

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

**Consolidated Financial Statements for the
Years Ended December 31, 2022 and 2021 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2022 are the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as of and for the years ended December 31, 2022 and 2021, as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements.” Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies as of and for the years ended December 31, 2022 and 2021. Hence, we did not prepare a separate set of consolidated financial statements of affiliates for the year ended December 31, 2022.

Very truly yours,

FAR EASTONE TELECOMMUNICATIONS CO., LTD.

By

February 15, 2023

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Far EasTone Telecommunications Co., Ltd. ("Far EasTone") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the consolidated financial statements for the year ended December 31, 2022 is described as follows:

Recognition of Mobile Telecommunications Service Revenue

Mobile telecommunications service revenue is the main source of the Group's revenue, and it accounts for 45% of the Group's total revenue for the year ended December 31, 2022. The calculation of mobile telecommunications service revenue relies heavily on automated systems and includes complicated and huge amounts of data transmission. In order to meet market demands and remain competitive, the Group often launches different combinations of products and services. The charge rates of the aforementioned products and services are set manually to systems. Since the effectiveness of the design and implementation of internal controls over systems and rate settings relevant to telecommunications service revenue directly and significantly affects the accuracy of revenue calculation, the recognition of mobile telecommunications service revenue is considered a key audit matter.

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

By conducting tests of controls, we obtained an understanding of the Group's recognition of mobile telecommunications service revenue and the design and implementation of related controls.

We also engaged internal IT specialists to understand and assess the systems and internal controls relevant to mobile telecommunications service revenue and perform the corresponding audit procedures which are listed as follows. The IT specialists:

1. Identified key systems that processed mobile telecommunications service revenue; assessed and tested the general information technology controls of the aforementioned systems, including access controls and change controls.
2. Tested the completeness and accuracy of interface controls between the switch equipment and the billing systems.
3. Tested the access controls and change controls over the input of rates to the billing systems.
4. Tested the accuracy of the billing calculation.
5. Tested the completeness and accuracy of the calculation and billing of monthly fees, airtime fees and value-added service fees.

In coordination with the internal IT specialists, we:

1. Performed dialing tests to verify the accuracy and completeness of the traffic and information in the switch equipment.
2. Sampled user contracts to confirm the accuracy of the billing system information.

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

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

Other Matter

We have also audited the parent company only financial statements of Far EasTone Telecommunications Co., Ltd. as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Yung-Hsiang Chao and Chih-Ming Shao.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 15, 2023

Notice to Readers

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 33)	\$ 4,886,011	3	\$ 4,645,674	3
Financial assets at fair value through profit or loss - current (Notes 4, 32 and 33)	623,115	-	699,174	-
Financial assets at amortized cost - current (Notes 4, 8 and 33)	755,475	-	1,393,778	1
Contract assets - current (Notes 4 and 24)	5,160,260	3	5,268,830	3
Notes receivable, net (Notes 4 and 9)	25,446	-	24,087	-
Accounts receivable, net (Notes 4 and 9)	9,734,771	6	8,491,862	5
Accounts receivable - related parties (Notes 9 and 33)	335,830	-	386,374	-
Inventories (Notes 4 and 10)	2,907,323	2	3,072,540	2
Prepaid expenses	1,081,939	1	1,224,173	1
Other financial assets - current (Notes 4, 33 and 34)	510,111	-	788,811	-
Other current assets (Notes 4 and 33)	<u>162,441</u>	<u>-</u>	<u>179,262</u>	<u>-</u>
Total current assets	<u>26,182,722</u>	<u>15</u>	<u>26,174,565</u>	<u>15</u>
NONCURRENT ASSETS				
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4, 7 and 32)	4,008,122	2	5,059,853	3
Investments accounted for using the equity method (Notes 4 and 12)	2,219,233	1	2,060,768	1
Contract assets - noncurrent (Notes 4 and 24)	3,670,471	2	3,362,670	2
Property, plant and equipment, net (Notes 4, 13, 33 and 34)	40,328,499	24	40,142,014	23
Right-of-use assets (Notes 4, 14 and 33)	8,184,334	5	8,264,265	5
Investment properties (Notes 4 and 15)	756,225	-	624,731	-
Concessions, net (Notes 1, 4 and 16)	65,086,179	39	69,939,207	40
Goodwill (Notes 4 and 16)	11,176,831	7	11,176,831	6
Other intangible assets (Notes 4, 16 and 33)	2,342,747	1	2,732,242	2
Deferred income tax assets (Notes 4 and 26)	914,228	1	885,312	-
Incremental costs of obtaining a contract - noncurrent (Notes 4 and 24)	3,702,294	2	3,908,968	2
Other noncurrent assets (Notes 4, 9, 17, 22 and 33)	<u>2,066,814</u>	<u>1</u>	<u>1,212,155</u>	<u>1</u>
Total noncurrent assets	<u>144,455,977</u>	<u>85</u>	<u>149,369,016</u>	<u>85</u>
TOTAL	<u>\$ 170,638,699</u>	<u>100</u>	<u>\$ 175,543,581</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4 and 18)	\$ 436,530	-	\$ 210,000	-
Short-term bills payable (Notes 4, 18 and 34)	1,215,702	1	351,490	-
Contract liabilities - current (Notes 4 and 24)	3,230,860	2	2,981,709	2
Notes payable	6,196	-	7,362	-
Accounts payable (Note 33)	6,720,829	3	6,766,131	4
Other payables (Note 20)	7,001,278	4	6,645,446	4
Current tax liabilities (Note 4)	2,942,192	2	2,530,449	1
Provisions - current (Notes 4 and 21)	182,325	-	189,250	-
Lease liabilities - current (Notes 4, 14 and 33)	2,739,068	2	2,764,961	2
Current portion of long-term borrowings (Notes 4, 18, 19 and 34)	3,011,125	2	9,709,248	5
Other current liabilities (Note 33)	<u>1,454,838</u>	<u>1</u>	<u>1,242,160</u>	<u>1</u>
Total current liabilities	<u>28,940,943</u>	<u>17</u>	<u>33,398,206</u>	<u>19</u>
NONCURRENT LIABILITIES				
Contract liabilities - noncurrent (Notes 4 and 24)	10,373,110	6	10,619,613	6
Bonds payable (Notes 4 and 19)	26,778,746	16	25,278,622	14
Long-term borrowings (Notes 4, 18 and 34)	27,136,067	16	28,065,621	16
Provisions - noncurrent (Notes 4 and 21)	1,191,522	1	1,149,926	1
Deferred income tax liabilities (Notes 4 and 26)	2,142,235	1	2,139,556	1
Lease liabilities - noncurrent (Notes 4, 14 and 33)	4,979,074	3	4,984,281	3
Net defined benefit liabilities - noncurrent (Notes 4 and 22)	399,377	-	533,046	-
Guarantee deposits received - noncurrent	248,239	-	256,502	-
Other noncurrent liabilities (Note 20)	<u>4,261,210</u>	<u>2</u>	<u>3,017,428</u>	<u>2</u>
Total noncurrent liabilities	<u>77,509,580</u>	<u>45</u>	<u>76,044,595</u>	<u>43</u>
Total liabilities	<u>106,450,523</u>	<u>62</u>	<u>109,442,801</u>	<u>62</u>
EQUITY ATTRIBUTABLE TO OWNERS OF FAR EASTONE				
Capital stock				
Common stock	<u>32,585,008</u>	<u>19</u>	<u>32,585,008</u>	<u>19</u>
Capital surplus	<u>26,365</u>	<u>-</u>	<u>2,389,840</u>	<u>1</u>
Retained earnings				
Legal reserve	21,476,579	12	21,122,282	12
Special reserve	1,301,537	1	723,516	-
Unappropriated earnings	<u>9,651,744</u>	<u>6</u>	<u>9,149,448</u>	<u>5</u>
Total retained earnings	<u>32,429,860</u>	<u>19</u>	<u>30,995,246</u>	<u>17</u>
Other equity	<u>(1,773,776)</u>	<u>(1)</u>	<u>(834,378)</u>	<u>-</u>
Total equity attributable to owners of Far EasTone	63,267,457	37	65,135,716	37
NONCONTROLLING INTERESTS	<u>920,719</u>	<u>1</u>	<u>965,064</u>	<u>1</u>
Total equity	<u>64,188,176</u>	<u>38</u>	<u>66,100,780</u>	<u>38</u>
TOTAL	<u>\$ 170,638,699</u>	<u>100</u>	<u>\$ 175,543,581</u>	<u>100</u>

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 24 and 33)	\$ 89,151,365	100	\$ 85,320,008	100
OPERATING COSTS (Notes 4, 10, 25 and 33)	<u>62,094,526</u>	<u>70</u>	<u>59,882,004</u>	<u>70</u>
GROSS PROFIT	<u>27,056,839</u>	<u>30</u>	<u>25,438,004</u>	<u>30</u>
OPERATING EXPENSES (Notes 4, 25 and 33)				
Marketing	9,951,752	11	10,189,588	12
General and administrative	4,789,162	5	4,812,695	6
Expected credit losses	<u>265,837</u>	<u>-</u>	<u>293,280</u>	<u>-</u>
Total operating expenses	<u>15,006,751</u>	<u>16</u>	<u>15,295,563</u>	<u>18</u>
OTHER INCOME AND EXPENSES (Note 4)	<u>583,435</u>	<u>1</u>	<u>218,680</u>	<u>-</u>
OPERATING INCOME	<u>12,633,523</u>	<u>15</u>	<u>10,361,121</u>	<u>12</u>
NONOPERATING INCOME AND EXPENSES (Notes 4, 13, 25, 31 and 33)				
Other income	149,544	-	132,279	-
Other gains and losses	59,811	-	56,314	-
Financial costs	(639,597)	(1)	(677,354)	-
Share of the gains of associates	(8,901)	-	88,270	-
(Losses) gains on disposal of property, plant and equipment and intangible assets	<u>(195,299)</u>	<u>-</u>	<u>1,120,155</u>	<u>1</u>
Total nonoperating income and expenses	<u>(634,442)</u>	<u>(1)</u>	<u>719,664</u>	<u>1</u>
INCOME BEFORE INCOME TAX	11,999,081	14	11,080,785	13
INCOME TAX (Notes 4 and 26)	<u>2,293,193</u>	<u>3</u>	<u>1,846,904</u>	<u>2</u>
NET INCOME	<u>9,705,888</u>	<u>11</u>	<u>9,233,881</u>	<u>11</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4 and 23)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	97,207	-	(34,169)	-
Gain on property revaluation	53,107	-	-	-

(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
Unrealized losses on investments in equity instruments designated as at fair value through other comprehensive income	\$ (1,056,216)	(1)	\$ (680,106)	(1)
Share of the other comprehensive income of associates accounted for using the equity method	<u>2,951</u>	<u>-</u>	<u>15,075</u>	<u>-</u>
	<u>(902,951)</u>	<u>(1)</u>	<u>(699,200)</u>	<u>(1)</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	63,027	-	(15,882)	-
Share of the other comprehensive income of associates accounted for using the equity method	<u>3,444</u>	<u>-</u>	<u>4,366</u>	<u>-</u>
	<u>66,471</u>	<u>-</u>	<u>(11,516)</u>	<u>-</u>
Total other comprehensive loss, net of income tax	<u>(836,480)</u>	<u>(1)</u>	<u>(710,716)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 8,869,408</u>	<u>10</u>	<u>\$ 8,523,165</u>	<u>10</u>
NET INCOME ATTRIBUTABLE TO:				
Owners of Far EasTone	\$ 9,607,895	11	\$ 9,123,795	11
Noncontrolling interests	<u>97,993</u>	<u>-</u>	<u>110,086</u>	<u>-</u>
	<u>\$ 9,705,888</u>	<u>11</u>	<u>\$ 9,233,881</u>	<u>11</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of Far EasTone	\$ 8,764,038	10	\$ 8,413,094	10
Noncontrolling interests	<u>105,370</u>	<u>-</u>	<u>110,071</u>	<u>-</u>
	<u>\$ 8,869,408</u>	<u>10</u>	<u>\$ 8,523,165</u>	<u>10</u>
EARNINGS PER SHARE, IN NEW TAIWAN DOLLARS (Note 27)				
Basic	<u>\$ 2.95</u>		<u>\$ 2.80</u>	
Diluted	<u>\$ 2.94</u>		<u>\$ 2.80</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 FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Equity Attributable to Owners of Far EasTone											
						Other Equity (Notes 4 and 23)						
	Capital Stock (Notes 4 and 23)	Capital Surplus (Notes 4, 23 and 29)	Retained Earnings			Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Losses on Financial Assets at Fair Value Through Other Comprehensive Income	(Losses) Gains on Hedging Instruments	Gains on Property Revaluations	Total	Noncontrolling Interests (Notes 4, 23 and 29)	Total Equity
			Legal Reserve (Note 23)	Special Reserve (Note 23)	Unappropriated Earnings (Notes 4 and 23)							
BALANCE AT JANUARY 1, 2021	\$ 32,585,008	\$ 5,701,421	\$ 20,299,484	\$ 598,988	\$ 8,228,676	\$ (20,598)	\$ (75,931)	\$ (3,354)	\$ -	\$ 67,313,694	\$ 933,515	\$ 68,247,209
Appropriation of the 2020 earnings												
Legal reserve	-	-	822,798	-	(822,798)	-	-	-	-	-	-	-
Special reserve	-	-	-	124,528	(124,528)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(7,279,491)	-	-	-	-	(7,279,491)	-	(7,279,491)
Changes in equity from investments in associates accounted for using the equity method	-	(944)	-	-	-	-	-	-	-	(944)	-	(944)
Cash dividends from capital surplus	-	(3,310,637)	-	-	-	-	-	-	-	(3,310,637)	-	(3,310,637)
Net income for the year ended December 31, 2021	-	-	-	-	9,123,795	-	-	-	-	9,123,795	110,086	9,233,881
Other comprehensive (loss) income for the year ended December 31, 2021	-	-	-	-	(34,261)	(16,149)	(665,031)	4,740	-	(710,701)	(15)	(710,716)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	(78,522)	(78,522)
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	58,055	-	(58,055)	-	-	-	-	-
BALANCE AT DECEMBER 31, 2021	32,585,008	2,389,840	21,122,282	723,516	9,149,448	(36,747)	(799,017)	1,386	-	65,135,716	965,064	66,100,780
Appropriation of the 2021 earnings												
Legal reserve	-	-	914,759	-	(914,759)	-	-	-	-	-	-	-
Special reserve	-	-	-	578,021	(578,021)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(7,654,218)	-	-	-	-	(7,654,218)	-	(7,654,218)
Changes in equity from investments in associates accounted for using the equity method	-	41	-	-	(12,452)	-	-	-	-	(12,411)	-	(12,411)
Cash dividends from capital surplus	-	(2,375,447)	-	-	-	-	-	-	-	(2,375,447)	-	(2,375,447)
Net income for the year ended December 31, 2022	-	-	-	-	9,607,895	-	-	-	-	9,607,895	97,993	9,705,888
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	95,541	64,107	(1,053,265)	1,365	48,395	(843,857)	7,377	(836,480)
Change in ownership interest of a subsidiary	-	11,732	-	-	(41,690)	-	-	-	-	(29,958)	(75,256)	(105,214)
Shared-based payment transaction	-	199	-	-	-	-	-	-	-	199	-	199
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	(74,459)	(74,459)
Cash dividends from legal reserve	-	-	(560,462)	-	-	-	-	-	-	(560,462)	-	(560,462)
BALANCE AT DECEMBER 31, 2022	<u>\$ 32,585,008</u>	<u>\$ 26,365</u>	<u>\$ 21,476,579</u>	<u>\$ 1,301,537</u>	<u>\$ 9,651,744</u>	<u>\$ 27,360</u>	<u>\$ (1,852,282)</u>	<u>\$ 2,751</u>	<u>\$ 48,395</u>	<u>\$ 63,267,457</u>	<u>\$ 920,719</u>	<u>\$ 64,188,176</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 FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 11,999,081	\$ 11,080,785
Adjustments for:		
Depreciation	11,896,444	11,624,589
Amortization	1,108,901	1,090,647
Amortization of concessions	5,152,658	5,093,564
Expected credit losses	265,837	293,280
Net losses (gains) on fair value changes of financial assets at fair value through profit or loss	78,824	(8,535)
Financial costs	639,597	677,354
Interest income	(65,286)	(44,480)
Dividend income	(24,280)	(29,880)
Shared-based payment	199	-
Share of the gains of associates	8,901	(88,270)
Losses (gains) on disposal of property, plant and equipment and intangible assets	195,299	(1,120,155)
Gain on disposal of subsidiaries	(6,220)	-
Write-down of inventories	13,562	-
Reversal of write-down of inventories	-	(13,463)
Losses on changes in fair value of investment properties	5,572	16,515
Gains on modifications of lease arrangements	(1,349)	(306)
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(2,765)	-
Contract assets	(196,231)	(581,490)
Notes receivable	(1,359)	(3,641)
Accounts receivable	(1,583,380)	(984,228)
Accounts receivable - related parties	50,544	(56,762)
Inventories	151,655	57,735
Prepaid expenses	142,234	(400,907)
Other current assets	26,346	72,711
Incremental costs of obtaining a contract	206,674	(418,324)
Contract liabilities	2,648	11,221,754
Notes payable	(1,166)	(5,199)
Accounts payable	(45,302)	391,659
Other payables	53,727	42,817
Provisions	(19,173)	(4,072)
Other current liabilities	184,947	205,342
Net defined benefit liabilities	(18,906)	(17,390)
Other noncurrent liabilities	(620,827)	(146,327)
Cash generated from operations	29,597,406	37,945,323
Interest received	67,742	42,410
Dividends received	24,696	29,880
Interest paid	(665,370)	(678,264)
Income taxes paid	(1,945,422)	(2,024,081)
Net cash generated from operating activities	27,079,052	35,315,268

(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	\$ -	\$ (5,050,000)
Proceeds from the disposal of financial assets at fair value through other comprehensive income	-	97,300
Remittance of cash due to capital reduction of financial assets at fair value through other comprehensive income	-	21,450
Acquisition of financial assets at amortized cost	-	(537,298)
Disposal of financial assets at amortized cost	638,303	-
Acquisition of investments accounted for using the equity method	(110,680)	(286,138)
Increase in prepayments for an investment	(40,000)	-
Acquisition of property, plant and equipment	(8,528,507)	(11,456,692)
Proceeds from the disposal of property, plant and equipment and investment properties	61,641	3,266,680
Increase in refundable deposits	(308,703)	(366,837)
Decrease in refundable deposits	274,053	286,426
Acquisition of intangible assets	(1,019,036)	(666,600)
Increase in other financial assets	-	(27,327)
Decrease in other financial assets	278,700	-
Increase in prepayments for equipment	(700,000)	-
Other investing activities	<u>1,864,609</u>	<u>3,163,755</u>
Net cash used in investing activities	<u>(7,589,620)</u>	<u>(11,555,281)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	226,530	-
Decrease in short-term borrowings	-	(167,764)
Increase in short-term bills payable	864,212	-
Decrease in short-term bills payable	-	(38,225)
Proceeds from the issuance of bonds payable	4,493,170	1,197,485
Repayment of bonds payable	(9,700,000)	-
Proceeds from long-term borrowings	10,369,619	10,305,586
Repayment of long-term borrowings	(11,297,427)	(21,964,392)
Increase in guarantee deposits received	70,245	68,334
Decrease in guarantee deposits received	(54,819)	(74,062)
Repayment of the principal portion of lease liabilities	(3,459,906)	(3,485,437)
Cash dividends paid	(10,664,586)	(10,668,650)
Net changes in noncontrolling interests	<u>(105,214)</u>	<u>-</u>
Net cash used in financing activities	<u>(19,258,176)</u>	<u>(24,827,125)</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>9,081</u>	<u>(1,063)</u>
		(Continued)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 240,337	\$ (1,068,201)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>4,645,674</u>	<u>5,713,875</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 4,886,011</u>	<u>\$ 4,645,674</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 YEARS ENDED DECEMBER 31, 2022 AND 2021

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

1. ORGANIZATION AND OPERATIONS

Far EasTone Telecommunications Co., Ltd. (“Far EasTone”) was incorporated in the Republic of China (ROC) on April 11, 1997 and began commercial operations on January 20, 1998. Far EasTone’s stock was initially listed and commenced trading on the over-the-counter (OTC) securities exchange (also known as the Taipei Exchange, TPEx) of the ROC on December 10, 2001, but later ceased trading on the TPEx and transferred listing of its stock on the Taiwan Stock Exchange (TWSE) on August 24, 2005. Far EasTone’s main businesses include mobile telecommunications services (including voice and internet services), international simple resale services, digital value-added services, sale of cellular phone equipment and accessories and enterprise information and communication integration services, etc. As of December 31, 2022 and 2021, Far Eastern New Century Corporation (“Far Eastern New Century”) and its affiliates directly and indirectly owned 38.33% of Far EasTone’s stock. Since Far Eastern New Century and its subsidiaries have the power to cast the majority of votes at the meeting of Far EasTone’s board of directors, Far Eastern New Century has control over Far EasTone’s finances, operations and personnel affairs. Thus, Far Eastern New Century is the ultimate parent company of Far EasTone.

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

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

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

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors of Far EasTone on February 15, 2023.

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

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

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

- b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

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

Note 2: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that are recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments are applied prospectively to transactions that occur on or after January 1, 2022.

Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The amendments clarify that the initial recognition exemption under IAS 12 does not apply to transactions in which equal taxable and deductible temporary differences arise on initial recognition. The Group shall recognize a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations will be retrospectively adjusted on January 1, 2023, and the Group shall recognize the cumulative effect of initial application in retained earnings at that date. The Group shall apply the amendments prospectively to transactions other than leases and decommissioning obligations that occur on or after January 1, 2022. The Group shall restate its comparative information when it initially applies the aforementioned amendments.

As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group’s financial position and financial performance.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
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
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Noncurrent”	January 1, 2024
Amendments to IAS 1 “Noncurrent Liabilities with Covenants”	January 1, 2024

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: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

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

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

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

Classification of Current and Noncurrent Assets and Liabilities

Current assets include:

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

Current liabilities include:

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

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

Basis of Consolidation

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

Business Combinations

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

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

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

Foreign Currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

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

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

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

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

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

Inventories

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

Investments in Associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture.

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

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

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

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

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

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

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

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

Property, Plant and Equipment

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

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

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

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

Investment Properties

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

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

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

For a transfer of classification from property, plant and equipment to investment properties at the end of owner-occupation, any difference between the fair value of an item of property at the transfer date and its previous carrying amount is recognized in other comprehensive income and accumulated in gain on property revaluation under other equity that will be transferred directly to retained earnings when the asset is derecognized.

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

Goodwill

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

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

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

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

Intangible Assets

a. Intangible assets acquired separately

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

b. Intangible assets acquired in a business combination

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

c. Derecognition of intangible assets

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

Incremental Costs of Obtaining a Contract

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

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

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

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

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

Financial Instruments

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

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

a. Financial assets

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

1) Measurement category

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

a) Financial assets at FVTPL

A financial asset is classified as at FVTPL when the financial asset is mandatorily classified as at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on the financial asset. Fair value is determined in the manner described in Note 32.

b) Financial assets at amortized cost

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

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

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

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

- i. Purchased or originated credit impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and

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

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

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

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

c) Investments in equity instruments at FVTOCI

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

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

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

2) Impairment of financial assets and contract assets

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

The Group always recognizes lifetime expected credit losses (ECLs) for accounts receivable and contract assets. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

- a) Internal or external information show that the debtor is unlikely to pay its creditors.
- b) Failure of the debtors to discharge their obligation within their credit periods, unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

3) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

b. Equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

c. Financial liabilities

1) Subsequent measurement

Except the financial liabilities at fair value through profit or loss, all financial liabilities are measured at amortized cost using the effective interest method.

2) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognized in profit or loss.

Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

a. Decommissioning, restoration and similar liabilities

The cost of an item of property, plant and equipment comprises:

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

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

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

b. Warranties

Provisions for the expected cost of warranty obligations are recognized at the date of sale of the relevant products, at the Group's best estimate of the expenditure required to settle the Group's obligation.

c. Levies

Levies imposed by a government are accrued as provisions when the obligating events that trigger the payment of such levies occur.

Revenue Recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

Revenue from the sale of goods comes from sales of mobile telecommunication devices and accessories and internet sales of goods. Sales of mobile telecommunication devices and accessories are recognized as revenue when the goods are delivered to the customer because that is the time when the customer obtains control of the goods and bears the risks of obsolescence. Accounts receivable are recognized concurrently. For internet sales of goods, revenue is recognized when the goods are delivered to the customer's specific location. When the customer initially purchases the goods online, the transaction price received is recognized as a contract liability until the goods have been delivered to the customer.

Telecommunications service revenue from fixed network services, cellular services and interconnection and call transfer fees from other telecommunications companies and carriers are billed in arrears and are recognized based upon minutes of traffic processed when the services are provided in accordance with contract terms. Telecommunications service revenue is recognized as follows: (a) monthly fees are accrued every month, and (b) prepaid and recharge services are recognized as income based upon actual usage by customers. As the Group provides telecommunication value-added services, the customer simultaneously receives and consumes the benefits provided by the Group's satisfaction of performance obligations. Consequently, related revenue is recognized when services are rendered.

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

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

Under the Group's Customer Loyalty Program, the Group offers award credits when customers purchase goods or services. The award credits provide a material right to customers. The transaction price allocated to the award credits is recognized as a contract liability when collected and will be recognized as revenue when the award credits are redeemed or have expired.

Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

For a contract that contains a lease component and non-lease components, the Group allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

a. The Group as lessor

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

Under finance leases, the lease payments comprise fixed payments and in-substance fixed payments. The net investment in a lease is measured at the present value of the sum of the lease payments receivable by a lessor and is presented as a finance lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Group's net investment outstanding in respect of leases.

Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

b. The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for an estimate of costs needed to restore the underlying assets. Right-of-use assets are subsequently measured at cost less accumulated depreciation and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets and the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term resulting in a change in future lease payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the consolidated balance sheets.

The Group negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2022, that results in the revised consideration for the lease less than the consideration for the lease immediately preceding the change. There is no substantive change to other terms and conditions. The Group elects to apply the practical expedient to rent concessions and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Group recognizes the reduction in lease payment in profit or loss, in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

Borrowing Costs

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

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

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

Government Grants

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

Government grants related to income are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire noncurrent assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Employee Benefits

a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

b. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and rereasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and gains and losses on settlements) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur or when the settlement occurs. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

c. Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the Group recognizes any related restructuring costs.

Share-based Payment Arrangements

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. The expense is recognized in full at the grant date if the grants are vested immediately.

At the end of each reporting period, the Group revises its estimate of the number of employee share options that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

Current taxes include tax payables and tax deduction receivables on taxable gains (losses), as well as tax adjustments of prior years' tax liabilities.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for as income tax in the year the stockholders approve to retain earnings.

b. Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards and unused tax credits for other expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and such temporary differences are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Frequency and Network Sharing Services

The Group provides frequency and network sharing services for a telecommunications company through a part of 5G spectrum and related cell sites. The Group provides frequency and network sharing services as a principal because it has control over the aforementioned spectrum and cell sites. The consideration received is included in contract liabilities. Revenue is recognized on a straight-line basis over the useful lives of the assets used in providing frequency and network sharing services.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key Sources of Estimation Uncertainty

a. Estimated impairment of financial assets

The provision for impairment of accounts receivable and contract assets are based on assumptions on probability of default and loss given default. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Notes 9 and 24. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Impairment of property, plant and equipment, right-of-use assets, intangible assets (other than goodwill) and incremental costs of obtaining a contract

For impairment testing of assets, the Group evaluates and decides on certain assets' independent cash flows, the useful lives of the assets, and the probable future profit or loss which is based on subjective judgment, utilized asset mode, and telecommunications industry characteristics. Any changes in national and local economic conditions or the Group's strategy may cause significant impairment loss.

c. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The calculation of the value in use requires the Group's management to estimate the future cash flows expected to arise from each cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances results in a downward revision of future cash flows or an upward revision of discount rate, a material impairment loss may arise.

As of December 31, 2022 and 2021, the carrying amounts of goodwill are disclosed in Note 16.

d. Income tax

A key source of estimation uncertainty is the determination of the realizability of deferred tax assets, which mainly depends on whether sufficient future profit or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place. In cases where the actual future profit generated is greater than expected, a further material recognition of deferred tax assets may arise, which would be recognized in the period in which further recognition takes place.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	2021
Cash on hand	\$ 8,774	\$ 9,732
Checking and demand deposits	3,949,187	3,620,409
Cash equivalents		
Commercial paper purchased under resale agreements	808,634	659,642
Certificates of deposits	<u>119,416</u>	<u>355,891</u>
	<u>\$ 4,886,011</u>	<u>\$ 4,645,674</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2022	2021
<u>Investments in equity instruments-noncurrent</u>		
Stock in domestic listed company through private placement	\$ 3,050,000	\$ 4,110,000
Domestic/foreign unlisted common stock	<u>958,122</u>	<u>949,853</u>
	<u>\$ 4,008,122</u>	<u>\$ 5,059,853</u>

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

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 Asia-Pacific Telecom Co., Ltd. (APTC) through private placement by subscribing for 500,000,000 new common stock issued by APTC with the investment amount not exceeding \$5,000,000 thousand. The transaction was completed in September 2021 with a total subscription amount of \$5,000,000 thousand.

8. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2022	2021
<u>Current</u>		
Certificates of deposits with original maturities of more than 3 months	\$ 755,475	\$ 1,393,778

9. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	December 31	
	2022	2021
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 25,446	\$ 24,087
Less: Allowance for impairment loss	-	-
	<u>\$ 25,446</u>	<u>\$ 24,087</u>
Notes receivable - operating	<u>\$ 25,446</u>	<u>\$ 24,087</u>
<u>Accounts receivable (including related parties and noncurrent portion)</u>		
At amortized cost		
Gross carrying amount	\$ 11,151,527	\$ 9,795,489
Less: Allowance for impairment loss	(901,779)	(815,318)
Less: Unrealized interest income	(1,755)	(4,181)
Less: Unearned finance income	<u>(15,281)</u>	<u>(4,620)</u>
	<u>\$ 10,232,712</u>	<u>\$ 8,971,370</u>

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

	December 31	
	2022	2021
Gross amount of installment accounts receivable	\$ 57,678	\$ 95,638
Allowance for impairment loss	-	(6,797)
Unrealized interest income	<u>(1,755)</u>	<u>(4,181)</u>
	<u>\$ 55,923</u>	<u>\$ 84,660</u>
Current	\$ 24,821	\$ 28,737
Noncurrent	<u>31,102</u>	<u>55,923</u>
	<u>\$ 55,923</u>	<u>\$ 84,660</u>

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

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

	December 31	
	2022	2021
Gross amount of finance lease receivables	\$ 174,282	\$ 49,081
Unearned finance income	<u>(15,281)</u>	<u>(4,620)</u>
	<u>\$ 159,001</u>	<u>\$ 44,461</u>
<u>Undiscounted lease payments</u>		
Year 1	\$ 32,942	\$ 8,691
Year 2	32,330	8,691
Year 3	30,496	8,691
Year 4	30,138	8,691
Year 5	22,745	8,334
Year 6 onwards	<u>25,631</u>	<u>5,983</u>
	174,282	49,081
Less: Unearned finance income	(15,281)	(4,620)
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
Finance lease receivables	<u>\$ 159,001</u>	<u>\$ 44,461</u>
Current	\$ 27,992	\$ 7,250
Noncurrent	<u>131,009</u>	<u>37,211</u>
	<u>\$ 159,001</u>	<u>\$ 44,461</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 3-8 years. The interest rate inherent in the lease was 3.0%-4.5%, which was determined at the contract date and was fixed for the entire term of the lease.

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

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

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

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

The Group's expected credit loss rate ranges of receivables which were not overdue and receivables which were overdue were 0.00%-13.34% and 0.09%-100%, respectively.

The Group measures the loss allowance for finance lease receivables at an amount equal to lifetime ECLs. The respective leased equipment served as collateral for the finance lease receivables. As of December 31, 2022 and 2021, 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:

December 31, 2022

	Not Overdue	Overdue Up to 60 Days	Overdue 61 Days or More	Total
Gross carrying amount	\$ 9,929,142	\$ 920,112	\$ 310,683	\$ 11,159,937
Loss allowance (lifetime ECLs)	<u>(539,391)</u>	<u>(144,079)</u>	<u>(218,309)</u>	<u>(901,779)</u>
Amortized cost	<u>\$ 9,389,751</u>	<u>\$ 776,033</u>	<u>\$ 92,374</u>	<u>\$ 10,258,158</u>

December 31, 2021

	Not Overdue	Overdue Up to 60 Days	Overdue 61 Days or More	Total
Gross carrying amount	\$ 8,771,048	\$ 741,999	\$ 297,728	\$ 9,810,775
Loss allowance (lifetime ECLs)	<u>(518,404)</u>	<u>(87,446)</u>	<u>(209,468)</u>	<u>(815,318)</u>
Amortized cost	<u>\$ 8,252,644</u>	<u>\$ 654,553</u>	<u>\$ 88,260</u>	<u>\$ 8,995,457</u>

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

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 815,318	\$ 725,460
Add: Amounts recovered	238,630	198,432
Add: Net remeasurement of loss allowance	268,837	280,690
Less: Amounts written off	(423,663)	(389,593)
Foreign exchange gains and losses	<u>2,657</u>	<u>329</u>
Balance at December 31	<u>\$ 901,779</u>	<u>\$ 815,318</u>

Sale of Overdue Accounts Receivable

In the years ended December 31, 2022 and 2021, the Group entered into agreements to sell its overdue accounts receivable which had been written off to asset management companies, and did not bear the risk of loss arising from uncollectible receivables.

Related information as of December 31, 2022 and 2021 was as follows:

	December 31	
	2022	2021
Amount of accounts receivable sold	\$ 805,845	\$ 557,402
Proceeds from the sale of accounts receivable (excluding value-added tax)	\$ 78,247	\$ 39,323

10. INVENTORIES

	December 31	
	2022	2021
Cellular phone equipment and accessories	\$ 2,162,260	\$ 2,538,589
Others	745,063	533,951
	<u>\$ 2,907,323</u>	<u>\$ 3,072,540</u>

Costs of inventories sold were \$28,369,801 thousand and \$28,420,550 thousand for the years ended December 31, 2022 and 2021, respectively.

The (write-down) reversal of write-down of inventories amounting to \$(13,562) thousand and \$13,463 thousand were included in the cost of sales for the years ended December 31, 2022 and 2021, respectively.

11. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

Main businesses and percentages of ownership are shown as follows:

Investor Company	Investee Company	Main Businesses and Products	Percentage of Ownership (%)		Note
			December 31		
			2022	2021	
Far EasTone	NCIC	Telecommunications services	100.00	100.00	Dissolved on September 15, 2021 due to the merger with Far EasTone.
	ARCOA	Sales of communications products and office equipment	61.63	61.63	
	KGEx.com	Telecommunications services	99.99	99.99	
	YSDT	Electronic information services	96.18	96.18	
	Yuan Cing	Call center services	100.00	100.00	
	FEIS	Investment	100.00	100.00	
	Yuan Bao	Data processing services and electronic information services	-	-	
	FEPIA	Property insurance agent	100.00	100.00	
	IDWE	Television and film production and distribution	50.00	-	

(Continued)

Investor Company	Investee Company	Main Businesses and Products	Percentage of Ownership (%)		Note
			December 31		
			2022	2021	
NCIC	ISSDU	Security and monitoring service via Internet	100.00	100.00	Dissolved in April 2022 with the approval of the local government
	DU (Cayman)	Investment	100.00	100.00	
	New Diligent	Investment	100.00	100.00	
	YSDT	Electronic information services	3.33	0.67	
	Prime Ecopower	Energy technology services	100.00	100.00	
	Nextlink Technology	Electronic information services	70.00	70.00	
	ARCOA	Sales of communications products and office equipment	6.72	-	
New Diligent	FEND	Investment	-	100.00	
	Sino Lead	Telecommunications services	100.00	100.00	
	New Diligent Hong Kong	Investment	100.00	100.00	
DU (Cayman)	DUIT	Design, research, installment and maintenance of computer software and systems	100.00	100.00	
ARCOA	DataExpress	Sale of communications products	70.00	70.00	
DataExpress	Home Master	Sale of communications products	100.00	100.00	
Nextlink Technology	Microfusion Technology	Electronic information services	100.00	100.00	
	Nextlink (HK) Technology	Electronic information services	100.00	100.00	
	Microfusion Technology (HK)	Electronic information services	100.00	100.00	
Nextlink (HK) Technology	Nextlink (SH) Technology	Electronic information services	100.00	100.00	
IDWE	Mission International	Television and film production and distribution	100.00	-	
(Concluded)					

(Concluded)

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	December 31	
	2022	2021
Material associate		
Far Eastern Electronic Toll Collection Co., Ltd.	\$ 1,481,494	\$ 1,403,595
Associates that are not individually material	<u>737,739</u>	<u>657,173</u>
	<u>\$ 2,219,233</u>	<u>\$ 2,060,768</u>

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

The Group is the largest single stockholder of Far Eastern Electronic Toll Collection Co., Ltd. (FETC) with 39.42% of voting rights in 2022 and 2021. The holdings of the other stockholders of FETC are not widely dispersed. Despite having the largest holding, the Group cannot direct the relevant activities of FETC and does not have control over FETC. However, management of the Group considered the Group as exercising significant influence over FETC and, therefore, classified FETC as associates of the Group.

a. Material associates

Name of Associate	Nature of Activities	Main Place of Business	Interests and Voting Rights	
			December 31	
			2022	2021
Far Eastern Electronic Toll Collection Co., Ltd.	Electronic information services and electronic toll collection services	Taiwan	39.42%	39.42%

Summarized financial information in respect of the Group's material associates is set out below. The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

Far Eastern Electronic Toll Collection Co., Ltd.

	December 31	
	2022	2021
Current assets	\$ 1,218,677	\$ 1,765,193
Noncurrent assets	6,195,264	5,817,446
Current liabilities	(1,817,373)	(1,642,344)
Noncurrent liabilities	<u>(1,838,051)</u>	<u>(2,379,405)</u>
Equity	<u>\$ 3,758,517</u>	<u>\$ 3,560,890</u>
Proportion of the Group's ownership	39.42%	39.42%
Carrying amount	<u>\$ 1,481,494</u>	<u>\$ 1,403,595</u>
	For the Year Ended December 31	
	2022	2021
Operating revenue	<u>\$ 2,494,128</u>	<u>\$ 2,311,325</u>
Net profit for the year	\$ 222,084	\$ 329,099
Other comprehensive income	<u>8,357</u>	<u>11,543</u>
Total comprehensive income for the year	<u>\$ 230,441</u>	<u>\$ 340,642</u>

As of June 30, 2011, the usage rate of electronic toll collection (ETC) services had not reached the requirement stated in the contract of the Electronic Toll Collection BOT Project ("ETC Project"). Thus, Far Eastern Electronic Toll Collection Co., Ltd. (FETC) filed a lawsuit against Taiwan Area National Freeway Bureau (TANFB), and the Supreme Court remanded this case to the Taipei District Court Civil Division in September 2015. FETC had accrued the related penalties. On October 19, 2018, the Taipei District Court pronounced the judgment in FETC's favor. The TANFB filed an appeal on November 9, 2018. The High Court overruled the TANFB's appeal on June 11, 2019, and on July 8, 2019, the TANFB filed another appeal to the Supreme Court. On January 21, 2021, the Supreme Court reversed the original judgment made by the High Court on June 11, 2019. On November 15, 2022, the High Court corrected the original judgment made by the Taipei District Court on October 19, 2018, and ordered ETC to pay the compensation of \$17,000 thousand. Both FETC and TANFB did not appeal; therefore, this judgment was finalized on December 21, 2022 and the case was concluded.

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

b. Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2022	2021
The Group's share of:		
Net loss for the year	\$ (83,506)	\$ (41,259)
Other comprehensive income	<u>66,218</u>	<u>1,208</u>
Total comprehensive loss for the year	<u>\$ (17,288)</u>	<u>\$ (40,051)</u>

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, 2022	\$ 6,148,114	\$ 9,110,510	\$ 93,662,999	\$ 14,231,634	\$ 6,411,105	\$ 2,418,517	\$ 131,982,879
Additions	-	6,879	-	13,313	59,468	8,861,140	8,940,800
Disposals	(2,741)	(25,764)	(2,890,562)	(777,793)	(263,982)	(4,955)	(3,965,797)
Effects of foreign currency exchange difference	-	-	-	23	18	-	41
Adjustments and reclassification	(48,115)	291,366	8,057,970	399,639	250,681	(9,057,579)	(106,038)
Balance at December 31, 2022	<u>\$ 6,097,258</u>	<u>\$ 9,382,991</u>	<u>\$ 98,830,407</u>	<u>\$ 13,866,816</u>	<u>\$ 6,457,290</u>	<u>\$ 2,217,123</u>	<u>\$ 136,851,885</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2022	\$ (59,857)	\$ (4,237,947)	\$ (68,633,153)	\$ (13,363,744)	\$ (5,546,164)	\$ -	\$ (91,840,865)
Depreciation expense	-	(302,465)	(7,361,754)	(448,616)	(226,954)	-	(8,339,789)
Disposals	-	24,814	2,572,231	777,782	260,810	-	3,635,637
Effects of foreign currency exchange difference	-	-	-	(11)	(14)	-	(25)
Adjustments and reclassification	-	(10,595)	-	31	32,220	-	21,656
Balance at December 31, 2022	<u>\$ (59,857)</u>	<u>\$ (4,526,193)</u>	<u>\$ (73,422,676)</u>	<u>\$ (13,034,558)</u>	<u>\$ (5,480,102)</u>	<u>\$ -</u>	<u>\$ (96,523,386)</u>
Carrying amount at December 31, 2022	<u>\$ 6,037,401</u>	<u>\$ 4,856,798</u>	<u>\$ 25,407,731</u>	<u>\$ 832,258</u>	<u>\$ 977,188</u>	<u>\$ 2,217,123</u>	<u>\$ 40,328,499</u>
<u>Cost</u>							
Balance at January 1, 2021	\$ 7,191,408	\$ 9,648,717	\$ 85,563,488	\$ 13,916,984	\$ 6,679,501	\$ 2,554,932	\$ 125,555,030
Additions	-	7,567	8,800	9,145	76,446	11,986,822	12,088,780
Disposals	(1,094,244)	(1,055,162)	(2,671,988)	(215,070)	(621,377)	(3,090)	(5,660,931)
Adjustments and reclassification	50,950	509,388	10,762,699	520,575	276,535	(12,120,147)	-
Balance at December 31, 2021	<u>\$ 6,148,114</u>	<u>\$ 9,110,510</u>	<u>\$ 93,662,999</u>	<u>\$ 14,231,634</u>	<u>\$ 6,411,105</u>	<u>\$ 2,418,517</u>	<u>\$ 131,982,879</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2021	\$ (95,894)	\$ (4,399,769)	\$ (63,816,330)	\$ (13,096,501)	\$ (5,941,001)	\$ -	\$ (87,349,495)
Depreciation expense	-	(289,828)	(7,088,444)	(479,704)	(217,394)	-	(8,075,370)
Disposals	36,037	453,639	2,271,621	214,842	607,861	-	3,584,000
Adjustments and reclassification	-	(1,989)	-	(2,381)	4,370	-	-
Balance at December 31, 2021	<u>\$ (59,857)</u>	<u>\$ (4,237,947)</u>	<u>\$ (68,633,153)</u>	<u>\$ (13,363,744)</u>	<u>\$ (5,546,164)</u>	<u>\$ -</u>	<u>\$ (91,840,865)</u>
Carrying amount at December 31, 2021	<u>\$ 6,088,257</u>	<u>\$ 4,872,563</u>	<u>\$ 25,029,846</u>	<u>\$ 867,890</u>	<u>\$ 864,941</u>	<u>\$ 2,418,517</u>	<u>\$ 40,142,014</u>

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

Buildings	
Main buildings	33-55 years
Other building equipment	4-45 years
Operating equipment	3-26 years
Computer equipment	1-8 years
Other equipment	1-20 years

The board of directors of NCIC, Far EasTone's subsidiary, resolved on February 25, 2021 to sell a part of NCIC's properties and equipment located in the Neihu District of Taipei City. The aforementioned properties and equipment were sold to MediaTek Inc., a non-related party, and the transaction was completed in July 2021. The related property, plant and equipment and investment properties were derecognized, and the related expenses were deducted from the gain on disposal of 1,281,483 thousand.

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2022	2021
<u>Carrying amount</u>		
Land	\$ 1,358	\$ 504
Buildings	8,015,317	8,042,861
Other equipment	<u>167,659</u>	<u>220,900</u>
	<u>\$ 8,184,334</u>	<u>\$ 8,264,265</u>
	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	<u>\$ 3,703,485</u>	<u>\$ 3,358,412</u>
Depreciation charge for right-of-use assets		
Land	\$ 861	\$ 864
Buildings	3,425,788	3,417,848
Other equipment	<u>130,006</u>	<u>130,507</u>
	<u>\$ 3,556,655</u>	<u>\$ 3,549,219</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 2022 and 2021.

b. Lease liabilities

	December 31	
	2022	2021
<u>Carrying amount</u>		
Current	<u>\$ 2,739,068</u>	<u>\$ 2,764,961</u>
Noncurrent	<u>\$ 4,979,074</u>	<u>\$ 4,984,281</u>

Discount rate ranges for lease liabilities were as follows:

	December 31	
	2022	2021
Land	1.38%	0.62%
Buildings	0.52%-1.99%	0.51%-1.44%
Other equipment	0.55%-1.68%	0.51%-0.99%

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

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

d. Other lease information

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

	<u>For the Year Ended December 31</u>	
	2022	2021
Expenses relating to short-term leases	<u>\$ 99,532</u>	<u>\$ 112,815</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 32,899</u>	<u>\$ 33,181</u>
Total cash outflow for leases	<u>\$ (3,664,092)</u>	<u>\$ (3,681,842)</u>

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

15. INVESTMENT PROPERTIES

	Investment Properties
Balance at January 1, 2022	\$ 624,731
Disposals	47,112
Losses on changes in fair value of investment properties	<u>84,382</u>
Balance at December 31, 2022	<u>\$ 756,225</u>
Balance at January 1, 2021	\$ 838,564
Disposals	(197,318)
Losses on changes in fair value of investment properties	<u>(16,515)</u>
Balance at December 31, 2021	<u>\$ 624,731</u>

The lease terms of investment properties range from 2-6 years. The rights of lease term extension contain clauses for market rental reviews. The lessee does not have a bargain purchase option to acquire the investment property at the expiry of the lease period.

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

	December 31	
	2022	2021
Year 1	\$ 14,249	\$ 11,352
Year 2	12,502	5,790
Year 3	11,718	4,389
Year 4	8,392	4,477
Year 5	<u>5,190</u>	<u>1,125</u>
	<u>\$ 52,051</u>	<u>\$ 27,133</u>

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

	December 31	
	2022	2021
Independent valuation	<u>\$ 756,225</u>	<u>\$ 624,731</u>

The fair values of the investment properties as of December 31, 2022 and 2021 were based on the valuations respectively carried out on October 26, 2022, January 12, 2023 and January 14, 2022 by an independent qualified professional valuator Mr. Tsai, Chia-Ho. The aforementioned valuator is 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 as of December 31, 2022 were still valid as of October 26, 2022.

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

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

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

	December 31	
	2022	2021
Expected future cash inflows	\$ 917,065	\$ 773,981
Expected future cash outflows	<u>(29,161)</u>	<u>(21,933)</u>
Expected future cash inflows, net	<u>\$ 887,904</u>	<u>\$ 752,048</u>
Discount rate	2.22%-2.845%	1.92%-2.17%

The market rentals in the area where the investment properties are located were between \$1 thousand and \$18 thousand per ping per month (1 ping = 3.3 square meters). The market rentals for comparable properties were between \$1 thousand and \$14 thousand per ping per month.

All of the investment properties have been leased out under operating leases. The rental incomes generated for the years ended December 31, 2022 and 2021 were \$13,528 thousand and \$15,084 thousand, respectively.

The expected future cash inflows generated by investment properties referred to rental income, interest income on rental deposits, loss on vacancy rate of space and disposal value. The rental income was extrapolated using the comparative market rentals covering 10 years, excluding values that are overly high or overly low, taking into account the annual rental growth rate, loss on vacancy rate of space was extrapolated using the vacancy rates of the neighboring stores and factories, the interest income on rental deposits was extrapolated using the interest rate announced by the central bank for the one-year average deposit interest rate of five major banks, which was 1.45% and 0.77% for the years ended December 31, 2022 and 2021, respectively, and the disposal value was determined using the direct capitalization method under the income approach. The expected future cash outflows on investment properties included expenditures such as land value taxes, house taxes, insurance premium, management fee, maintenance costs, replacement allowance and depreciation. The expenditures were extrapolated on the basis of the current level of expenditures, taking into account the future adjustment to the government-announced land value and the tax rate promulgated under the House Tax Act.

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

Some of the fair values of investment properties are measured using a land development analysis. An increase in the estimated total sales price, an increase in the rate of return, or a decrease in the overall capital interest rate would all result in an increase in the fair value. The significant assumptions used were as follows:

	December 31, 2022
Estimated total sales price	<u>\$ 284,393</u>
Rate of return	15.00%
Overall capital interest rate	4.21%

16. INTANGIBLE ASSETS

	Concessions	Goodwill	Computer Software	Other Intangible Assets	Total
<u>Cost</u>					
Balance at January 1, 2022	\$ 90,002,000	\$ 11,194,104	\$ 19,009,499	\$ 862,051	\$ 121,067,654
Additions	2,103,320	-	702,830	16,576	2,822,726
Disposals	<u>(2,180,000)</u>	<u>-</u>	<u>(8,050)</u>	<u>-</u>	<u>(2,188,050)</u>
Balance at December 31, 2022	<u>\$ 89,925,320</u>	<u>\$ 11,194,104</u>	<u>\$ 19,704,279</u>	<u>\$ 878,627</u>	<u>\$ 121,702,330</u>
<u>Accumulated amortization and impairment</u>					
Balance at January 1, 2022	\$ (20,062,793)	\$ (17,273)	\$ (16,530,767)	\$ (608,541)	\$ (37,219,374)
Amortization	(5,152,658)	-	(1,039,248)	(69,653)	(6,261,559)
Disposals	<u>376,310</u>	<u>-</u>	<u>8,050</u>	<u>-</u>	<u>384,360</u>
Balance at December 31, 2022	<u>\$ (24,839,141)</u>	<u>\$ (17,273)</u>	<u>\$ (17,561,965)</u>	<u>\$ (678,194)</u>	<u>\$ (43,096,573)</u>
Carrying amount at December 31, 2022	<u>\$ 65,086,179</u>	<u>\$ 11,176,831</u>	<u>\$ 2,142,314</u>	<u>\$ 200,433</u>	<u>\$ 78,605,757</u>

(Continued)

	Concessions	Goodwill	Computer Software	Other Intangible Assets	Total
<u>Cost</u>					
Balance at January 1, 2021	\$ 90,002,000	\$ 11,194,104	\$ 18,531,583	\$ 852,527	\$ 120,580,214
Additions	-	-	657,076	9,524	666,600
Disposals	-	-	(179,160)	-	(179,160)
Balance at December 31, 2021	<u>\$ 90,002,000</u>	<u>\$ 11,194,104</u>	<u>\$ 19,009,499</u>	<u>\$ 862,051</u>	<u>\$ 121,067,654</u>
<u>Accumulated amortization and impairment</u>					
Balance at January 1, 2021	\$ (14,969,229)	\$ (17,273)	\$ (15,654,384)	\$ (549,557)	\$ (31,190,443)
Amortization	(5,093,564)	-	(1,031,663)	(58,984)	(6,184,211)
Disposals	-	-	155,280	-	155,280
Balance at December 31, 2021	<u>\$ (20,062,793)</u>	<u>\$ (17,273)</u>	<u>\$ (16,530,767)</u>	<u>\$ (608,541)</u>	<u>\$ (37,219,374)</u>
Carrying amount at December 31, 2021	<u>\$ 69,939,207</u>	<u>\$ 11,176,831</u>	<u>\$ 2,478,732</u>	<u>\$ 253,510</u>	<u>\$ 83,848,280</u>
					(Concluded)

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

Concessions	9 to 21 years
Computer software	1 to 6 years
Other intangible assets	
Copyrights	Amortized over the broadcast period
Others	4 to 16 years

The exchange of Far EasTone's 2600 D6 spectrum with the 700 A3 spectrum held by APTC was approved by NCC on May 18, 2022. Far EasTone obtained the approval letter for the spectrum swap from NCC on May 30, 2022. The value of the aforementioned spectrum swap was determined in accordance with the agreement between Far EasTone and APTC. The right to use the 700 A3 spectrum is valid through December 31, 2030.

In order to enhance the Group's operating effectiveness and integrate its telecommunications resources, the Group was divided into four identifiable cash-generating units in 2022 and 2021, which are the mobile telecommunications service business, telecommunications equipment business, integrated network business and cloud service business.

As of December 31, 2022 and 2021, the carrying amount of the property, plant and equipment, right-of-use assets, intangible assets and the incremental costs of obtaining a contract used by the Group was \$130,820,884 thousand and \$136,163,527 thousand, respectively. The Group's management estimated the recoverable amounts of core assets based on their value in use and considered the expected useful lives and thus based the cash flow forecast on the following discount rates as of December 31, 2022 and 2021: Mobile telecommunications service business 6.69% and 6.87%, respectively; telecommunications equipment business 6.29% and 6.49%, respectively; integrated network business 8.63% and 7.60%, respectively; cloud service business 16.30% and 19.83%, respectively. The operating revenue forecast was based on the expected effective customer base, expected sales and the Group's operating strategies and goals, taking into account the expected future growth rate of the telecom industry along with the projected advancement of the Group's own businesses. The Group's management believes that any reasonable change in the principal assumptions used in the calculation of the recoverable amounts would not result in

the carrying amounts exceeding the recoverable amounts. The principal assumptions and the relevant measurement of the recoverable amounts of the Group are summarized as follows:

- a. Expected future growth rate of the Group's own businesses
 - 1) Mobile voice service (MVS): The anticipated MVS is measured based on the actual effective customer base and minutes of usage of previous years, taking into account the market trend.
 - 2) Mobile data service (MDS): The anticipated MDS is measured based on the proportion of MDS to the total telecommunications service revenue of previous years, taking into account the demands and changes of the market.
 - 3) Business of selling cellular phone units: The anticipated sales of cellular phones is based on the historical sales revenue and quantities of previous years, taking into account the market trend.
 - 4) Integrated network business (INB): The anticipated market growth of INB is measured based on the actual effective customer base and service revenue of previous years, taking into account the market trend.
 - 5) Cloud service business (CSB): The anticipated market growth of CSB is measured based on the actual effective customer base and service revenue of previous years, taking into account the market trend.
- b. Expected ratio of service EBITDA (earnings before interest, taxes, depreciation and amortization) to operating revenue: The expected ratio is anticipated based on the historical ratio of EBITDA to operating revenue, while the possible impacts of revenue, cost and expense are taken into account individually.

The Group's management believes that any reasonable change in the principal assumptions used in the calculation of the recoverable amounts would not result in the carrying amounts exceeding the recoverable amounts. For the years ended December 31, 2022 and 2021, there was no indication of impairment loss after comparing the recoverable amounts with the carrying amounts of the Group's operating assets and goodwill in accordance with the principal assumptions.

17. OTHER NONCURRENT ASSETS

	December 31	
	2022	2021
Refundable deposits	\$ 1,136,703	\$ 1,101,948
Others	<u>930,111</u>	<u>110,207</u>
	<u>\$ 2,066,814</u>	<u>\$ 1,212,155</u>

18. BORROWINGS

a. Short-term borrowings

	December 31	
	2022	2021
<u>Unsecured borrowings</u>		
Credit loans	\$ 436,530	\$ 210,000
Interest rate range	1.59%-2.36%	1.05%-1.60%

b. Short-term bills payable

	December 31	
	2022	2021
<u>Unsecured borrowings</u>		
Commercial papers payable	\$ 1,205,000	\$ 340,000
Less: Unamortized discount	(692)	(606)
	<u>1,204,308</u>	<u>339,394</u>
<u>Secured borrowings</u>		
Commercial papers payable	11,400	12,100
Less: Unamortized discount	(6)	(4)
	<u>11,394</u>	<u>12,096</u>
Short-term bills payable	\$ 1,215,702	\$ 351,490
<u>Interest rate range</u>		
Unsecured commercial papers payable	1.62%-2.20%	1.04%-1.59%
Secured commercial papers payable	2.55%	1.70%

c. Long-term borrowings

	December 31	
	2022	2021
<u>Unsecured borrowings</u>		
Credit loans	\$ 16,700,000	\$ 6,550,000
Long-term commercial papers payable	10,300,000	21,400,000
Less: Unamortized discount on commercial papers payable	(5,670)	(11,908)
	<u>26,994,330</u>	<u>27,938,092</u>
<u>Secured borrowings</u>		
Bank loans	153,215	137,261
Less: Current portion	(11,478)	(9,732)
	<u>141,737</u>	<u>127,529</u>
Long-term borrowings	\$ 27,136,067	\$ 28,065,621

(Continued)

	December 31	
	2022	2021
<u>Interest rate range</u>		
Credit loans	1.49%-2.12%	0.65%-0.82%
Unsecured commercial papers payable	0.60%-1.79%	0.60%-0.91%
Secured bank loans	1.50%-2.23%	1.50%-1.70%
		(Concluded)

- 1) The credit loans are payable in New Taiwan dollars. Repayment of principal will be made in full on maturity together with interest payment. Under some contracts, loans are treated as revolving credit facilities, and the maturity dates of the loans are based on the terms as specified in the contracts. The repayment dates of the loans are no later than November 2025.
- 2) The unsecured 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 December 2025.
- 3) For related information on the property, plant and equipment that have been pledged as collateral for the secured bank loans and commercial papers payable, see Note 34.
- 4) As of December 31, 2022 and 2021, the perpetual long-term borrowings were \$8,999,709 thousand and \$5,498,631 thousand, respectively.

19. BONDS PAYABLE

	December 31	
	2022	2021
Unsecured domestic bonds	\$ 29,800,000	\$ 35,000,000
Unamortized costs of issuance	<u>(21,607)</u>	<u>(21,862)</u>
	29,778,393	34,978,138
Less: Current portion	<u>(2,999,647)</u>	<u>(9,699,516)</u>
	<u>\$ 26,778,746</u>	<u>\$ 25,278,622</u>

Period	Maturity	Annual Rate (%)	Issued Amount	December 31		Repayment
				2022	2021	
<u>Company</u>						
Unsecured domestic bonds						
2016 1st unsecured domestic bonds	2017.01.05-2022.01.05	1.17	\$ 5,200,000	\$ -	\$ 5,199,982	Note A
2017 1st unsecured domestic bonds	2017.04.26-2022.04.26	1.17	4,500,000	-	4,499,534	Note A
2017 2nd unsecured domestic bonds	2017.09.04-2024.09.04	1.17	2,000,000	1,999,150	1,998,642	Note A
2017 3rd unsecured domestic bonds - type A	2017.12.20-2023.06.20	0.95	1,500,000	1,499,786	1,499,328	Note A
2017 3rd unsecured domestic bonds - type B	2017.12.20-2024.12.20	1.09	1,500,000	1,499,292	1,498,932	Note A
2018 1st unsecured domestic bonds - type A	2018.05.07-2023.05.07	0.85	1,500,000	1,499,861	1,499,464	Note A
2018 1st unsecured domestic bonds - type B	2018.05.07-2025.05.07	1.01	3,500,000	3,498,447	3,497,786	Note A

(Continued)

Period	Maturity	Annual Rate (%)	Issued Amount	December 31		Repayment
				2022	2021	
2019 1st unsecured domestic bonds - type A	2019.06.25-2024.06.25	0.75	\$ 3,200,000	\$ 3,198,758	\$ 3,197,921	Note A
2019 1st unsecured domestic bonds - type B	2019.06.25-2026.06.25	0.81	1,800,000	1,798,828	1,798,492	Note A
2019 2nd unsecured domestic bonds - type A	2019.12.20-2026.12.20	0.80	2,600,000	2,597,808	2,597,256	Note B
2019 2nd unsecured domestic bonds - type B	2019.12.20-2029.12.20	0.85	500,000	499,482	499,407	Note C
2020 1st unsecured domestic bonds - type A	2020.03.16-2025.03.16	0.67	1,500,000	1,499,137	1,498,746	Note A
2020 1st unsecured domestic bonds - type B	2020.03.16-2027.03.16	0.70	2,500,000	2,498,042	2,497,577	Note A
2020 1st unsecured domestic bonds - type C	2020.03.16-2030.03.16	0.77	1,000,000	999,061	998,931	Note A
2020 2nd unsecured domestic bonds	2020.06.02-2027.06.02	0.73	1,000,000	998,734	998,448	Note A
2021 1st unsecured domestic bonds	2021.06.04-2028.06.04	0.55	1,200,000	1,198,051	1,197,692	Note A
2022 1st unsecured domestic bonds	2022.03.29-2027.03.29	0.88	2,700,000	2,696,594	-	Note D
2022 2nd unsecured domestic bonds	2022.09.08-2027.09.08	1.70	1,800,000	<u>1,797,362</u>	<u>-</u>	Note A
Total balance				<u>\$ 29,778,393</u>	<u>\$ 34,978,138</u>	(Concluded)

Note A: The principal will be repaid in full on the maturity date. The simple interest of the outstanding balance is due annually.

Note B: Half of the principal amount is to be repaid on the sixth year and the other half is to be repaid on the seventh year after the issuance date. The simple interest of the outstanding balance is due annually.

Note C: Half of the principal amount is to be repaid on the ninth year and the other half is to be repaid on the tenth year after the issuance date. The simple interest of the outstanding balance is due annually.

Note D: Half of the principal amount is to be repaid on the sixth month of the fourth year and the other half is to be repaid on the fifth year after the issuance date. The simple interest of the outstanding balance is due annually.

In January 2022, Far EasTone repaid \$5,200,000 thousand, the amount due for the first unsecured domestic bonds of 2016. In April 2022, Far EasTone repaid \$4,500,000 thousand, the amount due for the first unsecured domestic bonds of 2017.

On June 4, 2021, Far EasTone issued the first unsecured domestic bonds of 2021 with an aggregate principal amount of \$1,200,000 thousand. On March 29, 2022, Far EasTone issued the first unsecured domestic bonds of 2022 with an aggregate principal amount of \$2,700,000 thousand. On September 8, 2022, Far EasTone issued the second unsecured domestic bonds of 2022 with an aggregate principal amount of \$1,800,000 thousand.

As of December 31, 2022, the perpetual long-term bonds were \$4,493,956 thousand.

As of December 31, 2022 and 2021, the perpetual financial borrowings including long-term borrowings and bonds payable, accounted for 23% and 10%, respectively, of the Group's total borrowings, see Note 18.

20. OTHER LIABILITIES

	December 31	
	2022	2021
<u>Current</u>		
Other payables		
Acquisition of properties	\$ 2,171,013	\$ 1,838,528
Salaries and bonuses	1,620,059	1,690,708
Commission	835,583	791,301
Maintenance fees	518,824	532,388
Compensation of employees and remuneration of directors	340,419	306,584
Utilities	290,659	287,397
Others	<u>1,224,721</u>	<u>1,198,540</u>
	<u>\$ 7,001,278</u>	<u>\$ 6,645,446</u>
<u>Noncurrent</u>		
Other noncurrent liabilities	<u>\$ 4,261,210</u>	<u>\$ 3,017,428</u>

Other noncurrent liabilities are comprised mainly of government grants related to assets, which are recognized as deferred revenue in accordance with the relevant accounting policy and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

21. PROVISIONS

	December 31	
	2022	2021
<u>Current</u>		
Dismantling obligation	\$ 135,730	\$ 134,340
Product warranty	<u>46,595</u>	<u>54,910</u>
	<u>\$ 182,325</u>	<u>\$ 189,250</u>
<u>Noncurrent</u>		
Dismantling obligation	<u>\$ 1,191,522</u>	<u>\$ 1,149,926</u>
	Dismantling Obligation	Product Warranty
Balance at January 1, 2022	\$ 1,284,266	\$ 54,910
Additional provisions recognized	51,587	277
Reductions arising from payments	<u>(8,601)</u>	<u>(8,592)</u>
Balance at December 31, 2022	<u>\$ 1,327,252</u>	<u>\$ 46,595</u>
Balance at January 1, 2021	\$ 1,182,389	\$ 51,293
Additional provisions recognized	109,566	10,960
Reductions arising from payments	<u>(7,689)</u>	<u>(7,343)</u>
Balance at December 31, 2021	<u>\$ 1,284,266</u>	<u>\$ 54,910</u>

22. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Group adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Group makes monthly contributions to employees' individual pension accounts at 6% of monthly wages and salaries. The subsidiaries which are registered in mainland China made contributions at a certain percentage of wages and salaries under the local government's regulations.

The pension costs recognized in total comprehensive income under the defined contribution plan amounted to \$296,653 thousand and \$293,101 thousand for the years ended December 31, 2022 and 2021, respectively.

b. Defined benefit plan

The defined benefit plan adopted by the Group in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Group contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2022	2021
Present value of defined benefit obligation	\$ 1,655,712	\$ 1,721,271
Fair value of plan assets	<u>(1,274,770)</u>	<u>(1,199,998)</u>
	<u>\$ 380,942</u>	<u>\$ 521,273</u>
Net defined benefit liabilities	\$ 399,377	\$ 533,046
Net defined benefit assets	<u>(18,435)</u>	<u>(11,773)</u>
	<u>\$ 380,942</u>	<u>\$ 521,273</u>

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2022	<u>\$ 1,721,271</u>	<u>\$ (1,199,998)</u>	<u>\$ 521,273</u>
Service cost			
Current service cost	10,431	-	10,431
Prior service cost	307	-	307
Net interest expense (income)	<u>12,701</u>	<u>(8,883)</u>	<u>3,818</u>
Recognized in profit or loss	<u>23,439</u>	<u>(8,883)</u>	<u>14,556</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(92,155)	(92,155)
Actuarial gain - changes in financial assumptions	(85,577)	-	(85,577)
Actuarial loss - experience adjustments	<u>56,307</u>	<u>-</u>	<u>56,307</u>
Recognized in other comprehensive income	<u>(29,270)</u>	<u>(92,155)</u>	<u>(121,425)</u>
Contributions from the employer	-	(31,740)	(31,740)
Benefits paid	<u>(59,728)</u>	<u>58,006</u>	<u>(1,722)</u>
Balance at December 31, 2022	<u>\$ 1,655,712</u>	<u>\$ (1,274,770)</u>	<u>\$ 380,942</u>
Balance at January 1, 2021	<u>\$ 1,664,823</u>	<u>\$ (1,168,939)</u>	<u>\$ 495,884</u>
Service cost			
Current service cost	9,332	-	9,332
Prior service cost	2,074	-	2,074
Net interest expense (income)	<u>12,285</u>	<u>(8,652)</u>	<u>3,633</u>
Recognized in profit or loss	<u>23,691</u>	<u>(8,652)</u>	<u>15,039</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(12,205)	(12,205)
Actuarial loss - changes in demographic assumptions	37,876	-	37,876
Actuarial loss - experience adjustments	<u>17,108</u>	<u>-</u>	<u>17,108</u>
Recognized in other comprehensive income	<u>54,984</u>	<u>(12,205)</u>	<u>42,779</u>
Contributions from the employer	-	(31,733)	(31,733)
Benefits paid	<u>(22,227)</u>	<u>21,531</u>	<u>(696)</u>
Balance at December 31, 2021	<u>\$ 1,721,271</u>	<u>\$ (1,199,998)</u>	<u>\$ 521,273</u>

Through the defined benefit plans under the Labor Standards Act, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the corporate/government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

- 3) **Salary risk:** The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2022	2021
Discount rates	1.50%	0.50%-0.75%
Expected rates of salary increase	1.75%-2.75%	1.50%-2.75%

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

	December 31	
	2022	2021
Discount rates		
0.25% increase	\$ (40,135)	\$ (44,783)
0.25% decrease	\$ 40,309	\$ 46,441
Expected rates of salary increase/decrease		
0.25% increase	\$ 40,093	\$ 45,954
0.25% decrease	\$ (40,123)	\$ (44,544)

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

	December 31	
	2022	2021
The expected contributions to the plan for the next year	\$ 32,295	\$ 32,209
The average duration of the defined benefit obligation	9.9-12.7 years	10.6-13.9 years

23. EQUITY

a. Capital stock

1) Common stock

	December 31	
	2022	2021
Stock authorized (in thousands)	4,200,000	4,200,000
Capital authorized	\$ 42,000,000	\$ 42,000,000
Issued and fully paid stock (in thousands)	3,258,501	3,258,501
Issued capital	\$ 32,585,008	\$ 32,585,008

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

2) Global depositary receipts (GDRs)

Since 2004, some of Far EasTone's issued common stocks have been traded on the Luxembourg Stock Exchange in the form of GDRs. One GDR unit represents 15 shares of Far EasTone's common stocks. On May 6, 2021, the board of directors of Far EasTone resolved to cease the trading of Far EasTone's issued common stocks on the Luxembourg Stock Exchange in the form of GDRs. The GDRs have been delisted on July 26, 2021. However, the holders of GDRs can request redemption through the depositary trust company until July 28, 2022. As of December 31, 2022, there were no outstanding units of GDRs. As of December 31, 2021, there were 194 thousand outstanding units of GDRs, representing 2,917 thousand common stocks.

b. Capital surplus

	December 31	
	2022	2021
From business combinations	\$ 351	\$ 2,375,798
Share of changes in equities of associates	14,083	14,042
Changes in ownership interest of a subsidiary	11,732	-
Share-based payment transaction	<u>199</u>	<u>-</u>
	<u>\$ 26,365</u>	<u>\$ 2,389,840</u>

Capital surplus from business combinations may be used to offset a deficit. When Far EasTone has no deficit, such capital surplus may be distributed as cash dividends or may be transferred to capital stock once a year within a certain percentage of Far EasTone's paid-in capital. Capital surplus from share of changes in equities of associates may be used to offset a deficit only. Share-based payment transaction may not be used for any purpose.

c. Retained earnings and dividend policy

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

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

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

Under Rule No. 1090150022 and Rule No. 10901500221 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 2021 and 2020, which had been approved in the stockholders' meetings on June 14, 2022 and July 22, 2021, respectively, were as follows:

	For the Year Ended December 31	
	2021	2020
Legal reserve	\$ 914,759	\$ 822,798
Special reserve	578,021	124,528
Cash dividends	7,654,218	7,279,491
Cash dividends per share (NT\$)	2.349	2.234

In addition to distributing cash dividends at NT\$2.349 and NT\$2.234 per share from the unappropriated earnings or the years ended December 31, 2021 and 2020, Far EasTone's stockholders also approved the cash distribution of \$2,375,447 thousand and \$3,310,637 thousand from the additional paid-in capital from business combinations at NT\$0.729 and NT\$1.016 per share. Moreover, the stockholders also approved \$560,462 thousand from the legal reserve at NT\$0.172 per share for the year ended December 31, 2021. Therefore, Far EasTone's stockholders received NT\$3.25 per share in both 2022 and 2021.

The appropriation of earnings for 2022, which had been proposed by Far EasTone's board of directors on February 15, 2022, was as follows:

	For the Year Ended December 31, 2022
Legal reserve	\$ 964,929
Special reserve	933,501
Cash dividends	7,751,973
Cash dividends per share (NT\$)	2.379

In addition to distributing cash dividends at NT\$2.379 per share from the unappropriated earnings, Far EasTone's board of directors proposed the cash distribution of \$2,838,154 thousand from the legal reserve at NT\$0.871. Therefore, Far EasTone's stockholders will receive NT\$3.25 per share in 2023.

The appropriation of earnings for 2022 is subject to the resolution of the stockholders in the stockholders' meeting which is to be held on May 31, 2023.

d. Special reserve

	For the Year Ended December 31	
	2022	2021
Beginning balance	\$ 723,516	\$ 598,988
Appropriation (reversal) in respect of		
Application of the fair value model for investment properties	(156,474)	24,645
Debits to other equity items	<u>734,495</u>	<u>99,883</u>
Ending balance	<u>\$ 1,301,537</u>	<u>\$ 723,516</u>

e. Other equity items

Adjustments to other equity items for the years ended December 31, 2022 and 2021 are summarized as follows:

	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gains and Losses on Financial Assets at Fair Value through Other Comprehen- sive Income	Gains and Losses on Hedging Instruments	Gains on Property Revaluations	Total
For the year ended <u>December 31, 2022</u>					
Beginning balance	\$ (36,747)	\$ (799,017)	\$ 1,386	\$ -	\$ (834,378)
Recorded as adjustments to stockholders' equity	5,131	(1,056,216)	-	48,395	(1,002,690)
Share of the other comprehensive income of associates	65,196	2,951	1,365	-	69,512
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	<u>(6,220)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,220)</u>
Ending balance	<u>\$ 27,360</u>	<u>\$ (1,852,282)</u>	<u>\$ 2,751</u>	<u>\$ 48,395</u>	<u>\$ (1,773,776)</u>
For the year ended <u>December 31, 2021</u>					
Beginning balance	\$ (20,598)	\$ (75,931)	\$ (3,354)	\$ -	\$ (99,883)
Recorded as adjustments to stockholders' equity	(2,120)	(680,106)	-	-	(682,226)
Share of the other comprehensive income of associates	(14,029)	15,075	4,740	-	5,786
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	<u>-</u>	<u>(58,055)</u>	<u>-</u>	<u>-</u>	<u>(58,055)</u>
Ending balance	<u>\$ (36,747)</u>	<u>\$ (799,017)</u>	<u>\$ 1,386</u>	<u>\$ -</u>	<u>\$ (834,378)</u>

f. Noncontrolling interests

	For the Year Ended December 31	
	2022	2021
Beginning balance	\$ 965,064	\$ 933,515
Share of profit	97,993	110,086
Other comprehensive income during the year		
Exchange differences on translating the financial statements of foreign operations	999	(107)
Remeasurement of defined benefit plans	1,666	92
Gain on property revaluation	4,712	-
Cash dividends distributed by subsidiaries	(74,459)	(78,522)
Equity transactions	<u>(75,256)</u>	<u>-</u>
Ending balance	<u>\$ 920,719</u>	<u>\$ 965,064</u>

24. REVENUE

	For the Year Ended December 31	
	2022	2021
Contract revenue		
Sales of inventories	\$ 28,178,920	\$ 28,296,013
Telecommunications service revenue	46,466,345	45,333,985
Other revenue	<u>12,516,631</u>	<u>9,722,119</u>
	87,161,896	83,352,117
Other operating revenue	<u>1,989,469</u>	<u>1,967,891</u>
	<u>\$ 89,151,365</u>	<u>\$ 85,320,008</u>

a. Contract information

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

b. Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Contract assets			
Bundle sale of goods	\$ 7,987,037	\$ 7,570,619	\$ 7,274,473
Others	989,209	1,209,396	924,052
Less: Allowance for impairment loss	<u>(145,515)</u>	<u>(148,515)</u>	<u>(135,925)</u>
	<u>\$ 8,830,731</u>	<u>\$ 8,631,500</u>	<u>\$ 8,062,600</u>
Contract assets - current	\$ 5,160,260	\$ 5,268,830	\$ 4,840,684
Contract assets - noncurrent	<u>3,670,471</u>	<u>3,362,670</u>	<u>3,221,916</u>
	<u>\$ 8,830,731</u>	<u>\$ 8,631,500</u>	<u>\$ 8,062,600</u>
Contract liabilities			
Goods	\$ 127,099	\$ 135,877	\$ 174,842
Services	<u>13,476,871</u>	<u>13,465,445</u>	<u>2,204,726</u>
	<u>\$ 13,603,970</u>	<u>\$ 13,601,322</u>	<u>\$ 2,379,568</u>
Contract liabilities - current	\$ 3,230,860	\$ 2,981,709	\$ 2,190,246
Contract liabilities - noncurrent	<u>10,373,110</u>	<u>10,619,613</u>	<u>189,322</u>
	<u>\$ 13,603,970</u>	<u>\$ 13,601,322</u>	<u>\$ 2,379,568</u>

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

The Group provides frequency and network sharing services for APTC through a part of 5G spectrum and related cell sites. The consideration received from APTC is included in contract liabilities and revenue is recognized over the useful lives of the assets used in providing frequency and network sharing services.

The changes in the balances of contract assets and contract liabilities primarily resulted from the timing difference between the Group's satisfaction of performance obligations and the respective customer's payment; other significant changes are as follows:

	For the Year Ended December 31	
	2022	2021
Contract assets		
Transfers of beginning balance to accounts receivable	<u>\$ (5,428,913)</u>	<u>\$ (5,055,097)</u>

The Group measures the loss allowance for contract assets at an amount equal to lifetime ECLs. The expected credit losses on contract assets are estimated using an allowance matrix by reference to past default experience with the debtor and an analysis of the debtor's current financial position, adjusted for the general economic conditions of the industry in which the debtor operates, the unemployment rate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date.

	December 31	
	2022	2021
Expected credit loss rate	0.06%-8.61%	0.05%-8.93%
Gross carrying amount	\$ 8,976,246	\$ 8,780,015
Allowance for impairment loss (Lifetime ECLs)	<u>(145,515)</u>	<u>(148,515)</u>
	<u>\$ 8,830,731</u>	<u>\$ 8,631,500</u>

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

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 148,515	\$ 135,925
Add: Net remeasurement of loss allowance	<u>(3,000)</u>	<u>12,590</u>
Balance at December 31	<u>\$ 145,515</u>	<u>\$ 148,515</u>

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

	For the Year Ended December 31	
	2022	2021
From contract liabilities at the start of the year		
Goods	\$ 130,183	\$ 171,966
Services	<u>1,955,064</u>	<u>1,244,970</u>
	<u>\$ 2,085,247</u>	<u>\$ 1,416,936</u>

c. Assets related to contract costs

	December 31	
	2022	2021
Noncurrent		
Incremental costs of obtaining a contract	<u>\$ 3,702,294</u>	<u>\$ 3,908,968</u>

The Group considered its past experience and believes the commission and subsidies paid for obtaining contracts are wholly recoverable. Total expenses recognized were \$2,962,513 thousand and \$3,091,447 thousand for the years ended December 31, 2022 and 2021, respectively.

d. Disaggregation of revenue

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

e. Partially completed contracts

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

	December 31	
	2022	2021
Telecommunications service contracts		
Fulfillment in 2022	\$ -	\$ 15,536,377
Fulfillment in 2023	14,729,243	8,519,891
Fulfillment in 2024 and beyond	<u>10,723,911</u>	<u>2,378,216</u>
	<u>\$ 25,453,154</u>	<u>\$ 26,434,484</u>

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

25. CONSOLIDATED NET INCOME

The items included in consolidated net income are as follows:

a. Other income

	For the Year Ended December 31	
	2022	2021
Interest income	\$ 65,286	\$ 44,480
Government grants	36,549	34,059
Dividend income	24,280	29,880
Rental income	<u>23,429</u>	<u>23,860</u>
	<u>\$ 149,544</u>	<u>\$ 132,279</u>

b. Other gains and losses

	For the Year Ended December 31	
	2022	2021
(Losses) gains on fair value changes of financial assets at FVTPL	\$ (78,824)	\$ 8,535
Others	<u>138,635</u>	<u>47,779</u>
	<u>\$ 59,811</u>	<u>\$ 56,314</u>

c. Depreciation and amortization

	For the Year Ended December 31	
	2022	2021
Property, plant and equipment	\$ 8,339,789	\$ 8,075,370
Right-of-use assets	3,556,655	3,549,219
Intangible assets	<u>1,108,901</u>	<u>1,090,647</u>
	<u>\$ 13,005,345</u>	<u>\$ 12,715,236</u>
Depreciation expense categorized by function		
Operating costs	\$ 10,812,771	\$ 10,451,122
Operating expenses	<u>1,083,673</u>	<u>1,173,467</u>
	<u>\$ 11,896,444</u>	<u>\$ 11,624,589</u>
Amortization expense categorized by function		
Operating costs	\$ 200,430	\$ 215,080
Marketing expenses	304,595	297,105
General and administrative expenses	<u>603,876</u>	<u>578,462</u>
	<u>\$ 1,108,901</u>	<u>\$ 1,090,647</u>

d. Financial costs

	For the Year Ended December 31	
	2022	2021
Interest on financial liabilities measured at amortized cost	\$ 569,179	\$ 608,188
Interest on lease liabilities	65,408	64,882
Other financial costs	<u>5,010</u>	<u>4,284</u>
	<u>\$ 639,597</u>	<u>\$ 677,354</u>

e. Employee benefits expense

	For the Year Ended December 31	
	2022	2021
Retirement benefits		
Defined contribution plans	\$ 296,653	\$ 293,101
Defined benefit plans (Note 22)	<u>14,556</u>	<u>15,039</u>
	<u>311,209</u>	<u>308,140</u>
Other employee benefits		
Salary	5,998,382	5,854,855
Insurance	566,487	579,583
Others	<u>308,470</u>	<u>312,526</u>
	<u>6,873,339</u>	<u>6,746,964</u>
	<u>\$ 7,184,548</u>	<u>\$ 7,055,104</u>
Categorized by function		
Operating costs	\$ 1,280,002	\$ 1,104,813
Operating expenses	<u>5,904,546</u>	<u>5,950,291</u>
	<u>\$ 7,184,548</u>	<u>\$ 7,055,104</u>

f. Compensation of employees and remuneration of directors

Far EasTone distributes compensation of employees and remuneration of directors at rates of 1% to 2% and no higher than 1%, respectively, of income before income tax, compensation of employees and remuneration of directors. For the years ended December 31, 2022 and 2021, the compensation of employees and the remuneration of directors represented 2% and 0.72%, respectively, of income before income tax, compensation of employees and remuneration of directors.

The accrued compensation of employees and remuneration of directors for the years ended December 31, 2022 and 2021 were as follows:

	<u>For the Year Ended December 31</u>	
	2022	2021
Compensation of employees	<u>\$ 233,722</u>	<u>\$ 212,073</u>
Remuneration of directors	<u>\$ 84,140</u>	<u>\$ 76,346</u>

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

There was no difference between the amounts of the compensation of employees and the remuneration of directors resolved by the board of directors and the respective amounts recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020.

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

26. INCOME TAX

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	<u>For the Year Ended December 31</u>	
	2022	2021
Current tax	\$ 2,346,900	\$ 1,922,568
Deferred tax	<u>(53,707)</u>	<u>(75,664)</u>
Income tax expense recognized in profit or loss	<u>\$ 2,293,193</u>	<u>\$ 1,846,904</u>

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

	For the Year Ended December 31	
	2022	2021
Income before tax	\$ 11,999,081	\$ 11,080,785
Income tax expense computed at the statutory tax rate	\$ 2,399,816	\$ 2,216,157
Add (deduct) tax effects of:		
Nondeductible (deductible) items in determining taxable income	(17,623)	(27,083)
Tax-exempt income	(4,652)	(342,962)
Land value incremental tax	896	79,125
Effect of different tax rates on the group entities	2,524	(2,562)
Others	28,884	35,025
Prior year's adjustments	(116,652)	(110,796)
Income tax expense recognized in profit or loss	\$ 2,293,193	\$ 1,846,904

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2022	2021
<u>Deferred tax</u>		
In respect of the current year		
Financial assets at fair value through other comprehensive income	\$ 3,674	\$ 129
Remeasurement of defined benefit plan	24,219	(8,610)
Gain on property revaluation	(423)	-
Income tax recognized in other comprehensive income	\$ 27,470	\$ (8,481)

c. Deferred income tax assets and liabilities

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

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred income tax assets</u>				
Allowance for impairment loss	\$ 333,375	\$ (12,487)	\$ -	\$ 320,888
Defined benefit obligation	104,816	(3,831)	(24,219)	76,766
Others	447,121	68,978	475	516,574
	<u>\$ 885,312</u>	<u>\$ 52,660</u>	<u>\$ (23,744)</u>	<u>\$ 914,228</u>
<u>Deferred income tax liabilities</u>				
Amortization of goodwill	\$ 2,056,606	\$ -	\$ -	\$ 2,056,606
Investment properties	73,723	624	3,726	78,073
Others	9,227	(1,671)	-	7,556
	<u>\$ 2,139,556</u>	<u>\$ (1,047)</u>	<u>\$ 3,726</u>	<u>\$ 2,142,235</u>

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Closing Balance
<u>Deferred income tax assets</u>				
Allowance for impairment loss	\$ 300,125	\$ 33,250	\$ -	\$ 333,375
Defined benefit obligation	100,085	(3,879)	8,610	104,816
Others	<u>435,251</u>	<u>11,999</u>	<u>(129)</u>	<u>447,121</u>
	<u>\$ 835,461</u>	<u>\$ 41,370</u>	<u>\$ 8,481</u>	<u>\$ 885,312</u>
<u>Deferred income tax liabilities</u>				
Amortization of goodwill	\$ 2,056,606	\$ -	\$ -	\$ 2,056,606
Investment properties	113,511	(39,788)	-	73,723
Others	<u>3,733</u>	<u>5,494</u>	<u>-</u>	<u>9,227</u>
	<u>\$ 2,173,850</u>	<u>\$ (34,294)</u>	<u>\$ -</u>	<u>\$ 2,139,556</u>

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

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Loss carryforwards		
Expiry in 2022	\$ -	\$ 40,344
Expiry in 2023	25,647	25,647
Expiry in 2024	108,659	108,659
Expiry in 2025	307,602	307,602
Expiry in 2026	247,175	247,175
Expiry in 2027	341,075	341,075
Expiry in 2028	332,623	333,297
Expiry in 2029	217,996	217,996
Expiry in 2030	209,267	209,267
Expiry in 2031	222,913	223,050
Expiry in 2032	<u>180,596</u>	<u>-</u>
	2,193,553	2,054,112
Unrealized gains or losses on property, plant and equipment	383,403	395,904
Investment gains or losses	202,787	197,740
Others	<u>140,023</u>	<u>138,374</u>
	<u>\$ 2,919,766</u>	<u>\$ 2,786,130</u>

e. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2022 comprised:

Unused Amount	Expiry Year
\$ 25,647	2023
108,659	2024
307,602	2025
247,175	2026
341,075	2027
332,623	2028
217,996	2029
209,267	2030
222,913	2031
<u>180,596</u>	2032
<u>\$ 2,193,553</u>	

f. Income tax assessments

Income tax returns of Far EasTone, NCIC, KGEx.com, ISSDU, YSDT, New Diligent, ARCOA, Data Express, Home Master, Prime EcoPower, Nextlink Technology, Microfusion Technology, Yuan Cing, and FEPIA through 2020 have been assessed by the tax authorities. Income tax returns of Yuan Bao through 2021 have been assessed by the tax authorities.

27. EARNINGS PER SHARE

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

Net Income for the Year

	For the Year Ended December 31	
	2022	2021
Net income attributable to Far EasTone	\$ 9,607,895	\$ 9,123,795
Effect of potentially dilutive common stock:		
Compensation of employees	<u>-</u>	<u>-</u>
Earnings used in the calculation of diluted earnings per share	<u>\$ 9,607,895</u>	<u>\$ 9,123,795</u>

Weighted Average Number of Common Stock Outstanding

(In Thousands of Shares)

	For the Year Ended December 31	
	2022	2021
Weighted average number of common stock used in the calculation of basic earnings per share	3,258,501	3,258,501
Effect of potentially dilutive common stock:		
Compensation of employees	<u>4,012</u>	<u>3,802</u>
Weighted average number of common stock used in the calculation of diluted earnings per share	<u>3,262,513</u>	<u>3,262,303</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. SHARE-BASED PAYMENT ARRANGEMENT

Qualified employees of the subsidiary was granted 787 thousands options in October 2022. Each option entitles the holder with the right to subscribe for one thousand ordinary shares of the subsidiary. The options granted are valid for 3 years and exercisable at certain percentages after the 9 months from the grant date. The exercise price should be at least the net asset value per share of the nearest audit report. The option is exercised by issuing new stocks. For any subsequent changes in the subsidiary's common stock, the exercise price is adjusted accordingly.

Information on employee share options was as follows:

	2022	
	Number of Options (In Thousands of Units)	Weighted- Average Exercise Price (\$)
Balance at January 1	\$ -	\$ -
Options granted	787	12.35
Options forfeited	<u>(28)</u>	-
Balance at December 31	<u>759</u>	12.35
Options exercisable, end of the year	<u>-</u>	-

Options granted in October 2022 is priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

	2023
Grant-date share price	\$11.18
Exercise price	\$12.35
Expected volatility	30.33-33.63%
Expected life (in years)	1.88-2.88
Risk-free interest rate	1.34-1.43%

Compensation costs recognized were \$199 thousand for the year ended December 31, 2022.

29. EQUITY TRANSACTIONS WITH NONCONTROLLING INTERESTS

In March and June 2022, the Group respectively acquired some of ARCOA's shares from noncontrolling interest in cash, and increased its interest from 61.63% to 68.35%.

In March 2022, the Group subscribed for additional new shares of IDEAWORKS Entertainment Co., Ltd. (IDWE) at a percentage different from its existing ownership percentage. Therefore, the Group reduced its continuing interest from 100% to 50%.

In December 2022, the Group acquired some of YSDT's shares from noncontrolling interests in cash, and increased its shareholding proportion from 96.85% to 99.51%.

The above transactions were accounted for as equity transactions since the Group did not cease to have control over these subsidiaries.

	ARCOA	IDWE	YSDT	
Cash consideration paid	\$ (116,885)	\$ 41,250	\$ (29,579)	
The proportionate share of the carrying amount of the net assets of the subsidiary transferred from noncontrolling interests	<u>128,617</u>	<u>(41,250)</u>	<u>(12,111)</u>	
Differences recognized from equity transactions	<u>\$ 11,732</u>	<u>\$ -</u>	<u>\$ (41,690)</u>	
	ARCOA	IDWE	YSDT	Total
Line items adjusted for equity transactions				
Capital surplus - changes in ownership interest of subsidiaries	\$ 11,732	\$ -	\$ -	\$ 11,732
Unappropriated earnings	<u>-</u>	<u>-</u>	<u>(41,690)</u>	<u>(41,690)</u>
	<u>\$ 11,732</u>	<u>\$ -</u>	<u>\$ (41,690)</u>	<u>\$ (29,958)</u>

30. CASH FLOW INFORMATION

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

For the years ended December 31, 2022 and 2021, changes in liabilities arising from financing activities, including noncash transactions, were as follows:

For the year ended December 31, 2022

	Balance on January 1, 2022	Cash Flows from Financing Activities	Changes in Noncash Transactions		Cash Flows from Operating Activities - Interest Paid	Balance on December 31, 2022
			New Leases	Others		
Lease liabilities (including the current and noncurrent portion)	\$ 7,749,242	\$ (3,459,906)	\$ 3,656,915	\$ (162,701)	\$ (65,408)	\$ 7,718,142

For the year ended December 31, 2021

	Balance on January 1, 2021	Cash Flows from Financing Activities	Changes in Noncash Transactions		Cash Flows from Operating Activities - Interest Paid	Balance on December 31, 2021
			New Leases	Others		
Lease liabilities (including the current and noncurrent portion)	\$ 8,156,460	\$ (3,485,437)	\$ 3,257,157	\$ (114,056)	\$ (64,882)	\$ 7,749,242

31. CAPITAL MANAGEMENT

The Group is required to maintain sufficient capital to meet the minimum paid-in capital requirements for the telecommunications industry, and to finance the upgrade of its telecommunications network. Thus, the Group's capital management focuses on its operating plan to ensure good profitability and financial structure and to meet the demand for working capital, capital expenditures, debt repayment and dividends for the next 12 months.

32. FINANCIAL INSTRUMENTS

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

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

	December 31			
	2022		2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial liabilities</u>				
Bonds payable	\$ 29,788,393	\$ 29,785,270	\$ 34,978,138	\$ 35,137,183

2) Fair value hierarchy

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>				
Bonds payable	\$ 29,785,270	\$ -	\$ -	\$ 29,785,270
<u>December 31, 2021</u>				
	Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>				
Bonds payable	\$ 35,137,183	\$ -	\$ -	\$ 35,137,183

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

1) Fair value hierarchy

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit or loss</u>				
Mutual funds	\$ -	\$ 619,275	\$ -	\$ 619,275
Trade fair investment agreement	\$ -	\$ -	\$ 3,840	\$ 3,840
<u>Financial assets at fair value through other comprehensive income</u>				
Stock in domestic listed company through private placement	\$ -	\$ 3,050,000	\$ -	\$ 3,050,000
Domestic/foreign unlisted common stock	\$ -	\$ -	\$ 958,122	\$ 958,122
<u>December 31, 2021</u>				
	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit or loss</u>				
Mutual funds	\$ -	\$ 699,174	\$ -	\$ 699,174
<u>Financial assets at fair value through other comprehensive income</u>				
Stock in domestic listed company through private placement	\$ -	\$ 4,110,000	\$ -	\$ 4,110,000
Domestic/foreign unlisted common stock	\$ -	\$ -	\$ 949,853	\$ 949,853

There were no transfers of financial assets between the fair value measurements of Level 1 and Level 2 for the years ended December 31, 2022 and 2021.

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

	Financial assets at fair value through profit or loss	
	December 31	
	2022	2021
Beginning balance	\$ -	\$ -
Additions	<u>3,840</u>	<u>-</u>
Ending balance	<u>\$ 3,840</u>	<u>\$ -</u>
	Financial Instruments at Fair Value Through Other Comprehensive Income	
	December 31	
	2022	2021
Beginning balance	\$ 949,853	\$ 809,560
Additions	-	50,000
Disposal	-	(97,300)
Recognized in other comprehensive income	7,457	210,023
Remittance of cash due to capital reduction	-	(21,450)
Effects of foreign currency exchange differences	<u>812</u>	<u>(980)</u>
Ending balance	<u>\$ 958,122</u>	<u>\$ 949,853</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.
Stock in domestic listed company through private placement	Transaction method of market approach referring to the weighted average of stock prices, net worth and the ratio of stock price to net worth of comparable companies traded in active market, and with consideration of liquidity premium.

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>
Trade fair investment agreement	Income approach. The discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived.

c. Categories of financial instruments

	December 31	
	2022	2021
<u>Financial assets</u>		
Financial assets at fair value through profit or loss	\$ 623,115	\$ 699,174
Financial assets at amortized cost (Note 1)	17,503,698	17,011,848
Financial assets at fair value through other comprehensive income	4,008,122	5,059,853
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	72,731,697	77,491,661

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

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

d. Financial risk management objectives and policies

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

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

1) Market risk

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

a) Foreign currency risk

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

Sensitivity analysis

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

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

	USD Impact	
	For the Year Ended December 31	
	2022	2021
5% change in sensitivity rate		
USD	<u>\$ (52,489)</u>	<u>\$ (31,032)</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:

	December 31	
	2022	2021
Fair value interest rate risk		
Financial assets	\$ 2,640,129	\$ 4,095,804
Financial liabilities	57,722,823	69,165,302
Cash flow interest rate risk		
Financial assets	4,792,722	3,911,828
Financial liabilities	8,942,482	2,551,258

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 years ended December 31, 2022 and 2021 would have increased/decreased by \$(10,374) thousand and \$3,401 thousand, respectively, which was mainly affected by bank deposits and borrowings with floating interest rates.

c) Other price risks

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

Sensitivity analysis

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

If equity prices had been 5% higher/lower, pre-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$31,156 thousand and \$34,959 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL; and the pre-tax other comprehensive income for the years ended December 31, 2022 and 2021 would have increased/decreased by \$200,406 thousand and \$252,993 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

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

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

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

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. The Group's unutilized overdraft and bank loan facilities amounted to \$59,316,976 thousand and \$62,662,074 thousand as of December 31, 2022 and 2021, respectively.

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

	Carrying Amount	Contractual Cash Flows	Within 1 Year	1-5 Years	More than 5 Years
<u>December 31, 2022</u>					
Short-term borrowings	\$ 436,530	\$ 438,927	\$ 438,927	\$ -	\$ -
Short-term bills payable	1,215,702	1,216,400	1,216,400	-	-
Long-term borrowings	27,147,545	27,828,308	354,107	27,474,201	-
Bonds payable	29,778,393	30,982,380	3,262,115	24,734,190	2,986,075
Lease liabilities	<u>7,718,142</u>	<u>7,854,802</u>	<u>2,803,100</u>	<u>5,000,776</u>	<u>50,926</u>
	<u>\$ 66,296,312</u>	<u>\$ 68,320,817</u>	<u>\$ 8,074,649</u>	<u>\$ 57,209,167</u>	<u>\$ 3,037,001</u>
<u>December 31, 2021</u>					
Short-term borrowings	\$ 210,000	\$ 210,367	\$ 210,367	\$ -	\$ -
Short-term bills payable	351,490	352,100	352,100	-	-
Long-term borrowings	28,075,353	28,171,752	70,353	28,101,399	-
Bonds payable	34,978,138	35,995,890	10,028,370	19,688,095	6,279,425
Lease liabilities	<u>7,749,242</u>	<u>7,838,880</u>	<u>2,810,634</u>	<u>4,971,195</u>	<u>57,051</u>
	<u>\$ 71,364,223</u>	<u>\$ 72,568,989</u>	<u>\$ 13,471,824</u>	<u>\$ 52,760,689</u>	<u>\$ 6,336,476</u>

Additional information about the maturity analysis for financial liabilities:

	December 31, 2022				
	Within 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years
Long-term borrowings	\$ 354,107	\$ 27,474,201	\$ -	\$ -	\$ -
Bonds payable	3,262,115	24,734,190	2,986,075	-	-
Lease liabilities	<u>2,803,100</u>	<u>5,000,776</u>	<u>46,307</u>	<u>4,570</u>	<u>49</u>
	<u>\$ 6,419,322</u>	<u>\$ 57,209,167</u>	<u>\$ 3,032,382</u>	<u>\$ 4,570</u>	<u>\$ 49</u>

	December 31, 2021				
	Within 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years
Bonds payable	\$ 10,028,370	\$ 19,688,095	\$ 6,279,425	\$ -	\$ -
Lease liabilities	<u>2,810,634</u>	<u>4,971,195</u>	<u>56,921</u>	<u>81</u>	<u>49</u>
	<u>\$ 12,839,004</u>	<u>\$ 24,659,290</u>	<u>\$ 6,336,346</u>	<u>\$ 81</u>	<u>\$ 49</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 (the chairman of the related party's parent company is the same as Far EasTone's)
Far Eastern Big City Shopping Malls Co., Ltd.	Other related party (subsidiary of SOGO)
Far Eastern Citysuper Co., Ltd.	Other related party (the chairman of the related party's parent company is the same as Far EasTone's)
Ya Tung Department Store Co., Ltd.	Other related party (the chairman of the related party's parent company is the same as Far EasTone's)
Fu Dar Transportation Corporation	Other related party (the chairman of the related party's parent company is the same as Far EasTone's)

(Continued)

Related Party	Relationship with the Group
Fu-Ming Transportation Co., Ltd.	Other related party (the chairman of the related party's parent company is the same as Far EasTone's)
YDT Technology International Co., Ltd.	Subsidiary of FENC
Nan Hwa Cement Corporation	Other related party (the chairman of the related party's parent company is the same as Far EasTone's)
Ya Tung Ready Mixed Concrete Co., Ltd.	Other related party (the chairman of the related party's parent company is the same as Far EasTone'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)
Asia Eastern University of Science and Technology (Oriental Institute of Technology)	Other related party (same chairman as Far EasTone's)
DING DING HOTEL CO., LTD.	Subsidiary of FENC
Yuan-Ze University	Other related party (same chairman as Far EasTone's)
Far Eastern Polytex (Vietnam) Ltd.	Subsidiary of FENC
Deutsche Far Eastern Asset Management Co., Ltd.	Other related party (substantive related party)
Kowloon Cement Corporation Limited	Other related party (substantive related party)
Asia Cement (Singapore) PTE. Ltd	Other related party (substantive related party)
Jianxi Yadong Cement Co., Ltd	Other related party (substantive related party)
Everest Textile Co., Ltd.	Other related party (substantive related party)
Kaohsiung Rapid Transit Corporation	Other related party (substantive related party)
Oriental Petrochemical (Shanghai) Corporation	Subsidiary of FENC
Yuan Ding Enterprise (Shanghai) Limited	Subsidiary of FENC
System Corporation	Other related party (substantive related party)
Oriental Green Materials Limited	Subsidiary of FENC
Far Eastern Medical Foundation	Other related party (substantive related party)
Far Eastern Leasing Corporation	Other related party (substantive related party)
Oriental Petrochemical (Taiwan) Co., Ltd.	Subsidiary of FENC
Air Liquide Far Eastern Co., Ltd.	Other related party (equity-method investee of FENC)
Oriental Resources Development Limited	Subsidiary of FENC
Fu Kwok Garment Manufacturing Co., Ltd.	Subsidiary of FENC
U-Ming Marine Transport Corporation	Other related party (same chairman as Far EasTone's)
Ding & Ding Management Consultant Co., Ltd.	Other related party (substantive related party)

(Continued)

Related Party	Relationship with the Group
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 Fibertech Co., Ltd.	Subsidiary of FENC
Far Eastern Union Petrochemical (Yangzhou) Corporation	Other related party (substantive related party)
FETC International Co., Ltd.	Subsidiary of FENC
Far Eastern General Contractor Inc.	Subsidiary of FENC
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)
Far Eastern Realty Management Co., Ltd.	Subsidiary of FENC
Far Eastern Apparel (Vietnam) Ltd.	Subsidiary of FENC
Drive Catalyst SPC-SP Tranche Two	Associate
Drive Catalyst SPC-SP Tranche Three	Associate
Opas Fund Segregated Portfolio Company	Other related party (substantive related party)
	(Concluded)

b. Operating revenue

	For the Year Ended December 31	
	2022	2021
FENC	\$ 86,260	\$ 119,912
Subsidiaries of FENC	230,147	219,555
Other related parties	<u>537,212</u>	<u>324,011</u>
	<u>\$ 853,619</u>	<u>\$ 663,478</u>

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

c. Operating costs and expenses

	For the Year Ended December 31	
	2022	2021
Operating costs		
FENC	\$ 5,159	\$ 778
Subsidiaries of FENC	15,305	14,267
Other related parties	<u>161,080</u>	<u>84,269</u>
	<u>\$ 181,544</u>	<u>\$ 99,314</u>
Operating expenses		
FENC	\$ 86,542	\$ 97,480
Subsidiaries of FENC	236,101	250,564
Other related parties	<u>125,557</u>	<u>115,924</u>
	<u>\$ 448,200</u>	<u>\$ 463,968</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 Year Ended December 31	
	2022	2021
Acquisition of property, plant and equipment and intangible assets		
Subsidiaries of FENC	\$ 4,232	\$ 19,158
Other related parties	<u>10,715</u>	<u>81,144</u>
	<u>\$ 14,947</u>	<u>\$ 100,302</u>
Acquisition of securities		
Subsidiaries of FENC	\$ 15,033	\$ 42,358
Other related parties	3,124	-
Associate	<u>110,680</u>	<u>228,280</u>
	<u>\$ 128,837</u>	<u>\$ 270,638</u>
Acquisition of financial assets at FVTPL		
Other related parties	<u>\$ 138,050</u>	<u>\$ -</u>
Disposal of financial assets at FVTPL		
Other related parties	<u>\$ 139,125</u>	<u>\$ -</u>

In August 2021, the Group acquired a partial interest in YHDP that amounted to \$42,358 thousand. In April 2021, the Group acquired a partial interest in Drive Catalyst SPC-SP Tranche Two and Drive Catalyst SPC-SP Tranche Three that each amounted to \$114,140 thousand.

In January 2022, the Group acquired a partial interest in Drive Catalyst SPC-SP Tranche Two that amounted to \$110,680 thousand.

In January 2022, the Group acquired OPAS Fund Segregated Portfolio Tranche C that amounted to \$138,050 thousand from Opas Fund Segregated Portfolio Company. In January 2022, the Group disposed of OPAS Fund Segregated Portfolio Tranche A with the proceeds from disposal amounting to \$139,125 thousand. The gain on disposal of the fund was \$11,847 thousand.

In December 2022, the Group acquired YSDT's stock from Yuan Ding Co., Ltd., Ding Ding Integrated Marketing Service Co., Ltd. and Pacific Sogo Department Stores Co., Ltd.; the total amounts of the stock acquired were \$14,984 thousand, \$49 thousand and \$3,124 thousand, respectively.

e. Lease arrangements - the Group is lessee

	For the Year Ended December 31	
	2022	2021
Acquisition of right-of-use assets		
Other related parties	<u>\$ 19,191</u>	<u>\$ 11,961</u>

	December 31	
	2022	2021
Lease liabilities - current		
FENC	\$ -	\$ 968
Subsidiaries of FENC	804	1,812
Other related parties	<u>12,446</u>	<u>16,838</u>
	<u>\$ 13,250</u>	<u>\$ 19,618</u>
Lease liabilities - noncurrent		
Subsidiaries of FENC	\$ -	\$ 1,380
Other related parties	<u>5,908</u>	<u>5,351</u>
	<u>\$ 5,908</u>	<u>\$ 6,731</u>
	For the Year Ended December 31	
	2022	2021
Financial costs		
FENC	\$ 1	\$ 15
Subsidiaries of FENC	26	100
Other related parties	<u>173</u>	<u>215</u>
	<u>\$ 200</u>	<u>\$ 330</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

	December 31	
	2022	2021
Other related parties		
FEIB	<u>\$ 1,984,863</u>	<u>\$ 2,382,756</u>

The Group had bank deposits in FEIB. These deposits included a portion of 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

	December 31	
	2022	2021
Accounts receivable - related parties		
FENC	\$ 17,946	\$ 92,518
Subsidiaries of FENC	37,817	29,351
Other related parties	<u>280,067</u>	<u>264,505</u>
	<u>\$ 335,830</u>	<u>\$ 386,374</u>

(Continued)

	December 31	
	2022	2021
Other receivables - related parties (included in other current assets)		
FENC	\$ 1	\$ -
Subsidiaries of FENC	4,842	3,513
Other related parties	<u>3,185</u>	<u>6,376</u>
	<u>\$ 8,028</u>	<u>\$ 9,889</u>
Accounts payable - related parties (included in accounts payable)		
Subsidiaries of FENC	\$ 8,673	\$ 10,606
Other related parties	<u>17,120</u>	<u>12,380</u>
	<u>\$ 25,793</u>	<u>\$ 22,986</u>
Other payables - related parties (included in other current liabilities)		
FENC	\$ 22,232	\$ 22,295
Subsidiaries of FENC	22,669	73,214
Other related parties	<u>11,331</u>	<u>9,895</u>
	<u>\$ 56,232</u>	<u>\$ 105,404</u>
		(Concluded)

h. Refundable deposits (included in other noncurrent assets)

	December 31	
	2022	2021
Refundable deposits		
Subsidiaries of FENC	\$ 21,457	\$ 21,011
Other related parties	<u>1,416</u>	<u>1,416</u>
	<u>\$ 22,873</u>	<u>\$ 22,427</u>

i. Others

	For the Year Ended December 31	
	2022	2021
Interest income		
Subsidiaries of FENC	\$ 17	\$ 17
Other related parties		
FEIB	14,456	13,083
Others	<u>3</u>	<u>2</u>
	<u>14,459</u>	<u>13,085</u>
	<u>\$ 14,476</u>	<u>\$ 13,102</u>
Financial costs		
Other related parties	<u>\$ 214</u>	<u>\$ 185</u>

j. Remuneration of key management personnel

The remuneration of directors and other members of key management personnel during the years ended December 31, 2022 and 2021 was as follows:

	For the Year Ended December 31	
	2022	2021
Short-term benefits	\$ 306,352	\$ 286,468
Post-employment benefits	<u>3,597</u>	<u>3,491</u>
	<u>\$ 309,949</u>	<u>\$ 289,959</u>

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

34. ASSETS PLEDGED OR MORTGAGED AS COLLATERAL

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

	December 31	
	2022	2021
Other financial assets - current	\$ 103,902	\$ 417,565
Property, plant and equipment, net	<u>190,468</u>	<u>171,453</u>
	<u>\$ 294,370</u>	<u>\$ 589,018</u>

35. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED COMMITMENTS

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

a. Significant commitments

	December 31	
	2022	2021
Unpaid acquisition of property, plant and equipment and intangible assets under contracts	<u>\$ 11,957,889</u>	<u>\$ 17,104,556</u>
Unpaid acquisition of inventories under contracts	<u>\$ 8,040,670</u>	<u>\$ 5,134,425</u>

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

	December 31	
	2022	2021
Lease commitments	<u>\$ 258,577</u>	<u>\$ 337,295</u>

c. The Group provided \$300,000 thousand as bank guarantees for its purchases from suppliers as of December 31, 2022.

- d. 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 enter into a business cooperation agreement with APTC, which includes issuing new common stock in exchange for part of APTC's shares held by Hon Hai Precision Industry Co., Ltd. (HHPI) under a share swap arrangement on June 30, 2022 after obtaining approval from the competent authority.

In order to enhance the competitiveness, expand the business scale and achieve the operating synergy, on February 25, 2022, Far EasTone's board of directors resolved to sign a merger agreement with APTC. Far EasTone will be the surviving company. The tentative record date of the merger is September 30, 2022 and the share exchange ratio is one share of APTC for 0.0934406 share of Far EasTone. Far EasTone expects to issue 356,681 thousand shares to complete the merger. The record date of the merger and the related adjustments, if any, to the agreement will be decided after obtaining approval from the competent authority. The merger was approved by the NCC on January 18, 2022, but is yet to be approved by the Fair Trade Commission. After Far EasTone and APTC have completed the merger, the aforementioned share swap contract with HHPI signed on September 4, 2020 will be terminated.

36. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

(In Thousands, Except Exchange Rate)

December 31, 2022

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 54,940	30.71 (USD:NTD)	\$ 1,687,207
Nonmonetary items			
USD	41,917	30.71 (USD:NTD)	1,287,284
USD	10,040	6.967 (USD:RMB)	308,322
<u>Financial liabilities</u>			
Monetary items			
USD	20,757	30.71 (USD:NTD)	637,434

December 31, 2021

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 43,411	27.68 (USD:NTD)	\$ 1,201,603
Nonmonetary items			
USD	42,381	27.68 (USD:NTD)	1,173,094
USD	6,770	6.372 (USD:RMB)	187,394

Financial liabilities

Monetary items			
USD	20,989	27.68 (USD:NTD)	580,972

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

For the Year Ended December 31				
	2022		2021	
Functional Currency	Exchange Rate (Functional Currency: Presentation Currency)	Net Foreign Exchange Gains (Losses)	Exchange Rate (Functional Currency: Presentation Currency)	Net Foreign Exchange Gains (Losses)
NTD	1 (NTD:NTD)	\$ 29,323	1 (NTD:NTD)	\$ (17,817)
RMB	4.422 (RMB:NTD)	15,469	4.341 (RMB:NTD)	(1,315)
HKD	3.806 (HKD:NTD)	<u>(1,131)</u>	3.603 (HKD:NTD)	<u>(3,586)</u>
		<u>\$ 43,661</u>		<u>\$ (22,718)</u>

37. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions

- 1) Financing provided to others: Schedule A
- 2) Endorsements/guarantees provided: None
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures):
Schedule B
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20%
of the paid-in capital: None
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in
capital: None

- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Schedule C
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Schedule D
 - 9) Trading in derivative instruments: None
 - 10) Significant transactions between Far EasTone and its subsidiaries and among subsidiaries: Schedule E
- b. Information on investees: Schedule F
- c. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Schedule G
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.
- d. Information on major stockholders: List all stockholders with ownership of 5% or greater showing the name of the stockholder, the number of shares owned, and percentage of ownership of each stockholder: Schedule H

38. SEGMENT INFORMATION

Products and services from which reportable segments derive their revenue:

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

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

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

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

	For the Year Ended December 31, 2022				
	Mobile Services Business	Fixed-line Services Business	Sales Business	Adjustment and Elimination	Consolidation
Revenue generated from external customers	\$ 45,299,291	\$ 11,549,930	\$ 32,302,144	\$ -	\$ 89,151,365
Revenue generated within the Group (Note)	<u>182,441</u>	<u>2,056,084</u>	<u>113,889</u>	<u>(2,352,414)</u>	<u>-</u>
Total revenue	<u>\$ 45,481,732</u>	<u>\$ 13,606,014</u>	<u>\$ 32,416,033</u>	<u>\$ (2,352,414)</u>	<u>\$ 89,151,365</u>
Segment operating income	<u>\$ 9,096,811</u>	<u>\$ 2,274,075</u>	<u>\$ 2,546,696</u>	<u>\$ (1,918,501)</u>	<u>\$ 11,999,081</u>

	For the Year Ended December 31, 2021				
	Mobile Services Business	Fixed-line Services Business	Sales Business	Adjustment and Elimination	Consolidation
Revenue generated from external customers	\$ 43,272,412	\$ 10,372,645	\$ 31,674,951	\$ -	\$ 85,320,008
Revenue generated within the Group (Note)	<u>208,832</u>	<u>2,290,557</u>	<u>82,587</u>	<u>(2,581,976)</u>	<u>-</u>
Total revenue	<u>\$ 43,481,244</u>	<u>\$ 12,663,202</u>	<u>\$ 31,757,538</u>	<u>\$ (2,581,976)</u>	<u>\$ 85,320,008</u>
Segment operating income	<u>\$ 8,710,911</u>	<u>\$ 3,813,261</u>	<u>\$ 2,788,894</u>	<u>\$ (4,232,281)</u>	<u>\$ 11,080,785</u>

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

- e. Geographical information

The Group's revenues are generated mostly from its domestic business. Overseas revenues are primarily generated from international calls and data services and cloud services.

Consolidated geographic information for revenues was as follows:

	<u>For the Year Ended December 31</u>	
	2022	2021
ROC	\$ 84,860,255	\$ 81,676,020
Overseas	<u>4,291,110</u>	<u>3,643,988</u>
	<u>\$ 89,151,365</u>	<u>\$ 85,320,008</u>

f. Information on major customers

There was no customer that accounted for at least 10% of the Group's total operating revenue in both 2022 and 2021.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Year	Ending Balance	Actual Amount Borrowed	Interest Rate	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note)	Aggregate Financing Limit (Note)
													Item	Value		
1	New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Other receivables - related parties	Yes	\$ 1,800,000	\$ 1,800,000	\$ 1,800,000	0.7580%-0.9120%	Business transaction Short-term financing	\$ 2,036,483	-	\$ -	-	\$ -	\$ 2,036,483	\$ 12,509,927
		Far EasTone Telecommunications Co., Ltd.	Other receivables - related parties	Yes	9,200,000	9,200,000	8,700,000	0.7573%-1.3053%		-	For business operations	-	-	-	10,007,942	12,509,927

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2022

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note	Highest Shares/Units Held During the Year
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value		
Far EasTone Telecommunications Co., Ltd.	<u>Stock</u> App Works Fund II Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	5,355,000	\$ 52,105	11.11	\$ 52,105	B	5,355,000
	CDIB Capital Innovation Accelerator Limited	-	Financial assets at fair value through other comprehensive income - noncurrent	9,000,000	149,228	10.71	149,228	B	9,000,000
	LINE Bank Taiwan Limited	-	Financial assets at fair value through other comprehensive income - noncurrent	37,500,000	334,236	2.5	334,236	B	50,000,000
	LiTV (Taiwan) Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	1,250,000	21,043	2.5	21,043	B	1,250,000
	Asia-Pacific Telecom Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	500,000,000	3,050,000	11.58	3,050,000	B	500,000,000
ARCOA Communication Co., Ltd.	<u>Stock</u> THI consultants	-	Financial assets at fair value through other comprehensive income - noncurrent	1,213,594	12,190	18.32	12,190	B	1,213,594
	Web Point Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	160,627	1,618	0.63	1,618	B	160,627
New Century InfoComm Tech Co., Ltd.	<u>Stock</u> Kaohsiung Rapid Transit Corporation	Other related party	Financial assets at fair value through other comprehensive income - noncurrent	8,858,191	47,569	3.18	47,569	B	8,858,191
	Bank Pro E-service Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	600,000	4,500	3.33	4,500	B	600,000
	<u>Stock certificate</u> Changing.ai Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	500,000	27,311	2.27	27,311	B	500,000
	<u>Overseas funds</u> Opas Fund Segregated Portfolio Tranche A	Other related party	Financial assets at fair value through profit or loss - current	9666.832	332,663	-	332,663	A	13,491.781
	Opas Fund Segregated Portfolio Tranche B	Other related party	Financial assets at fair value through profit or loss - current	5,000	158,119	-	158,119	A	5,000
	Opas Fund Segregated Portfolio Tranche C	Other related party	Financial assets at fair value through profit or loss - current	2,216.711	128,493	-	128,493	A	2,216.711

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note	Highest Shares/Units Held During the Year
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value		
Digital United (Cayman) Ltd.	<u>Stock certificate</u> TBCASoft, Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	726,995	\$ 308,322	4.59	\$ 308,322	B	726,995

Note A: The market values of the overseas funds were calculated at their net asset values as of December 31, 2022.

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

(Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(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	\$ 8,171,910	16	Based on agreement	-	-	Accounts payable and other payables	\$ (448,355)	(2)
	New Century InfoComm Tech Co., Ltd.	Subsidiary	Operating revenue	(846,632)	(1)	Based on agreement	-	-	Accounts receivable (Note C)	174,446	2
			Operating revenue	(130,388)	-	Based on agreement	-	-	Accounts receivable	9,316	-
			Operating costs	1,906,095	4	Based on agreement	-	-	Accounts payable and other payables (Note A)	(453,858)	(2)
	DataExpress Infotech Co., Ltd.	Subsidiary of ARCOA Communication Co., Ltd.	Operating costs and marketing expenses	226,352	-	Based on agreement	-	-	Accounts payable and other payables	(44,013)	-
	Yuanshi Digital Technology Co., Ltd.	Subsidiary	Operating revenue	(798,510)	(1)	Based on agreement	-	-	Accounts receivable (Note C)	77,236	1
	FarEasTone Property Insurance Agency Co., Ltd.	Subsidiary	Operating revenue	(378,285)	(1)	Based on agreement	-	-	Accounts receivable	119,354	2
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating revenue	(1,906,095)	(20)	Based on agreement	-	-	Accounts receivable (Note B)	453,858	32
			Operating costs	130,388	2	Based on agreement	-	-	Accounts payable	(9,316)	(1)
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating revenue	(8,171,910)	(69)	Based on agreement	-	-	Accounts receivable	448,355	49
			Operating costs	846,632	8	Based on agreement	-	-	Accounts payable (Note C)	(175,446)	(16)
	Home Master Technology Ltd.	Subsidiary of DataExpress Infotech Co., Ltd.	Operating revenue	(664,592)	(6)	Based on agreement	-	-	Accounts receivable	117,170	13
DataExpress Infotech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating revenue	(226,352)	(4)	Based on agreement	-	-	Accounts receivable	44,013	8
	Home Master Technology Ltd.	Subsidiary	Operating revenue	(182,601)	(3)	Based on agreement	-	-	Accounts receivable	17,785	3
	Yuanshi Digital Technology Co., Ltd.	Same parent company	Operating revenue	(111,297)	(2)	Based on agreement	-	-	Accounts receivable (Note C)	-	-
Home Master Technology Ltd.	ARCOA Communication Co., Ltd.	Parent company	Operating costs	664,592	43	Based on agreement	-	-	Accounts payable	(117,170)	(62)
	DataExpress Infotech Co., Ltd.	Parent company	Operating costs	182,601	12	Based on agreement	-	-	Accounts payable	(17,785)	(9)
Yuanshi Digital Technology Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating costs	798,510	28	Based on agreement	-	-	Accounts payable (Note C)	(77,236)	(23)
	DataExpress Infotech Co., Ltd.	Same parent company	Operating costs	111,297	4	Based on agreement	-	-	Accounts payable (Note C)	-	-
FarEasTone Property Insurance Agency Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	Operating costs	378,285	85	Based on agreement	-	-	Accounts payable	(119,354)	(92)

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.

Note C: Part of the revenue from Yuanshi Digital Technology Co., Ltd. is collected by ARCOA Communication Co., Ltd. on behalf of Far EasTone Telecommunications Co., Ltd. and DataExpress Infotech Co., Ltd.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
Far EasTone Telecommunications Co., Ltd.	ARCOA Communication Co., Ltd.	Subsidiary	\$ 178,129	9.22	\$ -	-	\$ 135,319	\$ -
	FarEastone Property Insurance Agency Co., Ltd.	Subsidiary	119,354	3.52	-	-	31,533	-
New Century InfoComm Tech Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	11,031,782	(Note)	-	-	249,576	-
ARCOA Communication Co., Ltd.	Far EasTone Telecommunications Co., Ltd.	Parent company	448,355	17.10	-	-	448,355	-
	Home Master Technology Ltd.	Subsidiary of DataExpress Infotech Co., Ltd.	117,170	5.77	-	-	532	-

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Assets/Revenue (Note C)
0	Far EasTone Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd.	1	Accounts receivable - related parties	\$ 9,316	Note E	-
				Other receivables - related parties	86,023	Note E	-
				Refundable deposits	5,266	Note E	-
				Other payables - related parties	11,031,782	Note E	6
				Lease liabilities	98,045	Note E	-
				Operating revenue	130,388	Note E	-
				Operating costs	1,906,095	Note E	2
				Operating expenses	70,184	Note E	-
				Nonoperating income and gains	44,197	Note E	-
				Nonoperating expenses	86,515	Note E	-
		ARCOA Communication Co., Ltd.	1	Accounts receivable - related parties	175,446	Note E	-
				Other receivables - related parties	2,683	Note E	-
				Accounts payable - related parties	396,737	Note E	-
				Other payables - related parties	51,618	Note E	-
				Contract liabilities	46,506	Note E	-
				Operating revenue	846,632	Note E	1
				Operating costs	7,657,382	Note E	9
				Operating expenses	535,755	Note E	1
				Nonoperating income and gains	3,401	Note E	-
				Accounts receivable - related parties	7,648	Note E	-
		KGEx.com Co., Ltd.	1	Other receivables - related parties	1,054	Note E	-
				Other payables - related parties	1,926	Note E	-
				Operating revenue	31,395	Note E	-
				Operating expenses	76,309	Note E	-
				Nonoperating income and gains	1,098	Note E	-
				Other receivables - related parties	11,964	Note E	-
				Accounts payable - related parties	1,074	Note E	-
				Other payables - related parties	13,607	Note E	-
				Operating costs	11,820	Note E	-
				Operating expenses	75,204	Note E	-
		Yuan Cing Co., Ltd.	1	Nonoperating income and gains	3,347	Note E	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Assets/Revenue (Note C)
		DataExpress Infotech Co., Ltd.	1	Other receivables - related parties	\$ 2,991	Note E	-
				Accounts payable - related parties	2,323	Note E	-
				Other payables - related parties	41,690	Note E	-
				Operating revenue	63,501	Note E	-
				Operating costs	3,700	Note E	-
				Operating expenses	222,649	Note E	-
				Nonoperating income and gains	4,702	Note E	-
		Home Master Technology Ltd.	1	Other payables - related parties	11,608	Note E	-
				Operating revenue	3,348	Note E	-
				Operating expenses	78,410	Note E	-
		Information Security Service Digital United Inc.	1	Other receivables - related parties	2,286	Note E	-
				Accounts payable - related parties	1,900	Note E	-
				Other payables - related parties	33,242	Note E	-
				Operating revenue	1,119	Note E	-
				Operating costs	59,250	Note E	-
				Operating expenses	11,913	Note E	-
		Yuanshi Digital Technology Co., Ltd.	1	Accounts receivable - related parties	77,236	Note E	-
				Other receivables - related parties	4,338	Note E	-
				Accounts payable - related parties	14,798	Note E	-
				Other payables - related parties	36,018	Note E	-
				Operating revenue	798,510	Note E	1
				Operating expenses	40,085	Note E	-
				Nonoperating income and gains	6,159	Note E	-
		Prime EcoPower Co., Ltd.	1	Other receivables - related parties	1,636	Note E	-
				Accounts receivable - related parties	7,293	Note E	-
				Operating costs	12,681	Note E	-
				Nonoperating income and gains	1,035	Note E	-
		FarEastone Property Insurance Agency Co., Ltd.	1	Accounts receivable - related parties	119,354	Note E	-
				Operating revenue	378,285	Note E	-
1	New Century InfoComm Tech Co., Ltd.	KGEx.com Co., Ltd.	3	Accounts receivable - related parties	4,348	Note E	-
				Other receivables - related parties	1,284	Note E	-
				Accounts payable - related parties	5,570	Note E	-
				Operating revenue	26,112	Note E	-
				Operating costs	62,078	Note E	-
				Operating expenses	61,393	Note E	-
		Yuan Cing Co., Ltd.	3	Accounts payable - related parties	5,262	Note E	-
				Operating costs	6,797	Note E	-
				Operating expenses	10,200	Note E	-
		DataExpress Infotech Co., Ltd.	3	Operating revenue	1,638	Note E	-
		Information Security Service Digital United Inc.	3	Accounts payable - related parties	11,221	Note E	-
				Operating revenue	3,795	Note E	-
				Operating costs	48,784	Note E	-
				Nonoperating income and gains	3,662	Note E	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Assets/Revenue (Note C)
		Yuanshi Digital Technology Co., Ltd.	3	Accounts receivable - related parties	\$ 1,249	Note E	-
				Operating revenue	6,238	Note E	-
				Operating expenses	8,249	Note E	-
		Prime EcoPower Co., Ltd	3	Accounts payable - related parties	5,285	Note E	-
				Operating costs	17,542	Note E	-
		Sino Lead Enterprise Limited	3	Operating costs	2,805	Note E	-
		FarEasTone Property Insurance Agency Co., Ltd.	3	Operating revenue	1,560	Note E	-
		Nextlink Technology Co., Ltd.	3	Accounts payable - related parties	11,113	Note E	-
				Operating costs	96,986	Note E	-
		Microfusion Technology Co., Ltd.	3	Accounts payable - related parties	25,305	Note E	-
				Operating costs	96,080	Note E	-
2	ARCOA Communication Co., Ltd.	Yuanshi Digital Technology Co., Ltd.	3	Accounts receivable - related parties	36,469	Note E	-
				Operating revenue	71,559	Note E	-
				Operating expenses	1,187	Note E	-
		DataExpress Infotech Co., Ltd.	3	Accounts receivable - related parties	2,573	Note E	-
				Accounts payable - related parties	19,670	Note E	-
				Operating revenue	10,739	Note E	-
				Operating costs	8,314		-
		Home Master Technology Ltd.	3	Accounts receivable - related parties	117,170	Note E	-
				Operating revenue	664,592	Note E	1
3	KGEx.com Co., Ltd.	ARCOA Communication Co., Ltd.	3	Operating revenue	1,109	Note E	-
4	Yuan Cing Co., Ltd.	Yuanshi Digital Technology Co., Ltd.	3	Operating revenue	11,821	Note E	-
5	DataExpress Infotech Co., Ltd.	Home Master Technology Ltd.	3	Accounts receivable - related parties	17,785	Note E	-
				Other receivables - related parties	1,051	Note E	-
				Operating revenue	182,601	Note E	-
				Operating costs	4,012	Note E	-
				Nonoperating income and gains	11,310	Note E	-
		Yuanshi Digital Technology Co., Ltd.	3	Operating revenue	111,297	Note E	-
6	Information Security Service Digital United Inc.	Yuanshi Digital Technology Co., Ltd.	3	Accounts receivable - related parties	1,153	Note E	-
				Operating revenue	2,520	Note E	-
7	Nextlink Technology Co., Ltd.	Microfusion Technology Co., Ltd.	3	Other receivables - related parties	3,255	Note E	-
				Nonoperating income and gains	27,400	Note E	-
		Nextlink (HK) Technology Co., Ltd.	3	Other receivables - related parties	6,592	Note E	-
				Operating revenue	26,646	Note E	-
				Nonoperating income and gains	39,400	Note E	-
		Microfusion (HK) Technology Co., Ltd.	3	Accounts receivable - related parties	3,000	Note E	-

(Continued)

Number (Note A)	Company Name	Counterparty	Flow of Transactions (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Assets/Revenue (Note C)
8	Microfusion Technology Co., Ltd.	Nextlink (HK) Technology Co., Ltd.	3	Accounts receivable - related parties	\$ 6,610	Note E	-
				Operating revenue	84,420	Note E	-
				Nonoperating income and gains	2,374	Note E	-
		Microfusion (HK) Technology Co., Ltd.	3	Accounts receivable - related parties	1,008	Note E	-
				Operating revenue	5,094	Note E	-
				Operating costs	1,840	Note E	-

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

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

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

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

Note C: For assets and liabilities, amount is shown as a percentage of consolidated total assets as of December 31, 2022; while revenues, costs and expenses are shown as a percentage of consolidated total operating revenues for the year ended December 31, 2022.

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

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

(Concluded)

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note	Highest Shares/Units Held During the Year
				December 31, 2022	December 31, 2021	Number of Shares	Percentage of Ownership (%)	Carrying Amount				
Far EasTone Telecommunications Co., Ltd.	New Century InfoComm Tech Co., Ltd.	Taiwan	Telecommunications services	\$ 22,249,283	\$ 22,249,283	2,100,000,000	100.00	\$ 26,433,250	\$ 1,750,503	\$ 1,655,618	A	2,100,000,000
	ARCOA Communication Co., Ltd.	Taiwan	Sales of communications products and office equipment	1,305,802	1,305,802	82,762,221	61.63	686,655	169,867	76,459	A	82,762,221
	KGEx.com Co., Ltd.	Taiwan	Telecommunications services	2,340,472	2,340,472	68,897,234	99.99	910,643	137,527	137,507	A	68,897,234
	Yuanshi Digital Technology Co., Ltd.	Taiwan	Electronic information services	1,686,169	1,686,169	10,820,870	96.18	(445,664)	(172,095)	(165,526)	A	107,004,329
	Yuan Cing Co., Ltd.	Taiwan	Call center services	-	-	2,000,000	100.00	46,262	18,777	18,777	A and E	2,000,000
	Far Eastern Info Service (Holding) Ltd.	Bermuda	Investments	92,616	92,616	1,200	100.00	5,433	482	482	A	1,200
	IDEAWORKS Entertainment Co., Ltd.	Taiwan	Filmmaking and publishing services	41,250	-	4,125,000	50.00	37,542	(7,417)	(3,708)	A	4,125,000
	FarEasTone Property Insurance Agency Co., Ltd.	Taiwan	Property insurance agent	5,000	5,000	500,000	100.00	94,297	83,335	83,335	A	500,000
	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	1,481,494	222,084	74,604	B	118,250,967
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	139,500	139,500	5,446,644	15.00	27,210	(65,223)	(9,718)	B	5,446,644
ARCOA Communication Co., Ltd.	Yuan Hsin Digital Payment Co., Ltd.	Taiwan	Other financing and supporting services	600,000	600,000	12,342,478	18.11	34,622	(328,441)	(60,007)	B	12,342,478
	DataExpress Infotech Co., Ltd.	Taiwan	Sale of communications products	141,750	141,750	17,043,041	70.00	309,813	119,503	-	C	17,043,041
New Century InfoComm Tech Co., Ltd.	New Diligent Co., Ltd.	Taiwan	Investments	540,000	540,000	54,000,000	100.00	83,899	10,896	-	C	54,000,000
	Information Security Service Digital United Inc.	Taiwan	Security and monitoring services via internet	148,777	148,777	12,029,064	100.00	149,423	19,009	-	C	12,029,064
	Digital United (Cayman) Ltd.	Cayman Islands	Investments	317,446	317,446	10,320,000	100.00	440,428	(16,769)	-	C	10,320,000
	Yuanshi Digital Technology Co., Ltd.	Taiwan	Electronic information services	49,579	20,000	374,968	3.33	(15,443)	(172,095)	-	A	749,885
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	46,500	46,500	1,815,548	5.00	9,070	(65,223)	-	B	1,815,548
	Prime EcoPower Co., Ltd.	Taiwan	Energy technology services	160,000	160,000	16,000,000	100.00	126,125	674	-	C	16,000,000
	Drive Catalyst SPC-SP Tranche One	Cayman Islands	Investments	123,220	123,220	4,000	25.00	137,086	4,369	-	B	4,000
	Drive Catalyst SPC-SP Tranche Two	Cayman Islands	Investments	224,820	114,140	8,000	25.00	254,508	3,138	-	B	8,000
	Drive Catalyst SPC-SP Tranche Three	Cayman Islands	Investments	236,440	236,440	8,000	25.00	249,104	3,605	-	B	8,000
	Nextlink Technology Co., Ltd.	Taiwan	Electronic information services	420,000	420,000	11,164,300	70.00	488,446	60,453	-	C	11,164,300
	JuAn Long-Age Co., Ltd.	Taiwan	Electronic information services	15,500	15,500	1,000,000	25.00	14,257	2,160	-	B	1,000,000
	Yuan Hsin Digital Payment Co., Ltd.	Taiwan	Other financing and supporting services	42,358	42,358	4,235,794	6.22	11,882	(328,441)	-	B	4,235,794
	ARCOA Communication Co., Ltd.	Taiwan	Sales of communications products and office equipment	116,885	-	9,025,890	6.72	126,754	169,867	-	A	9,025,890
	Mission International Co., Ltd.	Taiwan	Filmmaking and publishing services	80,000	-	8,000,000	100.00	72,709	(7,291)	-	C	8,000,000
New Diligent Co., Ltd.	Sino Lead Enterprise Limited	Hong Kong	Telecommunications services	125	125	30,000	100.00	409	88	-	C	30,000
	Far Eastern New Diligent Company Ltd.	British Virgin Islands	Investments	-	330,598	-	-	-	611	-	C and F	-
DataExpress Infotech Co., Ltd.	New Diligent Hong Kong Co., Ltd.	Hong Kong	Investments	3,051	3,051	-	100.00	2,391	285	-	C	-
	Home Master Technology Ltd.	Taiwan	Sales of communications products	10,000	10,000	-	100.00	58,471	15,611	-	C	-
Nextlink Technology Co., Ltd.	Microfusion Technology Co., Ltd.	Taiwan	Electronic information services	17,000	17,000	4,495,000	100.00	63,508	16,194	-	C	4,495,000
	Nextlink (HK) Technology Co., Ltd.	Hong Kong	Electronic information services	973	973	-	100.00	37,565	(2,963)	-	C	-
	Microfusion (HK) Technology Co., Ltd.	Hong Kong	Electronic information services	1,494	1,494	-	100.00	281	(2,764)	-	C	-

Note A: Subsidiary.

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

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

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

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

Note F: Far Eastern New Diligent Company Ltd. was dissolved in April 2022 with the approval of the local government.

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022
(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, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022
					Outward	Inward						
Digital United Information Technologies (Shanghai) Ltd.	Design, research, installment and maintenance of computer software and systems	\$ 95,201 (US\$ 3,100,000)	2	\$ 95,201 (US\$ 3,100,000)	\$ -	\$ -	\$ 95,201 (US\$ 3,100,000)	\$ 4,751	100.00	\$ 4,751	\$ 16,289 (RMB 3,695,000)	\$ -
Nextlink (Shanghai) Technology Co., Ltd.	Electronic information services	2,211 (US\$ 72,000)	2	2,211 (US\$ 72,000)	-	-	2,211 (US\$ 72,000)	465	70.00	465	2,503 (HK\$ 631,000)	-

Company Name	Accumulated Investments in Mainland China as of December 31, 2022	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)	\$ 38,512,905
New Century InfoComm Tech Co., Ltd.	95,201 (US\$ 3,100,000)	95,201 (US\$ 3,100,000)	15,109,513
New Diligent Co., Ltd.	458,408 (US\$14,927,000) (Note C)	458,408 (US\$14,927,000) (Note C)	50,340
Nextlink Technology Co., Ltd.	2,211 (US\$ 72,000)	2,211 (US\$ 72,000)	137,062

Note A: Method of investment is as follows:

- Far EasTone made the investment directly.
- 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.
- Others.

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

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

FAR EASTONE TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES**INFORMATION ON MAJOR STOCKHOLDERS****DECEMBER 31, 2022**

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.	231,590,000	7.10
Cathay Life Insurance Co., Ltd.	215,847,230	6.62

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.