\$ 1,094,702	\$ 46,945
Additional provisions recognized	59,886	10,582
Reductions arising from payments	<u>(4,986)</u>	<u>(10,842)</u>
Balance at September 30, 2020	<u>\$ 1,149,602</u>	<u>\$ 46,685</u>
Balance at January 1, 2019	\$ 1,036,544	\$ 44,528
Additional provisions recognized	49,273	17,401
Reductions arising from payments	<u>(11,144)</u>	<u>(14,321)</u>
Balance at September 30, 2019	<u>\$ 1,074,673</u>	<u>\$ 47,608</u>

22. RETIREMENT BENEFIT PLANS

For defined benefit plans, employee benefit expenses amounted to \$3,432 thousand and \$6,595 thousand for the three months ended September 30, 2020 and 2019, respectively, and \$10,296 thousand and \$13,817 thousand for the nine months ended September 30, 2020 and 2019, respectively, which were calculated by the actuarially determined pension cost discount rates as of December 31, 2019 and 2018, respectively.

23. EQUITY

a. Capital stock

1) Common stock

	September 30, 2020	December 31, 2019	September 30, 2019
Stock authorized (in thousands)	<u>4,200,000</u>	<u>4,200,000</u>	<u>4,200,000</u>
Capital authorized	<u>\$ 42,000,000</u>	<u>\$ 42,000,000</u>	<u>\$ 42,000,000</u>
Issued and fully paid stock (in thousands)	<u>3,258,501</u>	<u>3,258,501</u>	<u>3,258,501</u>
Issued capital	<u>\$ 32,585,008</u>	<u>\$ 32,585,008</u>	<u>\$ 32,585,008</u>

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

2) Global depositary receipts (GDRs)

Since 2004, part of Far EasTone's issued common stock have been trading on the Luxembourg Stock Exchange in the form of GDRs. One GDR unit represents 15 shares of Far EasTone's common stock. As of September 30, 2020, December 31, 2019 and September 30, 2019, there were 198 thousand, 194 thousand and 194 thousand units of GDRs outstanding, representing 2,967 thousand, 2,917 thousand and 2,917 thousand common stock, respectively.

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

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

b. Capital surplus

	September 30, 2020	December 31, 2019	September 30, 2019
May be used to offset a deficit, distributed as cash dividends or transferred to capital stock*			
From business combinations	\$ 5,686,435	\$ 5,820,034	\$ 5,820,034
<u>May be used to offset a deficit only</u>			
Share of changes in equities of associates	<u>7</u>	<u>7</u>	<u>7</u>
	<u>\$ 5,686,442</u>	<u>\$ 5,820,041</u>	<u>\$ 5,820,041</u>

* 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 10% of the net profit after tax plus the items other than the net profit after tax which is included in the current year's retained earnings as legal reserve, setting aside or reversing the 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 d. 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 requirement for any significant future capital expenditures or plans to improve the financial structure.

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

Under Rule No. 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 2019 and 2018, which have been approved in the stockholders’ meetings on June 19, 2020 and June 18, 2019, respectively, were as follows:

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

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

d. Special reserve

	For the Nine Months Ended September 30	
	2020	2019
Beginning balance	\$ 606,730	\$ 626,328
Reversal in respect of Application of the fair value method for investment properties	<u>(7,742)</u>	<u>(19,598)</u>
Ending balance	<u>\$ 598,988</u>	<u>\$ 606,730</u>

e. Other equity items

Adjustments to other equity items for the nine months ended September 30, 2020 and 2019 are summarized as follows:

	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gains and Losses on Financial Assets at Fair Value through Other Comprehensive Income	Gains and Losses on Hedging Instruments	Total
For the nine months ended September 30, 2020				
Beginning balance	\$ (9,717)	\$ 25,180	\$ (12,254)	\$ 3,209
Recorded as adjustments to stockholders’ equity	(2,215)	(90,482)	-	(92,697)
Share of the other comprehensive income of associates	<u>(8,460)</u>	<u>15,701</u>	<u>7,223</u>	<u>14,464</u>
Ending balance	<u>\$ (20,392)</u>	<u>\$ (49,601)</u>	<u>\$ (5,031)</u>	<u>\$ (75,024)</u>

(Continued)

	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gains and Losses on Financial Assets at Fair Value through Other Comprehensive Income	Gains and Losses on Hedging Instruments	Total
For the nine months ended <u>September 30, 2019</u>				
Beginning balance	\$ 4,197	\$ 808	\$ 26,352	\$ 31,357
Recorded as adjustments to stockholders' equity	(6,466)	14,120	-	7,654
Share of the other comprehensive income of associates	<u>768</u>	<u>(3)</u>	<u>(40,291)</u>	<u>(39,526)</u>
Ending balance	<u>\$ (1,501)</u>	<u>\$ 14,925</u>	<u>\$ (13,939)</u>	<u>\$ (515)</u> (Concluded)

f. Noncontrolling interests

	For the Nine Months Ended September 30	
	2020	2019
Beginning balance	\$ 842,465	\$ 718,685
Effects of retrospective application of IFRS 16	-	(560)
Beginning balance (IFRS 16)	842,465	718,125
Share of profit	51,166	62,363
Other comprehensive income during the period		
Exchange differences on translating the financial statements of foreign operations	(63)	(3)
Unrealized loss on financial assets at fair value through other comprehensive income	-	(171)
Noncontrolling interests arising from acquisition of a subsidiary	-	133,333
Disposal of a subsidiary	-	(11,276)
Cash dividends distributed by subsidiaries	(84,449)	(70,024)
Equity transactions	<u>85,219</u>	<u>-</u>
Ending balance	<u>\$ 894,338</u>	<u>\$ 832,347</u>

24. REVENUE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Contract revenue				
Sales of inventories	\$ 5,195,227	\$ 7,270,145	\$ 15,611,329	\$ 20,810,330
Telecommunications service revenue	11,333,556	11,845,861	34,167,105	35,741,920
Other revenue	<u>1,471,989</u>	<u>1,644,760</u>	<u>4,996,242</u>	<u>4,118,218</u>
	18,000,772	20,760,766	54,774,676	60,670,468
Other operating revenue	<u>629,297</u>	<u>646,473</u>	<u>1,918,972</u>	<u>1,981,490</u>
	<u>\$ 18,630,069</u>	<u>\$ 21,407,239</u>	<u>\$ 56,693,648</u>	<u>\$ 62,651,958</u>

a. Contract balances

	September 30, 2020	December 31, 2019	September 30, 2019	January 1, 2019
Contract assets				
Bundle sale of goods	\$ 6,896,623	\$ 6,655,168	\$ 6,441,899	\$ 5,433,852
Others	1,138,539	-	-	-
Less: Allowance for impairment loss	<u>(135,925)</u>	<u>(135,925)</u>	<u>(135,925)</u>	<u>(135,925)</u>
	<u>\$ 7,899,237</u>	<u>\$ 6,519,243</u>	<u>\$ 6,305,974</u>	<u>\$ 5,297,927</u>
Contract assets - current	\$ 4,850,843	\$ 4,186,206	\$ 4,122,595	\$ 3,762,170
Contract assets - noncurrent	<u>3,048,394</u>	<u>2,333,037</u>	<u>2,183,379</u>	<u>1,535,757</u>
	<u>\$ 7,899,237</u>	<u>\$ 6,519,243</u>	<u>\$ 6,305,974</u>	<u>\$ 5,297,927</u>
Contract liabilities				
Goods	\$ 135,282	\$ 119,538	\$ 236,871	\$ 312,797
Services	<u>2,097,333</u>	<u>2,131,740</u>	<u>2,092,901</u>	<u>2,151,475</u>
	<u>\$ 2,232,615</u>	<u>\$ 2,251,278</u>	<u>\$ 2,329,772</u>	<u>\$ 2,464,272</u>
Contract liabilities - current	\$ 2,038,669	\$ 2,040,678	\$ 2,112,813	\$ 2,256,000
Contract liabilities - noncurrent	<u>193,946</u>	<u>210,600</u>	<u>216,959</u>	<u>208,272</u>
	<u>\$ 2,232,615</u>	<u>\$ 2,251,278</u>	<u>\$ 2,329,772</u>	<u>\$ 2,464,272</u>

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

For the nine months ended September 30, 2020 and 2019, the changes in contract asset and contract liability balances primarily resulted from the timing difference between the Group's fulfillment of performance obligations and the respective customer's payment. Except for the above changes, there are no other significant changes.

b. Assets related to contract costs

	September 30, 2020	December 31, 2019	September 30, 2019
Current			
Costs to fulfill a contract (included in other current assets)	<u>\$ 2,152</u>	<u>\$ -</u>	<u>\$ -</u>
Noncurrent			
Incremental costs of obtaining a contract	<u>\$ 3,195,315</u>	<u>\$ 3,398,107</u>	<u>\$ 3,200,141</u>

1) Costs to fulfill a contract

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

2) Incremental costs of obtaining a contract

The Group considered its past experience and believes the commission and subsidies paid for obtaining contracts are wholly recoverable. Total expenses recognized were \$743,570 thousand and \$647,776 thousand for the three months ended September 30, 2020 and 2019, respectively, and \$2,196,663 thousand and \$1,777,478 thousand for the nine months ended September 30, 2020 and 2019, respectively.

c. Disaggregation of revenue

Refer to Note 39 for information about the disaggregation of revenue.

25. CONSOLIDATED NET INCOME

a. Financial costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Interest on financial liabilities measured at amortized cost	\$ 156,614	\$ 93,878	\$ 450,681	\$ 262,421
Interest on compensation arising from lawsuits	-	-	-	42,305
Interest on lease liabilities	18,351	19,257	56,361	58,971
Other financial costs	<u>857</u>	<u>4,121</u>	<u>5,279</u>	<u>19,449</u>
	<u>\$ 175,822</u>	<u>\$ 117,256</u>	<u>\$ 512,321</u>	<u>\$ 383,146</u>

b. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Property, plant and equipment	\$ 1,949,743	\$ 2,337,983	\$ 6,071,282	\$ 7,360,993
Right-of-use assets	898,679	908,133	2,702,457	2,734,073
Intangible assets	<u>260,510</u>	<u>257,180</u>	<u>789,781</u>	<u>753,319</u>
	<u>\$ 3,108,932</u>	<u>\$ 3,503,296</u>	<u>\$ 9,563,520</u>	<u>\$ 10,848,385</u>
Depreciation expense categorized by function				
Operating costs	\$ 2,521,360	\$ 2,870,606	\$ 7,753,176	\$ 8,899,610
Operating expenses	<u>327,062</u>	<u>375,510</u>	<u>1,020,563</u>	<u>1,195,456</u>
	<u>\$ 2,848,422</u>	<u>\$ 3,246,116</u>	<u>\$ 8,773,739</u>	<u>\$ 10,095,066</u>
Amortization expense categorized by function				
Operating costs	\$ 59,428	\$ 65,432	\$ 183,321	\$ 199,882
Marketing expenses	62,865	50,095	185,272	146,353
General and administrative expenses	<u>138,217</u>	<u>141,653</u>	<u>421,188</u>	<u>407,084</u>
	<u>\$ 260,510</u>	<u>\$ 257,180</u>	<u>\$ 789,781</u>	<u>\$ 753,319</u>

c. Employee benefit expenses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Retirement benefits				
Defined contribution plans	\$ 42,209	\$ 52,677	\$ 127,938	\$ 147,856
Defined benefit plans	<u>3,432</u>	<u>6,595</u>	<u>10,296</u>	<u>13,817</u>
	<u>45,641</u>	<u>59,272</u>	<u>138,234</u>	<u>161,673</u>
Other employee benefits				
Salary	1,383,169	1,449,202	4,328,509	4,281,756
Insurance	129,793	130,379	395,789	390,040
Others	<u>75,834</u>	<u>79,572</u>	<u>232,338</u>	<u>236,170</u>
	<u>1,588,796</u>	<u>1,659,153</u>	<u>4,956,636</u>	<u>4,907,966</u>
	<u>\$ 1,643,437</u>	<u>\$ 1,718,425</u>	<u>\$ 5,094,870</u>	<u>\$ 5,069,639</u>
Categorized by function				
Operating costs	\$ 254,305	\$ 295,422	\$ 858,279	\$ 873,234
Operating expenses	<u>1,380,132</u>	<u>1,423,003</u>	<u>4,236,591</u>	<u>4,196,405</u>
	<u>\$ 1,634,437</u>	<u>\$ 1,718,425</u>	<u>\$ 5,094,870</u>	<u>\$ 5,069,639</u>

d. 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 all of the four periods in the three months and nine months ended September 30, 2020 and 2019, 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 three months and nine months ended September 30, 2020 and 2019 were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Employees' compensation	<u>\$ 50,039</u>	<u>\$ 55,176</u>	<u>\$ 161,849</u>	<u>\$ 155,564</u>
Remuneration of directors	<u>\$ 18,013</u>	<u>\$ 19,863</u>	<u>\$ 58,265</u>	<u>\$ 56,003</u>

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

The appropriations of employees' compensation and remuneration of directors for 2019 and 2018 resolved by the board of directors on February 19, 2020 and February 20, 2019, respectively, are stated below:

	For the Year Ended December 31			
	2019		2018	
	Cash	Stock	Cash	Stock
Employees' compensation	\$ 213,933	\$ -	\$ 233,689	\$ -
Remuneration of directors	77,016	-	84,128	-

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, 2019 and 2018.

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

26. INCOME TAX

a. Income tax expense recognized in profit or loss

The major components of income tax expense were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Current tax	\$ 390,637	\$ 598,266	\$ 1,363,613	\$ 1,833,957
Deferred tax	<u>(16,332)</u>	<u>(8,040)</u>	<u>52,482</u>	<u>(24,804)</u>
Income tax expense recognized in profit or loss	<u>\$ 374,305</u>	<u>\$ 590,226</u>	<u>\$ 1,416,095</u>	<u>\$ 1,809,153</u>

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. When calculating the tax on unappropriated earnings, the Group only deducts the amount of the unappropriated earnings that has been reinvested in capital expenditure.

b. Income tax recognized in other comprehensive income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
<u>Deferred tax</u>				
In respect of the current period				
Fair value changes of				
financial assets at fair				
value through other				
comprehensive income	<u>\$ 193</u>	<u>\$ 4</u>	<u>\$ 2,947</u>	<u>\$ (511)</u>

c. Income tax assessments

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

Income tax returns of KGEx, ARCOA, YSDT and Nextlink Technology through 2017 had been assessed by the tax authorities. Income tax returns of NCIC, ISSDU, Yuan Cing, Microfusion Technology, New Diligent, DataExpress, Linkwell, Home Master and Prime Ecopower 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 Period

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Net income for the period attributable to Far EasTone	\$ 2,058,100	\$ 2,195,160	\$ 6,469,093	\$ 6,600,640
Effect of potentially dilutive common stock:				
Employees' compensation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Earnings used in the calculation of diluted earnings per share	<u>\$ 2,058,100</u>	<u>\$ 2,195,160</u>	<u>\$ 6,469,093</u>	<u>\$ 6,600,640</u>

Weighted Average Number of Common Stock Outstanding

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Weighted average number of common stock used in the calculation of basic earnings per share	3,258,501	3,258,501	3,258,501	3,258,501
Effect of potentially dilutive common stock:				
Employees' compensation	<u>2,653</u>	<u>2,146</u>	<u>3,224</u>	<u>2,757</u>
Weighted average number of common stock used in the calculation of diluted earnings per share	<u>3,261,154</u>	<u>3,260,647</u>	<u>3,261,725</u>	<u>3,261,258</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 for increasing market share of the fast growing cloud services market, the board of directors of NCIC (100%-owned subsidiary of Far EasTone) resolved on November 5, 2018 to acquire Nextlink Technology Co., Ltd. (Nextlink Technology), and the acquisition was completed on March 4, 2019.

b. Considerations transferred

	Nextlink Technology
Cash	<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	(267,471)
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 the 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 the 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 the acquisition on the results of the Group

From March 4, 2019, the acquisition date, to September 30, 2019, the financial results of the acquiree, which are included in the consolidated statements of comprehensive income, are as follows:

	Nextlink Technology
Operating revenue	<u>\$ 824,673</u>
Net income	<u>\$ 1,501</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 nine months ended September 30, 2019 would have been \$62,817,999 thousand and \$6,666,517 thousand, respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2019, nor is it intended to be a projection of future results.

29. DISPOSAL OF SUBSIDIARIES

On April 15, 2019, the Group entered into an agreement to dispose of Omusic Co., Ltd. (Omusic), which provides electronic information services. The disposal was completed on April 30, 2019, the date the control of Omusic was passed to the acquirer.

- a. Consideration received from the disposal

	Omusic
Consideration received in cash	<u>\$ 10,500</u>

- 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

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

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

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

	YSDT
<u>Line items adjusted for equity transactions</u>	
Unappropriated earnings	<u>\$ (85,219)</u>

31. CASH FLOW INFORMATION

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

For the nine months ended September 30, 2020 and 2019, changes in liabilities arising from financing activities, including noncash transactions, were as follows:

For the nine months ended September 30, 2020

	Balance on January 1, 2020	Cash Flows from Financing Activities	Changes in Noncash Transactions		Cash Flows from Operating Activities - Interest Paid	Balance on September 30, 2020
			New Leases	Others		
Lease liabilities (including the current and noncurrent portion)	<u>\$ 7,899,717</u>	<u>\$ (2,642,640)</u>	<u>\$ 3,126,749</u>	<u>\$ (168,651)</u>	<u>\$ (56,361)</u>	<u>\$ 8,158,814</u>

For the nine months ended September 30, 2019

	Balance on January 1, 2019	Cash Flows from Financing Activities	Changes in Noncash Transactions			Cash Flows from Operating Activities - Interest Paid	Balance on September 30, 2019
			New Leases	Acquisition Through Business Combinations	Others		
Lease liabilities (including the current and noncurrent portion)	<u>\$ 8,172,595</u>	<u>\$(2,507,162)</u>	<u>\$ 2,514,196</u>	<u>\$ 13,541</u>	<u>\$ (185,147)</u>	<u>\$ (58,971)</u>	<u>\$ 7,949,052</u>

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.

	September 30, 2020		December 31, 2019		September 30, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>						
Refundable deposits	\$ 1,030,122	\$ 1,001,200	\$ 1,081,584	\$ 1,035,148	\$ 1,050,663	\$ 1,004,084
<u>Financial liabilities</u>						
Bonds payable	33,769,706	33,970,336	30,271,462	30,427,690	30,373,843	30,546,908

2) Fair value hierarchy

September 30, 2020				
	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Refundable deposits	\$ _____ -	\$ _____ -	\$ 1,001,200	\$ 1,001,200
<u>Financial liabilities</u>				
Bonds payable	\$ 33,970,336	\$ _____ -	\$ _____ -	\$ 33,970,336
December 31, 2019				
	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Refundable deposits	\$ _____ -	\$ _____ -	\$ 1,035,148	\$ 1,035,148
<u>Financial liabilities</u>				
Bonds payable	\$ 30,427,690	\$ _____ -	\$ _____ -	\$ 30,427,690
September 30, 2019				
	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Refundable deposits	\$ _____ -	\$ _____ -	\$ 1,004,084	\$ 1,004,084
<u>Financial liabilities</u>				
Bonds payable	\$ 30,546,908	\$ _____ -	\$ _____ -	\$ 30,546,908

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

September 30, 2020				
	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit or loss</u>				
Mutual funds	\$ _____ -	\$ 651,496	\$ _____ -	\$ 651,496
<u>Financial assets at fair value through other comprehensive income</u>				
Domestic/foreign unlisted common stock	\$ _____ -	\$ _____ -	\$ 839,394	\$ 839,394

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit or loss</u>				
Mutual funds	\$ <u>-</u>	\$ <u>629,338</u>	\$ <u>-</u>	\$ <u>629,338</u>
<u>Financial assets at fair value through other comprehensive income</u>				
Domestic/foreign unlisted common stock	\$ <u>-</u>	\$ <u>-</u>	\$ <u>447,735</u>	\$ <u>447,735</u>
	September 30, 2019			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit or loss</u>				
Mutual funds	\$ <u>-</u>	\$ <u>616,447</u>	\$ <u>-</u>	\$ <u>616,447</u>
<u>Financial assets at fair value through other comprehensive income</u>				
Domestic/foreign unlisted common stock	\$ <u>-</u>	\$ <u>-</u>	\$ <u>442,238</u>	\$ <u>442,238</u>

There were no transfers of financial assets and financial liabilities between Level 1 and Level 2 for the nine months ended September 30, 2020 and 2019.

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

	For the Nine Months Ended September 30, 2020
	Financial Instruments at Fair Value Through Other Comprehensive Income
Beginning balance	\$ 447,735
Additions	500,000
Recognized in other comprehensive income	(93,429)
Remittance of cash due to capital reduction	(13,500)
Effects of foreign currency exchange differences	<u>(1,412)</u>
Ending balance	\$ <u>839,394</u>

	For the Nine Months Ended September 30, 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	-	14,460
Effects of foreign currency exchange differences	-	(4,333)
Ending balance	<u>\$ -</u>	<u>\$ 442,238</u>

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

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

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

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

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Financial assets</u>			
Financial assets at fair value through profit or loss	\$ 651,496	\$ 629,338	616,447
Financial assets at amortized cost (Note 1)	14,282,863	19,805,530	17,197,254
Financial assets at fair value through other comprehensive income	839,394	447,735	442,238

Financial liabilities

Financial liabilities at amortized cost (Note 2)	85,607,461	47,248,091	47,653,280
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Note 1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, debt investments, notes receivable, accounts receivable (including related parties), other receivables (including related parties), refundable deposits and other financial assets.

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

d. Financial risk management objectives and policies

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

The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies which were approved by the board of directors, which provide written principles on managing foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and nonderivative financial instruments, and the investment of excess liquidity. The compliance with policies and exposure limits are reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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

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 Nine Months Ended	
	September 30	
	2020	2019
5% change in profit or loss		
USD	<u>\$ (42,536)</u>	<u>\$ (36,122)</u>

b) Interest rate risk

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

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

	September 30, 2020	December 31, 2019	September 30, 2019
Fair value interest rate risk			
Financial assets	\$ 3,005,481	\$ 6,601,674	\$ 3,016,829
Financial liabilities	80,337,915	43,681,347	41,606,864
Cash flow interest rate risk			
Financial assets	3,795,363	5,634,662	5,467,965
Financial liabilities	1,120,000	200,000	300,000

Sensitivity analysis

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

Had interest rates been 25 basis points higher/lower and all other variables been held constant, the income before income tax for the nine months ended September 30, 2020 and 2019 would have increased/decreased by \$5,016 thousand and \$9,690 thousand, respectively, which were mainly affected by bank deposits and borrowings with floating interest rates.

c) Other price risks

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

Sensitivity analysis

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

If equity prices had been 5% higher/lower, pre-tax profit for the nine months ended September 30, 2020 and 2019 would have increased/decreased by \$32,575 thousand and \$30,822 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL; and the pre-tax other comprehensive income for the nine months ended September 30, 2020 and 2019 would have increased/decreased by \$41,970 thousand and \$22,112 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

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

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

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

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, 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 \$38,919,859 thousand, \$36,851,388 thousand and \$38,604,500 thousand as of September 30, 2020, December 31, 2019 and September 30, 2019, respectively.

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

	Carrying Amount	Contractual Cash Flows	Within 1 Year	1-5 Years	More than 5 Years
<u>September 30, 2020</u>					
Short-term borrowings	\$ 8,961,700	\$ 8,975,749	\$ 8,975,749	\$ -	\$ -
Short-term bills payable	3,269,098	3,270,000	3,270,000	-	-
Long-term borrowings	26,948,536	27,170,648	1,545,528	25,625,120	-
Bonds payable	33,769,706	35,127,110	321,770	25,252,335	9,553,005
Lease liabilities	<u>8,158,814</u>	<u>8,274,881</u>	<u>2,853,738</u>	<u>5,377,289</u>	<u>43,854</u>
	<u>\$ 81,107,854</u>	<u>\$ 82,818,388</u>	<u>\$ 16,966,785</u>	<u>\$ 56,254,744</u>	<u>\$ 9,596,859</u>
<u>December 31, 2019</u>					
Short-term borrowings	\$ 490,000	\$ 490,814	\$ 490,814	\$ -	\$ -
Short-term bills payable	354,635	355,000	355,000	-	-
Long-term borrowings	4,400,000	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>7,899,717</u>	<u>8,030,075</u>	<u>2,819,184</u>	<u>5,183,066</u>	<u>27,825</u>
	<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>September 30, 2019</u>					
Short-term borrowings	\$ 2,265,000	\$ 2,267,623	\$ 2,267,623	\$ -	\$ -
Short-term bills payable	354,705	355,000	355,000	-	-
Long-term borrowings	500,000	507,227	3,860	503,367	-
Bonds payable	30,373,843	31,588,665	6,037,980	18,669,825	6,880,860
Lease liabilities	<u>7,949,052</u>	<u>8,070,064</u>	<u>3,006,304</u>	<u>5,046,744</u>	<u>17,016</u>
	<u>\$ 41,442,600</u>	<u>\$ 42,788,579</u>	<u>\$ 11,670,767</u>	<u>\$ 24,219,936</u>	<u>\$ 6,897,876</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years
<u>September 30, 2020</u>					
Lease liabilities	<u>\$ 2,853,738</u>	<u>\$ 5,377,289</u>	<u>\$ 43,703</u>	<u>\$ 82</u>	<u>\$ 69</u>
<u>December 31, 2019</u>					
Lease liabilities	<u>\$ 2,819,184</u>	<u>\$ 5,183,066</u>	<u>\$ 27,825</u>	<u>\$ -</u>	<u>\$ -</u>
<u>September 30, 2019</u>					
Lease liabilities	<u>\$ 3,006,304</u>	<u>\$ 5,046,744</u>	<u>\$ 17,016</u>	<u>\$ -</u>	<u>\$ -</u>

33. TRANSACTIONS WITH RELATED PARTIES

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

a. The Group's related parties and their relationships

Related Party	Relationship with the Group
Far Eastern New Century Corporation (FENC)	Ultimate parent company
Far Eastern Electronic Toll Collection Co., Ltd.	Subsidiary of FENC
Ding Ding Integrated Marketing Service Co., Ltd.	Subsidiary of FENC
Far Eastern International Leasing Corp.	Other related party (equity-method investee of subsidiary of FENC)
Telecommunication and Transportation Foundation	Other related party (Far EasTone's donation is over one third of the foundation's fund)
Far Eastern Apparel Co., Ltd.	Subsidiary of FENC
Far Cheng Human Resources Consultant Corp.	Subsidiary of FENC
Far Eastern Resource Development Co., Ltd.	Subsidiary of FENC
Pacific Sogo Department Stores Co., Ltd. (SOGO)	Other related party (same chairman as parent company's)
Far Eastern Big City Shopping Malls Co., Ltd.	Other related party (subsidiary of SOGO)
Far Eastern Citysuper Co., Ltd.	Other related party (same chairman as parent company's)
Ya Tung Department Store Co., Ltd.	Other related party (same chairman as parent company's)
Fu Dar Transportation Corporation	Other related party (same chairman as parent company's)
Fu-Ming Transportation Co., Ltd.	Other related party (same chairman as parent company's)
YDT Technology International Co., Ltd.	Subsidiary of FENC
Nan Hwa Cement Corporation	Other related party (same chairman as parent company's)
Ya Tung Ready Mixed Concrete Co., Ltd.	Other related party (same chairman as parent company's)
Oriental Securities Corporation Ltd.	Other related party (equity-method investee of FENC)
Yuan Ding Co., Ltd.	Subsidiary of FENC
Far Eastern Department Stores Co., Ltd.	Other related party (same chairman as Far EasTone'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)

(Continued)

Related Party	Relationship with the Group
Far Eastern Plaza Hotel	Subsidiary of FENC
Yuan-Ze University	Other related party (same chairman as Far EasTone's)
U-Ming Marine Transport Corporation	Other related party (same chairman as Far EasTone's)
Chiahui Power Corporation	Other related party (same chairman as Far EasTone's)
Far Eastern International Bank (FEIB)	Other related party (Far EasTone's chairman is FEIB's vice chairman)
Far Eastern Construction Co., Ltd.	Subsidiary of FENC
Fu Kwok Garment Manufacturing Co., Ltd.	Subsidiary of FENC
Oriental Petrochemical (Taiwan) Co., Ltd.	Subsidiary of FENC
Air Liquide Far Eastern Co., Ltd.	Other related party (equity-method investee of FENC)
Far Eastern General Contractor Inc.	Subsidiary of FENC
Oriental Resources Development Limited	Subsidiary of FENC
Far Eastern Fibertech Co., Ltd.	Subsidiary of FENC
Far Eastern Realty Management Co., Ltd.	Subsidiary of FENC
Ding & Ding Management Consultant Co., Ltd.	Other related party (substantive related party)
Yuan Hsin Digital Payment Co., Ltd.	Subsidiary of FENC
Far Eastern Polyclinic of Far Eastern Medical Foundation	Other related party (same chairman as Far EasTone's)
FETC International Co., Ltd.	Subsidiary of FENC
Far Eastern Polytex (Vietnam) Ltd.	Subsidiary of FENC
Deutsche Far Eastern Asset Management Co., Ltd. (DFEAMC)	Other related party (substantive related party)
Kowloon Cement Corporation Limited	Other related party (substantive related party)
Asia Cement (Singapore) PTE. Ltd.	Other related party (substantive related party)
Jianxi Yadong Cement Co., Ltd.	Other related party (substantive related party)
Everest Textile Co., Ltd.	Other related party (substantive related party)
Kaohsiung Rapid Transit Corporation	Other related party (substantive related party)
Oriental Petrochemical (Shanghai) Corporation	Subsidiary of FENC
Yuan Ding Enterprise (Shanghai) Limited	Subsidiary of FENC
System Corporation	Other related party (substantive related party)
Oriental Green Materials Limited	Subsidiary of FENC
Far Eastern Petrochemical (Yangzhou) Ltd.	Other related party (substantive related party)
HIM International Music Inc. (HIM)	Other related party (juristic-person supervisor of subsidiary, but no longer a related party since April 30, 2019)
Universal Music Taiwan Ltd.	Other related party (juristic-person director of subsidiary, but no longer a related party since April 30, 2019)
Forward Music Co., Ltd.	Other related party (juristic-person director of subsidiary, but no longer a related party since April 30, 2019)
Sony Music Entertainment Taiwan Ltd.	Other related party (juristic-person director of subsidiary, but no longer a related party since April 30, 2019)
Otiga Technologies Ltd. (Otiga)	Other related party (juristic-person supervisor of subsidiary, but no longer a related party since April 30, 2019)

(Concluded)

b. Operating revenue

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
FENC	\$ 11,682	\$ 11,439	\$ 34,345	\$ 29,863
Subsidiaries of FENC	37,643	43,333	108,223	99,493
Other related parties	<u>73,112</u>	<u>66,036</u>	<u>219,835</u>	<u>193,809</u>
	<u>\$ 122,437</u>	<u>\$ 120,808</u>	<u>\$ 362,403</u>	<u>\$ 323,165</u>

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

c. Operating costs and expenses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Operating costs				
FENC	\$ 59	\$ -	\$ 178	\$ -
Subsidiaries of FENC	4,628	12,581	19,581	15,658
Other related parties	<u>20,928</u>	<u>9,753</u>	<u>55,063</u>	<u>53,142</u>
	<u>\$ 25,615</u>	<u>\$ 22,334</u>	<u>\$ 74,822</u>	<u>\$ 68,800</u>
Operating expenses				
FENC	\$ 22,932	\$ 24,012	\$ 83,867	\$ 83,235
Subsidiaries of FENC	52,229	51,516	161,489	146,715
Other related parties	<u>23,344</u>	<u>23,254</u>	<u>66,969</u>	<u>66,714</u>
	<u>\$ 98,505</u>	<u>\$ 98,782</u>	<u>\$ 312,325</u>	<u>\$ 296,664</u>

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

d. Property transactions

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Acquisition of property, plant and equipment and intangible assets				
Subsidiaries of FENC	\$ 9,058	\$ -	\$ 18,447	\$ 6,102
Other related parties	<u>12,036</u>	<u>107</u>	<u>12,470</u>	<u>30,642</u>
	<u>\$ 21,094</u>	<u>\$ 107</u>	<u>\$ 30,917</u>	<u>\$ 36,744</u>

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Disposal of securities				
Other related parties				
HIM	\$ -	\$ -	\$ -	\$ 2,205
Otiga	-	-	-	3,255
Others	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,890</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,350</u>
Disposal of financial assets at fair value through profit or loss				
Other related parties				
DFEAMC	<u>\$ -</u>	<u>\$ 150,885</u>	<u>\$ -</u>	<u>\$ 150,885</u>
				(Concluded)

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 EasTone's subsidiary). The consideration received from related parties amounted to \$7,350 thousand and the difference between the consideration and the book value was recognized as a loss on disposal of \$542 thousand.

e. Lease arrangements - the Group is lessee

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Acquisition of right-of-use assets				
Other related parties	<u>\$ 2,457</u>	<u>\$ 2,376</u>	<u>\$ 29,914</u>	<u>\$ 9,301</u>
	September 30, 2020	December 31, 2019	September 30, 2019	
Lease liabilities - current				
FENC	\$ 2,842	\$ 3,208	\$ 4,515	
Subsidiaries of FENC	27,082	37,776	45,271	
Other related parties	<u>19,263</u>	<u>24,456</u>	<u>23,689</u>	
	<u>\$ 49,187</u>	<u>\$ 65,440</u>	<u>\$ 73,475</u>	
Lease liabilities - noncurrent				
FENC	\$ 1,966	\$ 4,493	\$ 5,307	
Subsidiaries of FENC	21,755	45,484	53,420	
Other related parties	<u>18,734</u>	<u>26,867</u>	<u>29,526</u>	
	<u>\$ 42,455</u>	<u>\$ 76,844</u>	<u>\$ 88,253</u>	

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Financial costs				
FENC	\$ 11	\$ 22	\$ 40	\$ 74
Subsidiaries of FENC	140	259	492	883
Other related parties	<u>81</u>	<u>140</u>	<u>234</u>	<u>409</u>
	<u>\$ 232</u>	<u>\$ 421</u>	<u>\$ 766</u>	<u>\$ 1,366</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

	September 30, 2020	December 31, 2019	September 30, 2019
Other related parties			
FEIB	<u>\$ 2,601,568</u>	<u>\$ 2,925,180</u>	<u>\$ 3,650,731</u>

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

g. Receivables and payables - related parties

	September 30, 2020	December 31, 2019	September 30, 2019
Accounts receivable - related parties (included in accounts receivable)			
FENC	\$ 4,441	\$ 4,726	\$ 5,393
Subsidiaries of FENC	22,174	36,001	21,537
Other related parties	<u>138,678</u>	<u>204,211</u>	<u>259,242</u>
	<u>\$ 165,293</u>	<u>\$ 244,938</u>	<u>\$ 286,172</u>
Other receivables - related parties (included in other current assets)			
Subsidiaries of FENC	\$ 3,573	\$ 3,269	\$ 3,829
Other related parties	<u>6,031</u>	<u>10,932</u>	<u>10,158</u>
	<u>\$ 9,604</u>	<u>\$ 14,201</u>	<u>\$ 13,987</u>
Accounts payable - related parties (included in accounts payable)			
Subsidiaries of FENC	\$ 2,795	\$ 3,658	\$ 2,763
Other related parties	<u>12,249</u>	<u>12,834</u>	<u>9,195</u>
	<u>\$ 15,044</u>	<u>\$ 16,492</u>	<u>\$ 11,958</u>
Other payables - related parties (included in other current liabilities)			
FENC	\$ 23,100	\$ 22,506	\$ 25,734
Subsidiaries of FENC	63,392	78,829	77,435
Other related parties	<u>11,649</u>	<u>8,704</u>	<u>10,055</u>
	<u>\$ 98,141</u>	<u>\$ 110,039</u>	<u>\$ 113,224</u>

h. Refundable deposits (included in other noncurrent assets)

	September 30, 2020	December 31, 2019	September 30, 2019
Subsidiaries of FENC	\$ 64,471	\$ 66,361	\$ 64,621
Other related parties	<u>2,215</u>	<u>1,451</u>	<u>1,451</u>
	<u>\$ 66,686</u>	<u>\$ 67,812</u>	<u>\$ 66,072</u>

i. Others

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Interest revenue				
Subsidiaries of FENC	\$ <u>6</u>	\$ <u>6</u>	\$ <u>17</u>	\$ <u>17</u>
Other related parties				
FEIB	3,857	6,604	14,559	19,388
Others	<u>1</u>	<u>-</u>	<u>3</u>	<u>2</u>
	<u>3,858</u>	<u>6,604</u>	<u>14,562</u>	<u>19,390</u>
	<u>\$ 3,864</u>	<u>\$ 6,610</u>	<u>\$ 14,579</u>	<u>\$ 19,407</u>
Financial costs				
Other related parties	\$ <u>44</u>	\$ <u>55</u>	\$ <u>162</u>	\$ <u>828</u>

j. Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the three months and nine months ended September 30, 2020 and 2019 were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Short-term benefits	\$ 62,896	\$ 67,204	\$ 218,047	\$ 218,983
Post-employment benefits	<u>722</u>	<u>805</u>	<u>2,345</u>	<u>2,433</u>
	<u>\$ 63,618</u>	<u>\$ 68,009</u>	<u>\$ 220,392</u>	<u>\$ 221,416</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 and litigation, were as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Other financial assets - current	<u>\$ 350,930</u>	<u>\$ 621,122</u>	<u>\$ 636,094</u>

35. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

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

a.

	September 30, 2020	December 31, 2019	September 30, 2019
Unpaid acquisition of property, plant and equipment and intangible assets under contracts	<u>\$ 9,559,856</u>	<u>\$ 4,241,999</u>	<u>\$ 3,318,723</u>
Unpaid acquisition of inventories under contracts	<u>\$ 1,998,439</u>	<u>\$ 3,895,806</u>	<u>\$ 3,883,749</u>

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

	September 30, 2020	December 31, 2019	September 30, 2019
Lease commitments	<u>\$ 277,802</u>	<u>\$ 247,816</u>	<u>\$ 283,262</u>

c. The Group provided \$0, \$100,000 thousand and \$105,519 thousand as bank guarantees for its purchases from suppliers and acquisition of property, plant and equipment as of September 30, 2020, December 31, 2019 and September 30, 2019, respectively.

d. On September 4, 2020, the board of directors of Far EasTone resolved to enter into a business cooperation agreement with Asia-Pacific Telecom Co., Ltd. (APTC). Once approval from the competent authority is obtained, Far EasTone will cooperate with APTC on frequency and network matters whereby Far EasTone shares its 3.5GHz spectrum used for providing 5G services with APTC in exchange for the sharing of two-ninths of 3.5G spectrum's related capitalized costs and expenses by APTC. As of November 5, 2020, Far EasTone has not applied for approval from the competent authority regarding the aforementioned business cooperation.

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

36. OTHER ITEMS

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

37. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

38. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

(In Thousands, Except Exchange Rate)			
September 30, 2020			
	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 45,292	29.10 (USD:NTD)	\$ 1,317,988
Nonmonetary items			
USD	31,282	29.10 (USD:NTD)	910,306
USD	4,489	6.817 (USD:RMB)	130,627
<u>Financial liabilities</u>			
Monetary items			
USD	16,057	29.10 (USD:NTD)	467,267
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

(Continued)

December 31, 2019			
	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 16,060	29.98 (USD:NTD)	\$ 481,471 (Concluded)

September 30, 2019			
	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 50,747	31.04 (USD:NTD)	\$ 1,575,192
Nonmonetary items			
USD	24,915	31.04 (USD:NTD)	773,365
USD	5,000	7.136 (USD:RMB)	155,200

<u>Financial liabilities</u>			
Monetary items			
USD	27,472	31.04 (USD:NTD)	852,746

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

For the Three Months Ended September 30				
2020			2019	
Functional Currency	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
NTD	1 (NTD:NTD)	\$ (8,294)	1 (NTD:NTD)	\$ 1,058
RMB	4.257 (RMB:NTD)	(2,012)	4.441 (RMB:NTD)	2,181
HKD	3.799 (HKD:NTD)	<u>514</u>	3.984 (HKD:NTD)	<u>(328)</u>
		<u>\$ (9,792)</u>		<u>\$ 2,911</u>

For the Nine Months Ended September 30				
2020			2019	
Functional Currency	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
NTD	1 (NTD:NTD)	\$ (2,066)	1 (NTD:NTD)	\$ 2,142
RMB	4.259 (RMB:NTD)	(1,282)	4.520 (RMB:NTD)	2,303
HKD	3.843 (HKD:NTD)	<u>(786)</u>	3.962 (HKD:NTD)	<u>(37)</u>
		<u>\$ (4,134)</u>		<u>\$ 4,408</u>

39. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions

- 1) Financing provided to others: Schedule A
- 2) Endorsements/guarantees provided: None
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures): Schedule B
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Schedule C
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Schedule D
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Schedule E
- 9) Trading in derivative instruments: Note 32
- 10) Significant transactions between Far EasTone and its subsidiaries and among subsidiaries: Schedule F

b. Information on investees: Schedule G

c. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Schedule H
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, 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 material effect on profit or loss for the period or on the financial position, such as the rendering or receipt of services.
- d. Information on major stockholders : List all stockholders with ownership of 5% or greater showing the name of the stockholder, the number of shares owned, and percentage of ownership of each stockholder: Schedule I

40. SEGMENT INFORMATION

Products and services from which reportable segments derive their revenue:

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

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

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

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

	For the Nine Months Ended September 30, 2020				
	Mobile Services Business	Fixed-line Services Business	Sales Business	Adjustment and Elimination	Consolidation
Revenue generated from external customers	\$ 31,864,710	\$ 6,795,117	\$ 18,033,821	\$ -	\$ 56,693,648
Revenue generated within the Group (Note)	<u>181,311</u>	<u>1,670,190</u>	<u>25,624</u>	<u>(1,877,125)</u>	<u>-</u>
Total revenue	<u>\$ 32,046,021</u>	<u>\$ 8,465,307</u>	<u>\$ 18,059,445</u>	<u>\$ (1,877,125)</u>	<u>\$ 56,693,648</u>
Segment operating income	<u>\$ 5,889,095</u>	<u>\$ 1,355,868</u>	<u>\$ 2,194,596</u>	<u>\$ (1,503,205)</u>	<u>\$ 7,936,354</u>

	For the Nine Months Ended September 30, 2019				
	Mobile Services Business	Fixed-line Services Business	Sales Business	Adjustment and Elimination	Consolidation
Revenue generated from external customers	\$ 33,916,170	\$ 6,662,954	\$ 22,072,834	\$ -	\$ 62,651,958
Revenue generated within the Group (Note)	<u>221,144</u>	<u>1,868,465</u>	<u>34,102</u>	<u>(2,123,711)</u>	<u>-</u>
Total revenue	<u>\$ 34,137,314</u>	<u>\$ 8,531,419</u>	<u>\$ 22,106,936</u>	<u>\$ (2,123,711)</u>	<u>\$ 62,651,958</u>
Segment operating income	<u>\$ 4,988,084</u>	<u>\$ 1,435,590</u>	<u>\$ 2,757,722</u>	<u>\$ (709,240)</u>	<u>\$ 8,472,156</u>

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note)	Aggregate Financing Limit (Note)
													Item	Value		
1	New Century InfoComm Tech Co., Ltd.	Yuanshi Digital Technology Co., Ltd.	Other receivables - related parties	Yes	\$ 300,000	\$ -	\$ -	1.28%-1.53%	Short-term financing	\$ -	For business operations	\$ -	-	\$ -	\$ 9,543,975	\$ 11,929,968
		Far EasTone Telecommunications Co., Ltd.	Other receivables - related parties	Yes	1,500,000	1,500,000	1,500,000	0.58%-0.83%	Business transaction	2,270,064	-	-	-	-	2,270,064	11,929,968
		Far EasTone Telecommunications Co., Ltd.	Other receivables - related parties	Yes	9,500,000	8,500,000	6,500,000	0.58%-0.83%	Short-term financing	-	For business operations	-	-	-	9,543,975	11,929,968

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

SEPTEMBER 30, 2020

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	September 30, 2020				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Far EasTone Telecommunications Co., Ltd.	<u>Stock</u> App Works Fund II Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	7,500,000	\$ 68,008	11.11	\$ 68,008	Note B
	CDIB Capital Innovation Accelerator Limited	-	Financial assets at fair value through other comprehensive income - noncurrent	9,000,000	92,630	10.71	92,630	Note B
	LINE Bank Taiwan Limited	-	Financial assets at fair value through other comprehensive income - noncurrent	50,000,000	463,729	5.00	463,729	Note B
ARCOA Communication Co., Ltd.	<u>Stock</u> THI consultants	-	Financial assets at fair value through other comprehensive income - noncurrent	1,213,594	12,190	18.32	12,190	Note B
	Web Point Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	160,627	1,618	0.63	1,618	Note B
New Century InfoComm Tech Co., Ltd.	<u>Stock</u> Kaohsiung Rapid Transit Corporation	Other related party	Financial assets at fair value through other comprehensive income - noncurrent	8,858,191	50,846	3.18	50,846	Note B
	Bank Pro E-service Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	450,000	4,500	3.33	4,500	Note B
	<u>Stock certificate</u> Changing.ai Inc	-	Financial assets at fair value through other comprehensive income - noncurrent	500,000	15,246	2.50	15,246	Note B
	<u>Overseas funds</u> Opas Fund Segregated Portfolio Tranche A	Other related party	Financial assets at fair value through profit or loss - current	13,491.781	476,440	-	476,440	Note A
	Opas Fund Segregated Portfolio Tranche B	Other related party	Financial assets at fair value through profit or loss - current	5,000.000	175,056	-	175,056	Note A
	<u>Stock certificate</u> TBCASoft, Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	980,435	130,627	6.77	130,627	Note B

Note A: The market values of the overseas funds were calculated at their net asset values as of September 30, 2020.

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition (Note A)		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
Far EasTone Telecommunications Co., Ltd.	Stock LINE Bank Taiwan Limited	Financial assets at fair value through other comprehensive income - noncurrent	LINE Bank Taiwan Limited	-	-	\$ 100,000 (Note A)	50,000,000	\$ 400,000	-	\$ -	\$ -	\$ -	50,000,000	\$ 463,729 (Note B)
	Yuanshi Digital Technology Co., Ltd.	Investments accounted for using the equity method	Yuanshi Digital Technology Co., Ltd.	Subsidiary	90,014,424	(582,357) (Note C)	80,000,000	800,000	-	-	-	-	107,004,329 (Note D)	(26,308) (Note C)

Note A: The amount is the cost of acquisition.

Note B: The amount is the fair value as of September 30, 2020.

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020
(In Thousands of New Taiwan Dollars)**

Purchaser (Seller) of Goods	Related Party	Relationship	Transaction Details				Abnormal Transaction		Accounts/Other Receivables (Payables)	
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total
Far EasTone Telecommunications Co., Ltd.	ARCOA Communication Co., Ltd.	Subsidiary	Operating costs and marketing expenses	\$ 4,950,457	15	Based on agreement	-	-	Accounts payable and other payables	\$ (1,407,969) (8)
	New Century InfoComm Tech Co., Ltd.	Subsidiary	Operating revenue	(375,595)	(1)	Based on agreement	-	-	Accounts receivable	74,934 1
			Operating revenue	(133,489)	-	Based on agreement	-	-	Accounts receivable	1,683 -
			Operating costs	1,569,059	6	Based on agreement	-	-	Accounts payable and other payables (Note A)	(500,462) (3)
	Yuanshi Digital Technology Co., Ltd.	Subsidiary	Operating revenue	(117,426)	-	Based on agreement	-	-	Accounts receivable	28,807 1
	Far EasTone Property Insurance Agent Co., Ltd.	Subsidiary	Operating revenue	(200,111)	-	Based on agreement	-	-	Accounts receivable	81,376 1
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating revenue	(1,569,059)	(21)	Based on agreement	-	-	Accounts receivable (Note B)	500,462 39
	KGEx.com Co., Ltd.	Same parent company	Operating costs	133,489	3	Based on agreement	-	-	Accounts payable	(1,683) -
			Operating costs and rental expenses	105,468	2	Based on agreement	-	-	Accounts payable and other payables	(20,743) (2)
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating revenue	(4,950,457)	(66)	Based on agreement	-	-	Accounts receivable	1,407,969 75
	Home Master Technology Ltd.	Subsidiary of DataExpress Infotech Co., Ltd.	Operating costs	375,595	5	Based on agreement	-	-	Accounts payable	(74,934) (5)
			Operating revenue	(600,256)	(8)	Based on agreement	-	-	Accounts receivable	250,512 13
KGEx.com Co., Ltd.	New Century InfoComm Tech Co., Ltd.	Same parent company	Operating revenue	(105,468)	(25)	Based on agreement	-	-	Accounts receivable	20,743 39
Yuanshi Digital Technology Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating costs	117,426	9	Based on agreement	-	-	Accounts payable	(28,807) (16)
Home Master Technology Ltd.	ARCOA Communication Co., Ltd.	Parent company	Operating costs	600,256	61	Based on agreement	-	-	Accounts payable	(250,512) (80)
Far EasTone Property Insurance Agent Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating costs	200,111	88	Based on agreement	-	-	Accounts payable	(81,376) (100)
Microfusion Technology	Nextlink (HK) Technology	Same parent company	Operating revenue	(106,208)	(24)	Based on agreement	-	-	Accounts receivable	29,871 19
Nextlink (HK) Technology	Microfusion Technology	Same parent company	Operating costs	106,208	16	Based on agreement	-	-	Accounts payable	(29,871) (11)

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
SEPTEMBER 30, 2020
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	\$ 8,595,992	(Note)	\$ -	-	\$ 279,371	\$ -
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd. Home Master Technology Ltd.	Parent company	1,407,969	5.55	-	-	742,530	-
		Subsidiary of DataExpress Infotech Co., Ltd.	250,512	3.12	-	-	70,205	-

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020
(In Thousands of New Taiwan Dollars)**

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Assets/Revenue (Note C)
0	Far EasTone Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd.	1	Accounts receivable - related parties	\$ 1,683	Note F	-
				Other receivables - related parties	87,304	Note F	-
				Refundable deposits	3,532	Note F	-
				Accounts payable - related parties	8,638	Note F	-
				Other payables - related parties	8,587,354	Note F	5
				Contract liabilities	10,021	Note F	-
				Operating revenue	133,489	Note F	-
				Operating costs	1,569,059	Note F	3
				Operating expenses	48,918	Note F	-
				Nonoperating income and gains	40,741	Note F	-
				Nonoperating expenses	35,610	Note F	-
		ARCOA Communication Co., Ltd.	1	Accounts receivable - related parties	74,934	Note F	-
				Other receivables - related parties	1,813	Note F	-
				Accounts payable - related parties	1,363,853	Note F	1
				Other payables - related parties	44,116	Note F	-
				Contract liabilities	22,649	Note F	-
				Operating revenue	375,595	Note F	1
				Operating costs	4,595,759	Note F	8
				Operating expenses	368,164	Note F	1
				Nonoperating income and gains	2,574	Note F	-
		KGEx.com Co., Ltd.	1	Accounts receivable - related parties	8,008	Note F	-
				Other payables - related parties	15,431	Note F	-
				Operating revenue	35,262	Note F	-
				Operating expenses	56,316	Note F	-
		Yuan Cing Co., Ltd.	1	Other receivables - related parties	5,247	Note F	-
				Other payables - related parties	26,104	Note F	-
				Operating expenses	69,135	Note F	-
				Nonoperating income and gains	6,343	Note F	-
		DataExpress Infotech Co., Ltd.	1	Other receivables - related parties	1,910	Note F	-
				Other payables - related parties	24,082	Note F	-
				Operating revenue	23,517	Note F	-
				Operating costs	3,606	Note F	-
		Linkwell Tech. Ltd.	1	Operating expenses	56,930	Note F	-
				Operating expenses	8,199	Note F	-
		Home Master Technology Ltd.	1	Other payables - related parties	20,196	Note F	-
				Operating expenses	52,144	Note F	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Assets/Revenue (Note C)
		Information Security Service Digital United Inc.	1	Other receivables - related parties	\$ 7,931	Note F	-
		Yuanshi Digital Technology Co., Ltd.	1	Accounts payable - related parties	8,490	Note F	-
				Other payables - related parties	3,941	Note F	-
				Operating costs	13,843	Note F	-
				Operating expenses	5,452	Note F	-
				Accounts receivable - related parties	28,807	Note F	-
				Other receivables - related parties	7,485	Note F	-
				Accounts payable - related parties	9,862	Note F	-
				Other payables - related parties	2,545	Note F	-
				Operating revenue	117,426	Note F	-
				Operating costs	3,406	Note F	-
				Operating expenses	1,566	Note F	-
		Yuan Bao Fintech Co., Ltd.	1	Other receivables - related parties	1,075	Note F	-
		FarEasTone Property Insurance Agent Co., Ltd.	1	Operating revenue	2,294	Note F	-
				Accounts receivable - related parties	81,376	Note F	-
				Operating revenue	200,111	Note F	-
1	New Century InfoComm Tech Co., Ltd.	KGEx.com Co., Ltd.	3	Accounts receivable - related parties	2,350	Note F	-
				Accounts payable - related parties	11,673	Note F	-
				Other payables - related parties	9,070	Note F	-
				Operating revenue	19,132	Note F	-
				Operating costs	59,423	Note F	-
				Operating expenses	46,045	Note F	-
		Sino Lead Enterprise Limited	3	Accounts payable - related parties	9,036	Note F	-
		Yuan Cing Co., Ltd.	3	Operating costs	81,087	Note F	-
				Operating expenses	7,635	Note F	-
		Information Security Service Digital United Inc.	3	Operating expenses	2,874	Note F	-
				Other receivables - related parties	1,289	Note F	-
				Accounts payable - related parties	12,556	Note F	-
				Operating revenue	1,310	Note F	-
				Operating costs	50,496	Note F	-
				Operating expenses	4,247	Note F	-
		Yuanshi Digital Technology Co., Ltd.	3	Nonoperating income and gains	4,155	Note F	-
				Accounts receivable - related parties	4,126	Note F	-
				Other receivables - related parties	1,851	Note F	-
				Operating revenue	4,893	Note F	-
				Nonoperating income and gains	7,918	Note F	-
		DataExpress Infotech Co., Ltd.	3	Operating revenue	1,125	Note F	-
		Nextlink Technology Co., Ltd.	3	Nonoperating income and gains	2,684	Note F	-
				Accounts payable - related parties	8,039	Note F	-
		Microfusion Technology Co., Ltd.	3	Operating costs	32,847	Note F	-
				Accounts payable - related parties	9,289	Note F	-
				Operating costs	11,975	Note F	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Assets/Revenue (Note C)
2	ARCOA Communication Co., Ltd.	Yuanshi Digital Technology Co., Ltd.	3	Accounts receivable - related parties	\$ 52,504	Note F	-
		DataExpress Infotech Co., Ltd.	3	Operating revenue	21,976	Note F	-
				Operating revenue	3,440	Note F	-
				Operating costs	2,576	Note F	-
				Nonoperating income and gains	1,245	Note F	-
		Home Master Technology Ltd.	3	Accounts receivable - related parties	250,512	Note F	-
				Operating revenue	600,256	Note F	1
3	Yuan Cing Co., Ltd.	Yuanshi Digital Technology Co., Ltd.	3	Accounts receivable - related parties	1,165	Note F	-
		Yuan Bao Fintech Co., Ltd.	3	Operating revenue	10,597	Note F	-
				Accounts receivable - related parties	2,640	Note F	-
				Operating revenue	2,640	Note F	-
4	DataExpress Infotech Co., Ltd.	Linkwell Tech. Ltd.	3	Operating revenue	20,776	Note F	-
		Home Master Technology Ltd.	3	Operating costs	41,025	Note F	-
				Nonoperating income and gains	1,281	Note F	-
				Other receivables - related parties	9,439	Note F	-
				Operating revenue	2,978	Note F	-
				Operating costs	1,881	Note F	-
				Nonoperating income and gains	8,483	Note F	-
5	Linkwell Tech. Ltd. (Note E)	Home Master Technology Ltd.	3	Operating revenue	3,683	Note F	-
6	Yuanshi Digital Technology Co., Ltd.	Information Security Service Digital United Inc.	3	Operating expenses	1,256	Note F	-
		Microfusion Technology Co., Ltd.	3	Operating expenses	1,167	Note F	-
7	Nextlink Technology Co., Ltd.	Microfusion Technology Co., Ltd.	3	Other receivables - related parties	17,427	Note F	-
		Nextlink (HK) Technology Co., Ltd.	3	Operating revenue	1,256	Note F	-
				Operating costs	4,961	Note F	-
				Nonoperating income and gains	14,737	Note F	-
				Accounts receivable - related parties	4,448	Note F	-
				Other receivables - related parties	22,500	Note F	-
				Operating revenue	26,488	Note F	-
				Nonoperating income and gains	18,000	Note F	-
8	Microfusion Technology Co., Ltd.	Nextlink (HK) Technology Co., Ltd.	3	Accounts receivable - related parties	29,871	Note F	-
				Accounts payable - related parties	1,773	Note F	-
				Operating revenue	106,208	Note F	-
				Operating costs	1,538	Note F	-
		Nextlink (Shanghai) Technology Co., Ltd.	3	Accounts receivable - related parties	5,831	Note F	-

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

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

(Continued)

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

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

Note C: For assets and liabilities, amount is shown as a percentage of consolidated total assets as of September 30, 2020; while revenue, costs and expenses are shown as a percentage of consolidated total operating revenue for the nine months ended September 30, 2020.

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

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

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

(Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of September 30, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				September 30, 2020	December 31, 2019	Number of Shares	Percentage of Ownership (%)	Carrying Amount			
Far EasTone Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd.	Taiwan	Type I, II telecommunications services	\$ 22,249,283	\$ 22,249,283	2,100,000,000	100.00	\$ 26,373,310	\$ 1,367,006	\$ 1,289,337	Note A
	ARCOA Communication Co., Ltd.	Taiwan	Sales of communications products and office equipment	1,305,802	1,305,802	82,762,221	61.63	694,019	117,708	61,409	Note A
	KGEx.com Co., Ltd.	Taiwan	Type II telecommunications services	2,340,472	2,340,472	68,897,234	99.99	862,071	119,402	119,385	Note A
	Yuanshi Digital Technology Co., Ltd.	Taiwan	Electronic information services	1,686,169	886,169	107,004,329	96.18	(26,308)	(153,431)	(140,453)	Note A
	Yuan Cing Co., Ltd.	Taiwan	Call center services	-	-	2,000,000	100.00	36,995	12,608	12,608	Notes A and E
	Far Eastern Info Service (Holding) Ltd.	Bermuda	Investments	92,616	92,616	1,200	100.00	4,691	(97)	(97)	Note A
	Yuan Bao Fintech Co., Ltd.	Taiwan	Data processing services and electronic information services	60,000	60,000	6,000,000	100.00	53,468	(6,212)	(6,212)	Note A
	FarEasTone Property Insurance Agent Co., Ltd.	Taiwan	Property insurance agent	5,000	-	500,000	100.00	45,263	40,263	40,263	Note A
	Far Eastern Electronic Toll Collection Co., Ltd.	Taiwan	Electronic information services and electronic toll collection services	2,542,396	2,542,396	118,250,967	39.42	1,193,926	359,141	133,829	Note B
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	139,500	139,500	5,446,644	15.00	44,822	(17,274)	(2,228)	Note B
ARCOA Communication Co., Ltd.	Yuan Hsin Digital Payment Co., Ltd.	Taiwan	Other financing and supporting services	600,000	600,000	23,302,111	30.00	126,718	(125,990)	(37,794)	Note B
	DataExpress Infotech Co., Ltd.	Taiwan	Sales of communications products	141,750	141,750	13,895,664	70.00	209,758	42,728	-	Note C
New Century InfoComm Tech Co., Ltd.	New Diligent Co., Ltd.	Taiwan	Investments	540,000	540,000	54,000,000	100.00	82,582	(3,610)	-	Note C
	Information Security Service Digital United Inc.	Taiwan	Security and monitoring services via internet	148,777	148,777	10,249,047	100.00	93,716	(17,803)	-	Note C
	Digital United (Cayman) Ltd.	Cayman Islands	Investments	317,446	317,446	10,320,000	100.00	169,883	(2,183)	-	Note C
	Yuanshi Digital Technology Co., Ltd.	Taiwan	Electronic information services	20,000	20,000	749,885	0.67	(184)	(153,431)	-	Note A
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	46,500	46,500	1,815,548	5.00	14,941	(17,274)	-	Note B
	Prime EcoPower Co., Ltd.	Taiwan	Energy technology services	160,000	160,000	16,000,000	100.00	130,351	(10,096)	-	Note C
	Drive Catalyst SPC-SP Tranche One	Cayman Islands	Investments	123,220	123,220	4,000	25.00	115,372	(7,917)	-	Note B
	Drive Catalyst SPC-SP Tranche Three	Cayman Islands	Investments	122,300	122,300	4,000	25.00	128,192	(5,357)	-	Note B
	Nextlink Technology Co., Ltd.	Taiwan	Electronic information services	420,000	420,000	3,430,000	70.00	418,981	25,822	-	Note C
New Diligent Co., Ltd.	Sino Lead Enterprise Limited	Hong Kong	Telecommunications services	125	125	30,000	100.00	307	12	-	Note C
	Far Eastern New Diligent Company Ltd.	British Virgin Islands	Investments	330,598	330,598	-	100.00	20,362	(3,562)	-	Note C
	New Diligent Hong Kong Co., Ltd.	Hong Kong	Investments	3,051	3,051	-	100.00	2,516	(194)	-	Note C
DataExpress Infotech Co., Ltd.	Linkwell Tech. Ltd.	Taiwan	Sales of communications products	-	10,000	-	-	-	1,443	-	Notes C and F
	Home Master Technology Ltd.	Taiwan	Sales of communications products	10,000	10,000	-	100.00	37,856	18,616	-	Note C
Nextlink Technology Co., Ltd.	Microfusion Technology Co., Ltd.	Taiwan	Electronic information services	17,000	17,000	2,600,000	100.00	23,231	6,769	-	Note C
	Nextlink (HK) Technology Co., Ltd.	Hong Kong	Electronic information services	973	973	-	100.00	9,313	4,028	-	Note C
	Microfusion (HK) Technology Co., Ltd.	Hong Kong	Electronic information services	-	-	-	-	-	-	-	Notes C and G

Note A: Subsidiary.

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

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

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

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

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

Note G: Microfusion (HK) Technology Co., Ltd. was established on September 3, 2020. The investment amount had not been remitted to the investee as of September 30, 2020.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note A)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of September 30, 2020	Accumulated Repatriation of Investment Income as of September 30, 2020
					Outward	Inward						
Digital United Information Technologies (Shanghai) Ltd.	Design, research, installment and maintenance of computer software and systems	\$ 90,210 (US\$ 3,100,000)	2	\$ 90,210 (US\$ 3,100,000)	\$ -	\$ -	\$ 90,210 (US\$ 3,100,000)	\$ (1,472)	100.00	\$ (1,472)	\$ (1,842) (RMB (431,000))	\$ -
Far Eastern Tech-info Ltd. (Shanghai)	Computer software, data processing and network information services	174,600 (US\$ 6,000,000)	2	194,466 (Note D)	-	-	194,466 (Note D)	(201)	-	(201)	- (Note E)	-
Nextlink (Shanghai) Technologies Co., Ltd.	Electronic information services	2,095 (US\$ 72,000)	2	2,095 (US\$ 72,000)	-	-	2,095 (US\$ 72,000)	(500)	70.00	(500)	913 (HK\$ 244,000)	-

Company Name	Accumulated Investments in Mainland China as of September 30, 2020	Investment Amounts Authorized by the Investment Commission, MOEA	Limit on Investments (Note B)
Far EasTone Telecommunications Co., Ltd.	\$ 92,616 (Note C)	\$ 92,616 (Note C)	\$ 39,287,681
New Century InfoComm Tech Co., Ltd.	90,210 (US\$ 3,100,000)	90,210 (US\$ 3,100,000)	14,315,962
New Diligent Co., Ltd.	434,376 (US\$14,927,000) (Note C)	434,376 (US\$14,927,000) (Note C)	49,549
Nextlink Technology Co., Ltd.	2,095 (US\$ 72,000)	2,095 (US\$ 72,000)	55,003

Note A: Investment type is as follows:

1.

Far EasTone made the investment directly.

2.

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

3.

Others.

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

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

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES**INFORMATION ON MAJOR STOCKHOLDERS****SEPTEMBER 30, 2020**

Name of Major Stockholder	Shareholding	
	Number of Shares	Percentage of Ownership (%)
Yuan Ding Investment Co., Ltd.	1,066,657,614	32.73
Shin Kong Life Insurance Co., Ltd.	309,068,000	9.48
Cathay Life Insurance Co., Ltd.	213,974,000	6.56

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