



Chief Telecom Inc.

**2021**  
ANNUAL REPORT

Stock Code: 6561

# Chief ICT Solution opens up the road of enterprises' digital transformation

Chief Telecom annual report is available at <https://www.chief.com.tw>  
Taiwan Stock Exchange Market Observation Post System <http://mops.twse.com.tw>  
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**V. The name of any exchanges where the company's securities are traded offshore, and the method by which to access information on said offshore securities**

None.

**VI. Website**

<https://www.chief.com.tw>

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## One. Report to Shareholders

Dear Shareholders,

The Company's strategic goal in 2021 mainly focused on 4 implementations, which are "improve the revenue and the profitability, strengthen the relationship with the enterprise customers, bolster the service certification and strengthen the talent training." Due to Covid-19 outbreak in May, 2021, the Company has taken lots of active measures to respond to the outbreak and to assure the Company's operation. The world has been covering in the ambience of the lockdown due to COVID-19, the development and the operating activities of the enterprises were severely affected. The nationwide Alert Level 2 has been maintained, thus, the primary consideration of the investment of the enterprises was maintaining the normal operations. Due to the need of contactless and social distancing, the Company continued to maintain the product lines with diversity to enhance its market competitiveness. In the pandemic era, the need for cloud applications and working remotely for the enterprises have gradually become obvious. The Company offered public cloud direct connect services, cloud security services, two-factor authentication services, 070 cloud private branch exchange, video and audio conference recording services to the enterprises, which meant that the Company offered integrated communication services to the enterprises to satisfy the need of the enterprises. Meanwhile, regarding the smart health industry, the Company entered the domestic health management market actively with the promotion of the health app service. Also, to respond the development of cloud application and the need for information security, the Company also enhanced talent training. The Company arranged lots of professional training courses, and encouraged its employees to get professional certifications to improve their professional ability for offering high quality and satisfying services to the customers.

Apart from reaching the operating goal, to respond to the supply chain restructuring caused by China-United States trade war, the Company continued to expand the submarine cable bandwidth on global backbones among Taipei, Hong Kong, Singapore, Japan, to extend the overseas service nodes. The Company also cooperated with the network service providers in Eastern Asian countries for expanding the services to more than 10 countries in East Asia to pursue for the business opportunities to serve Taiwanese enterprises through establishing the overseas network service nodes. Based on the current usage rate, the existing IDC buildings are close to being fully loaded, the Company held the groundbreaking ceremony of LY2 smart IDC building on Jiuzong Road, Neihu District on 15th October, 2021, started to establish new IDC smart building to satisfy customer's needs for the business growth in the future, continued to move forward to the market positioning of digital convergence center and cloud business application center in East Asia.

### I. Financial performance

With the efforts exerted by all employees and the management team in 2021, the operating revenue of Chief Telecom continued to increase compared to the year 2020. The consolidated operating revenue in 2021 was NT 2.8 billion dollars, compared to the year 2020, with 9.2% YoY growth rate. The consolidated operating profit was NT 870 million dollars, compared to the year 2020, with 12% YoY growth rate. The consolidated

profit after tax was NT 687 million dollars, compared to the year 2020, with 12.6% YoY growth rate. The earnings per share were NT 9.75 dollars. Both revenue and the profit of the year hit a new record high in 2021.

## II. Business related to the 4 main product lines continued to grow

The Company's target market of IDC business in 2021 was focused on the customers with high values for pursuing the efficiency of the operations per unit area in IDC rooms. Regarding data network service, the Company expanded the submarine cable bandwidth on global backbones among Taipei, Hong Kong, Singapore, and Japan, to extend the service coverage in the East Asia region. Regarding voice communication service, the Company continued to promote 070 VoIP cloud private branch exchange services. The Company also cooperated with Microsoft Teams to offer 070 unified communication services for the enterprises. Regarding the cloud services, the Company enhanced its cooperation with global public cloud service providers through cloud exchange platforms, offering the best cloud direct connect service solution for the enterprises under a multi-cloud environment. The revenue growth rate of cloud service in 2021 was 23.7%, which was the main driving force to bring the business growth for the Company.

## III. The development of the service and the functions of the 4 main product lines

In the year of 2021, to satisfy the need brought by the growth of IDC and cloud business in the future, the Company aggressively invested in establishing the new LY2 IDC building. The LY2 building is a smart and green building with LRB earthquake protection design, which can support customers' needs for high-power consumption and high-performance computing. For ensuring the service quality, the Company continued to invest in resources for passing the assessments of the global certification of ISO standards and DCOS every year. Regarding the data network service, the Company continued to cooperate with global network service providers to expand the service to Hong Kong, Singapore, Japan and other regions in East Asia, becoming the best partner for the customers to develop overseas business. Regarding voice communications, the Company satisfied customers' needs for remote communication services with 070 cloud private branch exchange and video conferencing services. Regarding cloud application services, the Company not only offered the enterprises the cloud direct connect service with cloud exchange platform, but also offered the cloud storage services. The Company also put strength on promoting Chief application cloud and smart health cloud services to develop the Company into becoming the cloud business application center of the enterprises.

## IV. Complete enterprise solution plans to satisfy clients' needs

The Company's business operation mainly focused on global and enterprises customers. Through carrier neutral IDC colocation services and the customer clustering effect that brought about platform economy and member economy, the Company offered customers one-stop services with the 4 main product lines of the Company to satisfy customers' needs. For meeting enterprises customers' needs of digital transformation and cloudization, the Company has introduced all kinds of cloud platforms and application services to integrate with industry's needs, offering customer services and solutions for developing their business worldwide.

## V. Implement social responsibility and enhance employees' welfare.

The Company continued to make donations to external organizations for the caring of society. The Company has made donations to Tzu De orphanage in Kaohsiung City, Christian Mountain Children's Home in Kaohsiung City, Xin Yuan daily care Stop of A kernel of wheat foundation of Taitung Christian Hospital, etc. Also, the Company has bought pandemic insurance for the employees in the Company and implemented the social concern of taking care of the employees. The median of the salary of full-time employees in non-executive roles ranked 25th among all listed companies.

## VI. Operation Strategies and directions for the year 2022

### (1) Operations of the Company:

- With cloud self-service system and cloud exchange center, to accelerate the promotion of hybrid-cloud direct connect services to the enterprises.
- Continued to expand the submarine cable bandwidth on global backbones among Taipei, Hong Kong, Singapore and Japan, to extend the network service coverage regions to East Asian countries, offering the best network and cloud service solutions.
- Established new LY2 IDC building to satisfy the needs brought about by the growth of IDC and cloud business in the future.
- Operated smart health industry, launched smart cloud app services, developed health management market.
- Continued to access new services such as SDN, SDWAN, which are expected to be launched in the second half of the year.

### (2) Effect caused by the external macro operation environment and the regulations:

- The COVID-19 pandemic is still severe in the world. The operating activities of the enterprises are still severely affected by the pandemic. In the post-pandemic era, remote operation and contactless activities are still the main stream. The industry's forms are transforming, the Company should plan the future services actively.
- To face the issues of global climate change and carbon neutrality, the Company would keep abreast of the global trends and to cooperate with the competent authorities' regulations, to formulate the response plans.
- Cloud service market is developing vigorously. The need for hybrid-cloud applications has been the trend for the enterprises to develop IT services. Many global companies have launched hybrid-cloud services in Taiwan successively and the cloud market in Taiwan is starting to grow.
- 5G, IoT, Cloud, AI, AR/VR, metaverse, etc. are the key points of the network service development in the future. The companies' deployments for the related services will influence the changes in the market competition map in the future.
- To respond the China-United States trade war, there are some changes for the global supply chain structure. Taiwanese companies have strengthened the deployment in Eastern Asian countries, thus, offering services to the Taiwanese companies in Eastern Asia will become the new challenges and opportunities.

## VII. Future prospects

The Company treats IDC colocation service with carrier neutral as the cornerstone, established LY2 IDC smart building as scheduled and the quality as it was planned. The data network and cloud services are the two main axes bringing the growth to the Company. The company expanded the field of service coverage to Hong Kong, Japan, Singapore and other countries in East Asia and to enhance cooperation with the global public cloud service providers such as AWS, Microsoft and Google, to launch different cloud services based on different industries, for appealing to global and domestic enterprises users. Meanwhile, the Chief application cloud also combined professional partners and fields vertically and horizontally with health cloud platforms to promote health facilitation services to enhance the entire operating performance of the Company,

making efforts on becoming the digital convergence center and t AI, cloud business application center in East Asia. The Company expected to create values for society, shareholders, employees, customers and achieve a win-win operating goal and the mission of sustainable enterprise operations.

Chairman: Yen-Hung Wu

President: Yao-Yuan Liu

Accounting officer: Wei-Tung Pan

## Two. Company Profile

### I. Introduction

(I) Date of Foundation: January 19, 1991

### II. Company History

January 1991	Officially registered, with the paid-in capital of NT\$20,000 thousand, and named as "Chief Information Inc."
1991-1995	Winning tenders from Directorate General of Telecommunications, Ministry of Transportation and Communications for installation, removal, relocation, replacement which are associated with both front-end and back-end office information system and the online telecommunications service system such as SOPS, TRIS, LEAMIS, and PAMS.
1995	Chief was one of the seven qualified candidates in the first round, when the Data Communications Division of Chunghwa Telecom (then Directorate General of Telecommunications, Ministry of Transportation and Communications) recruited business agents.
1996	Chief emerged as the largest telecommunications bandwidth wholesaler for Chunghwa Telecom in the country, and had more than 2000 channel partners.
November 1998	Conducted capital increase in cash for NT\$10,000 thousand, and the paid-in capital after the capital increase became NT\$30,000 thousand.
January 1999	Changed the Chinese company name into "Chief Telecom Inc."
July 1999	Conducted capital increase in cash for NT\$12,500 thousand, and the paid-in capital after the capital increase became NT\$42,500 thousand.
August 1999	Obtained the general business permit of the Category II Telecom Business.
October 1999	Conducted capital increase in cash for NT\$17,000 thousand, and the paid-in capital after the capital increase became NT\$59,500 thousand.
1995-2000	Kept the record as the largest telecommunication bandwidth wholesaler of Directorate General of Telecommunications, Ministry of Transportation and Communications for seven years.
1999-2000	Became an active agent of various services provided by globally renowned Telecom providers.
November 2000	Conducted capital increase in cash for NT\$2,970 thousand and surplus earnings to capital increase for NT\$12,530 thousand, and the paid-in capital after the capital increase became NT\$75,000 thousand.
December 2000	Established the first telecom center, providing 24/7 Internet Data Center Service.
May 2001	Conducted capital reserves to capital increase for NT\$7,640 thousand and surplus earnings to capital increase for NT\$156,915 thousand, and the paid-in capital after the capital increase became NT\$239,555 thousand.
August 2001	Conducted capital increase in cash for NT\$5,000 thousand, and the paid-in capital after the capital increase became NT\$244,555 thousand.
February 2002	Conducted capital increase in cash for NT\$115,000 thousand, and the paid-in capital after the capital increase became NT\$359,555 thousand.
March 2002	Served as the role of exchanging center operator, and established

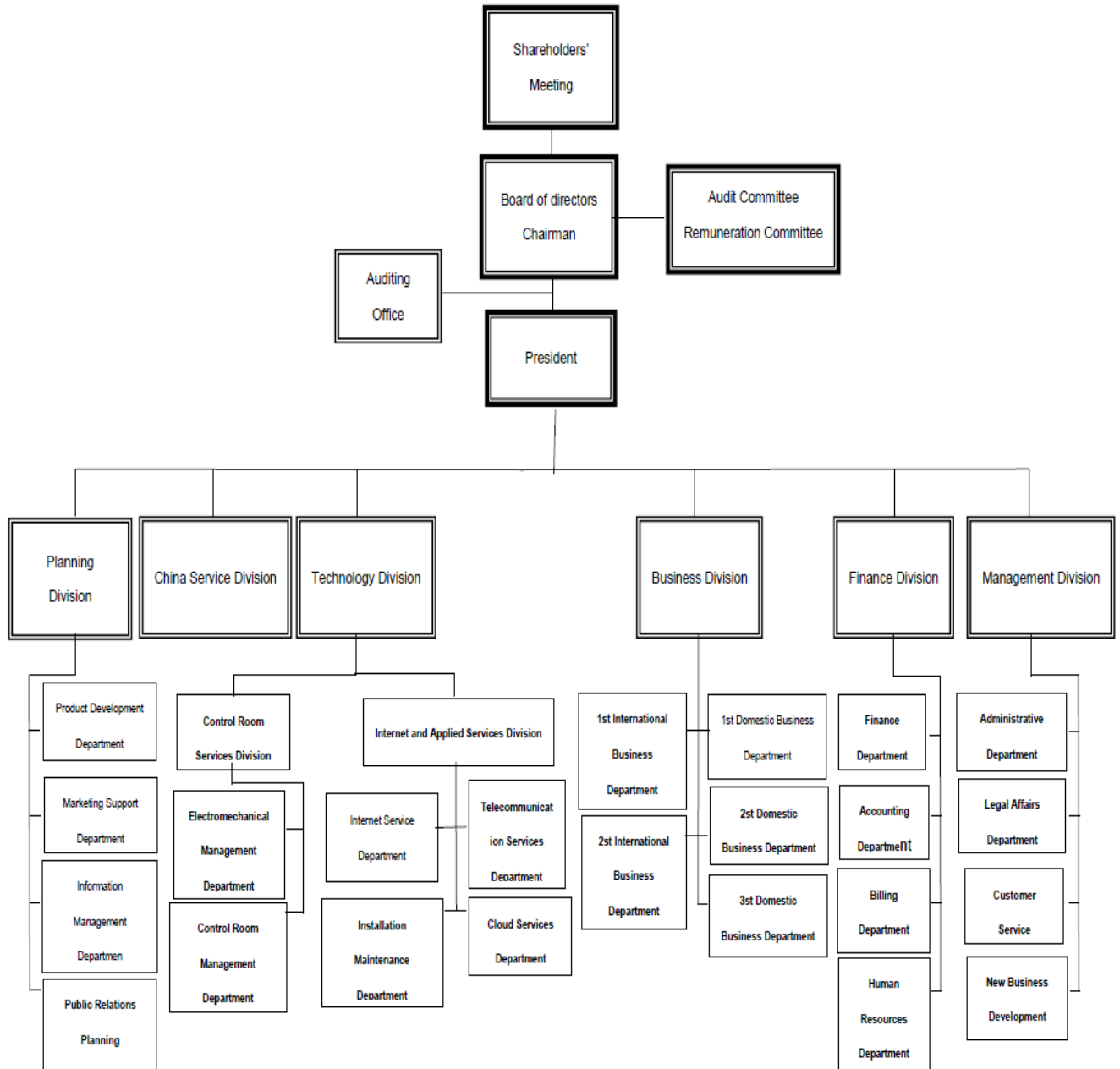
	Taipei Internet Exchange Center (TPIX), Taipei Voice Exchange Center (TPVX), and Taipei Submarine Cable Exchange Center (TPCX).
December 2002	Conducted capital increase in cash for NT\$300,000 thousand and surplus earnings to capital increase for NT\$7,280 thousand, and the paid-in capital after the capital increase became NT\$688,556 thousand.
August 2003	Obtained the special business permit of the Category II Telecom Business.
December 2004	Chief extend network services, and build up POP sites in China. As a provider of convergence telecom services and total solutions, Chief became a professional telecom partner for SI.
February 2005	Conducted capital decrease to offset the losses for NT\$118,697 thousand, and the paid-in capital after the capital increase became NT\$548,138 thousand.
September 2006	Became an affiliate of Chunghwa Telecom Co., Ltd.
March 2007	Chief has been licensed to provide E.164 number Internet Telephone Service (070), the first one in Taiwan
November 2007	Conducted capital decrease to offset the losses for NT\$251,130 thousand, and capital increase in cash for NT\$250,000 thousand, and the paid-in capital after the capital increase became NT\$688,556 thousand.
April 2009	Chief started to provide E.164 VoIP services for enterprises, "Chief 070."
April 2010	Initiated CIAT. (Cloud Computing & IoT Association in Taiwan) and is one of the founding members.
January 2011	Became the ISO 27001 (information security management system)/27011 (telecom security management) certified IDC and ISP operator, providing the commitment and guarantee of quality integrated services of information and communications to customers.
March 2011	Launched the cloud-based identity authentication services to enhance the protection to account security.
July 2013	Combined two quadruple IDC service structures, namely L.Y. and H.D., creating the service mechanism of highest security level, with dual IDC, Multiple route, multiple network, and quadruple infrastructure.
May 2014	Launched Chief Cloud Integrated Storage Service (CCIS), providing enterprises with the cloud-based storage integrated application to back up their key file data, while establishing a single fare mechanism and emergency rescue mechanism for recovering data storage, as the well-rounded services for enterprise customers' data storage.
July 2014	Conducted employee's bonus to capital increase for NT\$3,870 thousand, and the paid-in capital after the capital increase became NT\$550,878 thousand.
April 2010	Cooperated with Institute for Information Industry to provide incubation program for startup companies to accelerate the development of Taiwan's Cloud Computing.
August 2015	Conducted surplus earnings to capital increase for NT\$49,579 thousand, and the paid-in capital after the capital increase became NT\$600,457 thousand.
October 2015	Issuance of employee share subscription warrants for 2,000 units.
November 2015	Approved public offering by Taipei Exchange.
April 2016	Subsidiary, Shanghai Chief Telecom Co., Ltd, obtained Shanghai

	ISP/VPN value-added Telecommunication service license.
June 2016	Selected by Industrial Development Bureau (IDB), MOEA to perform the R&D project of developing Public Cloud Data Center and Applications. The contract was entered in August of the same year.
June 2017	Became a listed company at emerging stock market in Taiwan.
December 2017	Issuance of employee share subscription warrants for 950 units.
December 2017	Obtained dual certificates of cloud services: ISO/IEC 27017:2015 (information security certificate of cloud service implementation, operation and maintenance) and ISO/IEC 27018:2014 (personal privacy and data protection of public cloud services)
January 2018	Established "Chief Cloud eXchange (CCX)" center and joined hands with Microsoft and rolled out Azure ExpressRoute cloud service solution, enabling enterprise customers to enjoy the quality of secure, fast and low-latency private connection to access Azure through Chief Telecom's global network PoPs.
January 2018	Became the first telecom and cloud services provider to obtain the quadruple global information security certifications of ISO 27001, ISO 27011, ISO 27017 and ISO 27018 in Taiwan.
March 2018	Joined hands with IBM and health inventor to provide the first 360-degree "Smart health cloud" service in the Asia Pacific, and actively expanded partners for CCX cloud-based exchange center
March 2018	Provided AWS Direct Connect service, allowing AWS customers to easily create dedicated network access between on-premise devices and AWS.
March 2018	Public offering was approved by the Board of Taipei Exchange
April 2018	The share subscription warrants exercised by employees for NT\$9,680 thousand, and paid-in capital after the capital increase became NT\$610,137 thousand.
April 2018	Cooperated with Institute of Information Industry (III) on "Data+ Digital Innovation Project" and utilized Cloud Data Center to assist enterprises on digital transformation.
June 2018	Officially listed at Taipei Exchange (Stock code: 6561). The capital increase in cash for NT\$78,420 thousand before listed at Taipei Exchange, and the paid-in capital after the capital increase became NT\$688,556 thousand.
October 2018	Issuance of employee share subscription warrants for 50 units.
November 2018	The share subscription warrants exercised by employees for NT\$592.5 thousand, and paid-in capital after the capital increase became NT\$689,149 thousand.
March 2019	The share subscription warrants exercised by employees for NT\$4,165 thousand, and paid-in capital after the capital increase became NT\$693,314 thousand.
March 2019	Began to provide Google Cloud Interconnect service in Taiwan by Chief Cloud Exchange Center.
March 2019	Escalated the cooperation with Microsoft to provide Azure ExpressRoute service from Taipei officially.
June 2019	Upgraded 200G bandwidth between TPE and HK
September 2019	Provided IBM cloud Direct Link service
September 2019	Chief data centers obtained the DCOS-4 certification, the first telecom provider in Taiwan.
October 2019	TPIX was included in national critical infrastructure protection (CIP)
November 2019	The share subscription warrants exercised by employees for NT\$1,307 thousand, and paid-in capital after the capital increase became NT\$694,621 thousand.

January 2020	Newly added 20G network backbone to both Japan and Singapore.
February 2020	Successfully connected to JPIX (Japan Internet Exchange), an important network hub in Northeast Asia, and directly connected to Singapore's largest internet exchange center SGIX (Singapore Internet Exchange), equivalent to a connection to the Southeast Asia network hub via Singapore.
April 2020	The share subscription warrants exercised by employees for NT\$7,628 thousand, and paid-in capital after the capital increase became NT\$702,249 thousand.
July 2020	Provided Oracle cloud direct connect to Tokyo.
August 2020	Promoted Health Cloud service via CHT-M Hami Pass
November 2020	Issuance of employee share subscription warrants for 200 units.
January 2021	The share subscription warrants exercised by employees for NT\$210 thousand, and paid-in capital after the capital increase became NT\$702,459 thousand.
March 2021	Upgraded network backbone to 210G between Taiwan and Japan
March 2021	Knocking on the door to cooperation among 10 ASEAN countries with the alliance with PLDT Global
April 2021	The share subscription warrants exercised by employees for NT\$2,137 thousand, and paid-in capital after the capital increase became NT\$704,596 thousand.
October 2021	LY2 new IDC building groundbreaking ceremony, attending by the President, Tsai, Ing-Wen; the building is seeking to be the East Asia digital convergence and AI cloud-based business application center.
October 2021	Updated the corporate identity system (CIS)
November 2021	IBM cloud Direct Link service for Taiwan only was officially onboard, to provide the faster, more direct and convenient 24/7 hybrid cloud services.
January 2022	The share subscription warrants exercised by employees for NT\$105 thousand, and paid-in capital after the capital increase became NT\$704,701 thousand.
April 2022	The share subscription warrants exercised by employees for NT\$2,122.5 thousand, and paid-in capital after the capital increase became NT\$706,824 thousand.

# Three. Corporate Governance Report

## I. Organization System (I) Organization structure



(II) Business operated by each major function

Function		Duties
Board of directors/Chairman		Strategic instructions on the Company's business and operations, and establishment of goals and guidelines.
President's Office		Managing the implementations and coordination of the overall business, and drafting the operating strategies and directions.
Audit Office		Evaluating the existing or potential risks in each operation, and establishing and implementing the risk-oriented annual internal audit plans, to assist the Board and managerial officers to check and review the deficiencies of the internal control system, and measure the effects and efficiencies of operations, for ensuring the continually effective implementation of the internal control system.
Business Division		In charge of understanding market conditions, planning promotions in both domestic and global markets, entering sales contracts, and handling customers' complaints.
Finance Division	Finance Division	Stock affairs and investor relations.
	Finance Department	Treasury, cashier, and industrial/commercial registrations.
	Accounting Department	Establishing and implementing the accounting system; handling accounts; preparing and analyzing finance statements; establishing, reviewing, binding and retaining various accounting certificates; summarizing and controlling annual budgets, treating and filing various taxes, and handling the accounting of subsidiaries.
	Billing Department	Handling accounts, accounting revenues, managing receivables, calculating results, and providing sales statistic statements.
	Human Resources Department	Human resource management and development planning, organizational planning, human resource planning and recruitment, appointment /promotion/change/retirement, training development, salary and incentive management, absence and attendance of employees, employee relations, performance management, employee's business trips and dispatch, employee insurance, employee welfare, and business card making, among other things.
Planning Division	Product Development Department	Various operational market surveys, new product development and planning, service process formulation, prescription of terms in user's agreements, defining various tariffs and product packaging.
	Marketing Support Department	Resource inquiry, order management, operation analysis and statistics, merchandise procurement requests, case management, invoicing, and operating cost estimation and forecast.
	Information Management Department	Design of the company management information system (ERP); construction, operation and maintenance; supports for the Company's products and services (supply and installation system and accounting system); supports for the Company's internal information network and employees' computers; automation design of workflows; administration and maintenance of the external webpage; the Company's ISO information security management, and the internal task coordination and integration for global certification.

Function		Duties	
	Public Relation Planning Department	Public relations and product marketing; operation and maintenance management of the official website; exhibition; event marketing and corporate image activity planning.	
Technology Division	Data Center Service Department	Electromechanical Management Department	Planning, design and construction of new electromechanical system; improvement of existing electromechanical system; operation and maintenance management of electromechanical facilities; coordination management of electromechanical works; construction method and quality management of electromechanical works; occupational safety requirements of electromechanical works; regular inspections of electromechanical facilities; troubleshooting of electromechanical facilities; changing, modifying and abolishing operations; access control of data centers; and inspections of water and power, air conditioning and fire extinguishing facilities.
		Data Center Management Department	Data center environment and equipment testing; building data center environment required by customers; wiring configuration; construction, check and repair; data center security maintenance and operation; access control for data center personnel and equipment; data center network monitoring; reporting and monitoring irregularities; budget control of business management item, and asset management.
	Network and Application Service Division	Cloud Service Department	Planning, building, introducing and maintaining new cloud-based services; dispatching, updating and adjusting cloud-based shared resources; assisting customers in deploying and relocating application environments of cloud-based services per their needs; analysis of cloud-based service troubleshooting; and formulation of operating mechanism for supply and installation.
		Network Service Department	Data communication network planning and building; data system management; backbone equipment planning and building; customer-end technical services; equipment status inspection; irregularity handling; network troubleshooting; and studying, discussing and testing new technologies.
		Supply, Installation, and Maintenance Department	Schedule planning and management of building cases; coordinating and cooperating with units related to building; execution of on-site supply and installation; customer-end technical supporting; assisting customers for troubleshooting; planning and management of wiring resources; compilation of data by technical department; management of technical barrier tracking; and analysis, processing and evaluation of supply and installation barriers.
		Communication Service Department	Voice communication planning and building; new technology studying and testing; voice project planning and test building; managing voice communication equipment maintenance and operation; budget control of business management items; troubleshooting and analysis of voice communication, supporting deployment and traffic control; prescribing operational mechanism of voice communication; and terminal equipment testing and evaluation.

Function		Duties
Administration Division	Administration Department	Office and conference room management; office leasing; cleaning services; security guard management; company vehicle management; procurement; warehouse management and stock-in and -out, switchboard operator; stationery purchase and distribution; budget control of business management items; parking lot management; access card management; water and power management; fire management; construction and maintenance management; telecommunication management; official document delivery and receiving; office machine management; water dispenser management; mail and carrier management; building management committee; and occupational safety and health management.
	Legal Department	Contract drafting, reviewing and sealing; assisting in negotiation for external contracts; litigation and non-litigation handling; handling legal process for accounts receivables; legal system establishment; legal training; legal project execution; regulations and contract studies; supporting and handling crisis management; matters of leasing between the building under operation and the owners; and legal support for the corporate affairs.
	Customer Service Department	Twenty-four seven service for the Company's products; on-shift failure report acceptance; customer service and replying with the progress of failure reports; 110/119 emergency calls transferring; on-shift network monitoring; shutdown maintenance notification; and network irregularity notification.
	New Business Development Department	The development, design, and planning of "Intelligent Healthcare" cloud-based application service products; cross-discipline evaluations and negotiations for the service eco chain of health promotion industry; development and optimization of the "Chief i-Health" product; marketing promotions, applications and partnership with distributors; evaluations and plan managements for other commissioned emerging business and services.
Mainland Service Department		Conducting network supply, installation, maintenance, operation, and troubleshooting; placing orders at the upstream circuits in mainland China; and optimization of related operating costs, as well as business expansions in mainland China.

II. Information on Directors, President, Vice Presidents, Assistant Vice President and Management Team

(I) Directors:

1. Information of directors

April 9, 2022, Unit: Shares; %

Title	Name	Gender Age	Nationality or place of registration	First Time Elected Date	Elected (inauguration) Date	Term of office	Shares held when elected		Current number of shares held		Current shares held by spouses and children of minor age		Shares held under others' name		Major educational and career background	Positions currently held in the Company or other companies concurrently	Officers, directors, or supervisors who are spouses or relatives within the second degree of kinship		
							Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage			Title	Name	Relationship
Director	Chunghwa Telecom Co., Ltd.	-	Taiwan	September 6, 2006	November 20, 2020	3 years	40,169,803	66.90%	39,425,803	55.78%	-	-	-	-	-	Note 1	-	-	-
	Representative: Yen-Hung Wu	Male 50-60 years old	Taiwan	March 8, 2017	November 20, 2020	3 years	-	-	120,000	0.17%	-	-	-	-	Department of Law, National Chengchi University Chairman, Engsound Technical Enterprise Co., Ltd Executive Secretary, Straits Exchange Foundation, Vice Chief, Economics and Trading Division, Straits Exchange Foundation Chairman, Taiwan Global Standard Electronics Ltd.	Note 2	-	-	-
	Representative: Hung-Tsan Ma	Male 60-70 years old	Taiwan	April 10, 2017	November 20, 2020	3 years	-	-	-	-	-	-	-	-	Master, Institute of Management Science, National Chiao Tung University Department of Electronic and Computer Engineering, National Taiwan Institute of Technology Master, Institute of Electronic and Computer Engineering, National Taiwan University of Science and Technology Executive Vice President, Chunghwa Telecom Co., Ltd. Vice President, Marketing Division, Chunghwa Telecom Co., Ltd. Assistant Vice President, Marketing Division, Chunghwa	Note 3	-	-	-

Title	Name	Gender Age	Nationality or place of registration	First Time Elected Date	Elected (inauguration) Date	Term of office	Shares held when elected		Current number of shares held		Current shares held by spouses and children of minor age		Shares held under others' name		Major educational and career background	Positions currently held in the Company or other companies concurrently	Officers, directors, or supervisors who are spouses or relatives within the second degree of kinship		
							Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage			Title	Name	Relationship
														Telecom Co., Ltd. Chief, Marketing Division, Data Communications Business Group, Chunghwa Telecom Co., Ltd. Chief, Enterprise Customer Division, Data Communications Business Group, Chunghwa Telecom Co., Ltd. Member of Domain Name Committee, Taiwan Network Information Center Director and Chief Secretary, Information Application and Development Association, R.O.C					
	Representative: Ming Chung	Male 60-70 years old	Taiwan	November 20, 2020	November 20, 2020	3 years	-	-	-	-	-	-	-	Master, Graduate Institute of Electrical Engineering, National Taiwan University Vice President, Data Communications Business Group, Chunghwa Telecom Co., Ltd. Chief Engineer, Chief Engineer Office, Data Communications Business Group, Chunghwa Telecom Co., Ltd. Chief, Governmental Network Division, Data Communications Business Group, Chunghwa Telecom Co., Ltd.	Note 4	-	-	-	
	Investar Corporation	-	Taiwan	June 30, 2015	November 20, 2020	3 years	109,000	0.18%	109,000	0.15%	-	-	-	-		Note 5	-	-	-
Director	Representative: Chung-He Tai	Male 70-80 years old	Taiwan	June 30, 2015	November 20, 2020	3 years	134,367	0.22%	123,367	0.17%	1,387,067	1.95%	-	Master, Institute of Management Science, Tamkang University Bachelor, Department of Electrical and Control Engineering, National Chiao Tung University Co-founder, Acer Inc.	Note 6	-	-	-	

Title	Name	Gender Age	Nationality or place of registration	First Time Elected Date	Elected (inauguration) Date	Term of office	Shares held when elected		Current number of shares held		Current shares held by spouses and children of minor age		Shares held under others' name		Major educational and career background	Positions currently held in the Company or other companies concurrently	Officers, directors, or supervisors who are spouses or relatives within the second degree of kinship		
							Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage			Title	Name	Relationship
														Chairman, Investar Capital, Inc Chairman, Digitimes Inc.					
Independent Director	Ling-Tai Chou	Female 60-70 years old	Taiwan	June 22, 2016	November 20, 2020	3 years	-	-	-	-	-	-	-	PhD in Accounting, University of Houston, U.S. Director, Office of Student Affairs; Dean, Department of Accounting, National Chengchi University	Note 7	-	-	-	
Independent Director	Dao-Hung Lu	Male 60-70 years old	Taiwan	November 20, 2020	November 20, 2020	3 years	-	-	-	-	-	-	-	Master, Institute of Electronics, National Chiao Tung University Auditor Officer, Chunghwa Telecom Co., Ltd. Vice President, Business Customer Group, Chunghwa Telecom Co., Ltd. Chief, Network Division, Chunghwa Telecom Co., Ltd.	Note 8	-	-	-	
Independent Director	Ai-Chun Pang	Female 40-50 years old	Taiwan	November 20, 2020	November 20, 2020	3 years	-	-	-	-	-	-	-	PhD, Department of Computer Science, National Chiao Tung University Associate Dean, College of Electrical Engineering and Computer Science, National Taiwan University Dean, Graduate Institute of Networking and Multimedia Professor, Department of Computer Science and Information Engineering, National Taiwan University	Note 9	-	-	-	

Note 1: Concurrently served as Director and Supervisor, Light Era Construction and Development Co., Ltd.; Director and Supervisor, Chunghwa System Integration Co., Ltd.; Director and Supervisor, CHYP Multimedia Marketing & Communications Co., Ltd.; Director, Chunghwa Telecom Thailand Co., Ltd.; Director, Chunghwa Telecom Global, Inc.; Director, Donghwa Telecom Co., Ltd.; Director, Chunghwa Telecom Singapore Pte., Ltd.; Director, Chunghwa Telecom Japan Co., Ltd.; Director and Supervisor, Chunghwa Telecom Vietnam Co., Ltd.; Director and Supervisor, HonghwaC Global Technology Co., Ltd.; Director, Prime Asia Investments(BVI); Director, Chunghwa Investments Co., Ltd.; Director, Smartfun Digital Co., Ltd.; Director, Spring House Entertainment Technology Inc.; Director, Chunghwa Sochamp Tech Co., Ltd; Director, Senao Global Co., Ltd.; Director, Taiwan Global Standard Electronics Ltd.; Director, Global Integrated Systems, Inc.; Director, Kingwayteck Technology Co., Ltd.; Director, So-net Entertainment Taiwan Limited; Director, Viettel-CHT Co., Ltd; Director, KKBOX Taiwan Co., Ltd.; Director, Taiwan

Global Ports Logistics Corporation; Director, Taipei Financial Center Corporation; Director, Chunghwa Leading Photonics Tech Co., Ltd.; Director, CHT Security Co., Ltd.; Director, 4Gamers Entertainment Inc.; Director, Chunghwa PChome No.1 Co., Ltd.; Director, Cornerstone Ventures Co., Ltd.; Director, Next Commercial Bank, Co., Ltd.; Director, Chunghwa SEA Holdings; Director, WiAdvance Technology Corporation.

Note 2: Concurrently serving the Company's CEO and Director, Unigate Telecom Inc. (Representative of Corporate Shareholder).

Note 3: Concurrently served as Executive Vice President, Chunghwa Telecom Co., Ltd.; Chairman, Chunghwa Sochamp Technology Inc. (Representative of Corporate Shareholder) , Director, CHT Security Co., Ltd; Director, Next Commercial Bank, Co., Ltd.

Note 4: Concurrently served as Vice President, Data Communications Business Group, Chunghwa Telecom Co., Ltd.; Director, Chunghwa Telecom Vietnam Co., Ltd (Representative of Corporate Shareholder); Director, WiAdvance Technology Corporation; Director, 4Gamers Entertainment Inc.

Note 5: Concurrently served as Director, Jasper Display Corp.; Director, He Yang Investment Co., Ltd.; Director, Evest Corporation.

Note 6: Concurrently served as Chairman, Investar Corporation; Chairman, Digitimes Inc.; Director, Fullerton Technology Co., Ltd.; Director, Wafer Works Corporation; Director, Lumens Digital Optics Inc.; Independent Director and Member of the Remuneration Committee, Asustek Computer Inc.; Director, Global Testing Corporation Limited (Representative of Corporation Shareholder); Chairman, Photonics Industry & Technology Development Association; Director, Wafer Works (Shanghai) Corp.; Director, Vnet Group, Inc.; Executive Director, Association of NCTU Alumni.

Note 7: Concurrently served as Independent Director and Member of Remuneration Committee, Taiwan Cement Corporation, and Convener of the Company's Remuneration Committee and Audit Committee.

Note 8: Concurrently served as Director, Changing Information Technology Inc., and Member of the Company's Remuneration Committee and Audit Committee.

Note 9: Member of the Company's Remuneration Committee and Audit Committee.

2. Major shareholders of corporate shareholders:

August 26, 2021

Names of corporate shareholders	Major shareholders of corporate shareholders	Shareholding percentage
Chunghwa Telecom Co., Ltd.	Ministry of Transportation and Communications	35.29%
	Shin Kong Life Insurance Co., Ltd.	6.36%
	Property Trust Account of CHT employees' Shareholding Association, trusted to CTBC Bank	4.06%
	Cathay Life Insurance Co., Ltd.	3.27%
	CHT Depository Receipt Account, JP Morgan	2.97%
	Labor Retirement Fund, New System	1.87%
	Chunghwa Post Co., Ltd.	1.86%
	Labor Insurance Fund	1.45%
	Taiwan Life Insurance Co., Ltd.	1.08%
	Fubon Life Insurance Co., Ltd.	0.70%
Investar Corporation	Chung-He Tai	59.65%
	Ni-Lian Ruan	20.14%

Sources: Department of Commerce, MOEA; official website, CHT

3. Major shareholders as corporation shareholders

August 26, 2021

Names of corporate shareholders	Major shareholders of corporate shareholders	Shareholding percentage
Ministry of Transportation and Communications	Not applicable	Not applicable
Shin Kong Life Insurance Co., Ltd.	Shin Kong Financial Holding Co., Ltd.	100.00%
Property Trust Account of CHT employees' Shareholding Association, trusted to CTBC Bank	Not applicable	Not applicable
Cathay Life Insurance Co., Ltd.	Cathay Financial Holding Co., Ltd.	100.00%
CHT Depository Receipt Account, JP Morgan	Not applicable	Not applicable
Labor Retirement Fund, New System	Not applicable	Not applicable
Chunghwa Post Co., Ltd.	Ministry of Transportation and Communications	100.00%
Labor Insurance Fund	Not applicable	Not applicable
Taiwan Life Insurance Co., Ltd.	CTBC Financial Holding Co., Ltd.	100.00%
Fubon Life Insurance Co., Ltd.	Fubon Financial Holding Co., Ltd.	100.00%

Sources: Department of Commerce, MOEA; MOPS

#### 4. Professional knowledge and independence of directors

Name \ Condition	Professional qualifications and experiences	Independence	Number of other public companies in which the individual is concurrently serving as an independent director
Representative of Chunghwa Telecom Co., Ltd.: Yen-Hung Wu	Main experiences: Chairman, Engsound Technical Enterprise Co., Ltd and Executive Secretary, Straits Exchange Foundation, with the work experience in the area of commerce or otherwise necessary for the business of the Company, without any circumstance specified in Article 30 of the Company Act.	-	0
Representative of Chunghwa Telecom Co., Ltd.: Hung-Tsan Ma	Main experiences: Executive Vice President, Chunghwa Telecom Co., Ltd. and Member of Domain Name Committee, Taiwan Network Information Center, with the work experience in the area of commerce or otherwise necessary for the business of the Company, without any circumstance specified in Article 30 of the Company Act.	-	0
Representative of Chunghwa Telecom Co., Ltd.: Chung, Ming	Main experiences: Vice President, Data Communications Business Group, Chunghwa Telecom Co., Ltd., with the work experience in the area of commerce or otherwise necessary for the business of the Company, without any circumstance specified in Article 30 of the Company Act.	-	0
Representative of Investar Corporation: Chung-He Tai	Main experiences: A co-founder of Acer Inc., and his main experiences include Chairman, Investar Capital, Inc, with the work experience in the area of commerce or otherwise necessary for the business of the Company, without any circumstance specified in Article 30 of the Company Act.	-	1

Name \ Condition	Professional qualifications and experiences	Independence	Number of other public companies in which the individual is concurrently serving as an independent director
Ling-Tai Chou (Independent Director)	Main experiences: Director, Office of Student Affairs, Professor and Dean, Department of Accounting, National Chengchi University; she is qualified as an instructor or higher in a department of accounting in a public or private junior college, college, or university, with work experience in the area of finance, or accounting, or otherwise necessary for the business of the Company, without any circumstance specified in Article 30 of the Company Act.	1. Including but not limited to whether the person, spouse, relatives within the second degree of kinship serve as directors, supervisors or employees of the company or its affiliated companies: None. 2. The number and proportion of the company's shares held by person, spouse, relatives within the second degree (or in the name of others): None. 3. Whether to serve as a director, supervisor or employee of a company that has a specific relationship with the company: None. 4. Amount of remuneration for providing business, legal, financial, accounting and other services to the company or its affiliates in recent two years: None.	1
Dao-Hung Lu (Independent Director)	Main experiences: Auditor Officer, Chunghwa Telecom Co., Ltd., with the work experience in the area of commerce or otherwise necessary for the business of the Company, without any circumstance specified in Article 30 of the Company Act.	1. Including but not limited to whether the person, spouse, relatives within the second degree of kinship serve as directors, supervisors or employees of the company or its affiliated companies: None. 2. The number and proportion of the company's shares held by person, spouse, relatives within the second degree (or in the name of others): None. 3. Whether to serve as a director, supervisor or employee of a company that has a specific relationship with the company: None. 4. Amount of remuneration for providing business, legal, financial, accounting and other services to the company or its affiliates in recent two years: None.	0
Ai-Chun Pang (Independent Director)	Main experiences: Dean, Graduate Institute of Networking and Multimedia, Professor, Department of Computer Science and Information Engineering, and Associate Dean, College of Electrical Engineering and Computer Science, National Taiwan University, with work experience in the area of finance, or accounting, or otherwise necessary for the business of the Company, without any circumstance specified in Article 30 of the Company Act.	1. Including but not limited to whether the person, spouse, relatives within the second degree of kinship serve as directors, supervisors or employees of the company or its affiliated companies: None. 2. The number and proportion of the company's shares held by person, spouse, relatives within the second degree (or in the name of others): None. 3. Whether to serve as a director, supervisor or employee of a company that has a specific relationship with the company: None. 4. Amount of remuneration for providing business, legal, financial, accounting and other services to the company or its affiliates in recent two years: None.	0

5. Overall abilities and implementations required by the diversity policy  
for the board member

Name	Abilities	Conformity									
		The ability to make judgments about operations	Accounting and financial analysis ability	Business management ability	Crisis management ability	Knowledge of the industry	An global market perspective	Leadership ability	Decision-making ability	Auditing ability	Information ability
Chunghwa Telecom Co., Ltd. Representative: Yen-Hung Wu		✓	*	✓	✓	✓	✓	✓	✓		*
Chunghwa Telecom Co., Ltd. Representative: Hung-Tsan Ma		✓	*	✓	✓	✓	✓	✓	✓		✓
Chunghwa Telecom Co., Ltd. Representative: Ming Chung		✓	*	*	✓	✓	✓	✓	✓		✓
Investar Corporation Representative: Chung-He Tai		✓	*	✓	✓	✓	✓	✓	✓		✓
Ling-Tai Chou		✓	✓		*	*	*	*	✓	*	
Dao-Hung Lu		✓	*		*	✓	*	*	✓	✓	*
Ai-Chun Pang		*			*	*	*	*	✓		✓

Note 1: \* indicates the possession of partial abilities. For the current three independent directors, Independent Director, Ling-Tai Chou, (the 3rd consecutive term) has the main experiences including Professor and Dean, Department of Accounting, National Chengchi University, with the professional ability of accounting. Independent Director, Dao-Hung Lu (1st consecutive term), has the main experiences including Auditor Officer, Chunghwa Telecom Co., Ltd., with the professional ability of auditing. Independent Director, Ai-Chun Pang (1st consecutive term), has the main experiences including Dean, Graduate Institute of Networking and Multimedia, with the professional ability of information and communication. Each of them has the expertise in different areas, and thus conforming to the diversity goal of diversified composition of the board members in terms of professional background (e.g. law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.

Note 2: Among the seven directors in service, two of them are females (Ling-Tai Chou AND Ai-Chun Pang), conforming the diversity goal of diversified composition of the board members in terms of basic requirements and values for the gender equality: at least one female director among the board member.

(II) Information on President, Vice Presidents, Assistant Vice President and Management Team

April 9, 2022, Unit: Shares; %

Title	Name	Gender	Nationality	Elected (inauguration) date	Shareholdings		Shares held by spouses and children of minor age		Shares held under others' name		Major educational and career background	Positions currently held in other companies concurrently	Managerial officers who are spouses or relatives within the 2nd degree of kinship			Employee share subscription warrants obtained by managerial officers
					Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage			Title	Name	Relationship	
CEO	Yen-Hung Wu	Male	Taiwan	March 8, 2017	120,000	0.17%	-	-	-	-	Department of Law, National Chengchi University Chairman, Engsound Technical Enterprise Co., Ltd Executive Secretary, Straits Exchange Foundation Vice Chief, Economics and Trading Division, Straits Exchange Foundation Chairman, Taiwan Global Standard Electronics Ltd.	Chairman, Unigate Telecom Inc. (Representative of Corporate Shareholder)	-	-	-	Please refer to Page 90
President	Yao-Yuan Liu	Male	Taiwan	May 1, 2005	267,000	0.38%	23,000	0.03%	-	-	PhD Candidate, Graduate Institute of Management, National Taiwan University of Science and Technology EMBA, Royal Roads University Department of Electronic Engineering, Chung Yuan Christian University Technology Manager, Taiwan Telecom Network Co., Ltd. Technology Manager, Datacraft Taiwan Limited President, Ji Li Tong Telecom Network Co., Ltd.	Director, Shanghai Chief Telecom Co., Ltd. (Representative of Corporate Shareholder) Unigate Telecom Inc. (Representative of Corporate Shareholder) Director, Chief International Corp. (Representative of Corporate Shareholder) 3-Link Information Services Co., Ltd. (Representative of Corporate Shareholder)	-	-	-	Please refer to Page 90
Business Division Senior Vice President	Ling-Dong Chang	Male	Taiwan	January 1, 2008	123,255	0.17%	69,533	0.10%	-	-	Department of Industrial Management, National Taiwan Institute of Technology Sales Chief, Acer Inc.	Supervisor, Unigate Telecom Inc. (Representative of Corporate Shareholder)	-	-	-	Please refer to Page 90
Planning Division Vice President	Wen-Han Jiang	Male	Taiwan	March 24, 2008	60,000	0.08%	32,000	0.05%	-	-	Bachelor, Department of Communication Engineering, National Chiao Tung University Master in Electronic Engineering, Illinois Institute of Technology Vice President, Taiwan Branch, Nortel Networks (Asia) Limited.	Chairman, Shanghai Chief Telecom Co., Ltd. (Representative of Corporate Shareholder)	-	-	-	Please refer to Page 90

Title	Name	Gender	Nationality	Elected (inauguration) date	Shareholdings		Shares held by spouses and children of minor age		Shares held under others' name		Major educational and career background	Positions currently held in other companies concurrently	Managerial officers who are spouses or relatives within the 2nd degree of kinship			Employee share subscription warrants obtained by managerial officers		
					Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage			Title	Name	Relationship			
Administration Division Vice President	Jing-Hsiang Yen	Male	Taiwan	May 3, 2019	-	-	-	-	-	-	Institute of Communication Engineering, National Taipei University PhD Candidate, Graduate Institute of Computer and Communication Engineering, National Taipei University of Technology Chief, 7th Investigation Corp (investigating enterprise financial and economic crimes), Criminal Investigation Bureau Adjunct Instructor, Taiwan Police College and Central Police University (computer science and investigation of financial crimes) Instructor, Academy for the Judiciary and Judge Academy (computer science and investigation of financial crimes) Economic Crimes Investigation Advisory Committee Member, Taiwan High Prosecutors Office Advisor of Technology Security, Taipei City Government	-	-	-	-	-	-	Please refer to Page 90
Technology Division Vice President	Yen Chou	Male	Taiwan	January 1, 2008	34,000	0.05%	144,655	0.20%	-	-	Bachelor, Department of Electronic Engineering, Chung Cheng Institute of Technology Manager, Net Universe Global Co., Ltd. Net Work Engineering Officer, Army Headquarters	-	-	-	-	-	Please refer to Page 90	
Finance Division Vice President	Wei-Dong Pan (Note)	Male	Taiwan	May 1, 2021	5,000	0.01%	-	-	-	-	Bachelor, Department of Global Business, Fu Jen Catholic University Accounting Section Chief in Taipei, Chunghwa Telecom Co., Ltd.	Supervisor, Shanghai Chief Telecom Co., Ltd. (Representative of Corporate Shareholder) Unigate Telecom Inc. (Representative of Corporate Shareholder) Director, Chief International Corp. (Representative of Corporate Shareholder)	-	-	-	-	Please refer to Page 90	

Title	Name	Gender	Nationality	Elected (inauguration) date	Shareholdings		Shares held by spouses and children of minor age		Shares held under others' name		Major educational and career background	Positions currently held in other companies concurrently	Managerial officers who are spouses or relatives within the 2nd degree of kinship			Employee share subscription warrants obtained by managerial officers
					Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage			Title	Name	Relationship	
Finance Division Vice President	Chien-Chi Liao (Note)	Male	Taiwan	September 1, 2017	23,000	0.03%	-	-	-	-	Department of Transportation Management, National Chiao Tung University Accounting Section Chief, Taichung Branch, Network Technology Group, Chunghwa Telecom Co., Ltd.	-	-	-	-	Please refer to Page 90
Business Division Assistant Vice President, First Department of Global Business	Kuo-Lung Chiu	Male	Taiwan	August 10, 2020	-	-	-	-	-	-	National Taiwan Institute of Technology; Graduate School of Electronic Engineering, The Chinese University of Hong Kong; AP-EMBA Section Chief, Enterprise Customer Division, Data Communications Business Group, Chunghwa Telecom Co., Ltd. Section Chief, Marketing Division, Global Business Group, Chunghwa Telecom Co., Ltd.	-	-	-	-	Please refer to Page 90
Business Division Assistant Vice President, First Department of Domestic Business	Chia-Han Chen	Male	Taiwan	May 20, 2008	67,000	0.09%	-	-	-	-	Bachelor, Department of Radio, TV & Film, Shih Hsin University Division Chief, Digital United Telecom Co., Ltd.	-	-	-	-	Please refer to Page 90
Business Division Assistant Vice President, Second Department of Domestic Business	Chin-He Wu	Male	Taiwan	August 16, 2017	27,000	0.04%	-	-	-	-	Executive Master, Institute of Business Administration, National Chengchi University Department of Mechatronics Engineering, Lan Yang Institute of Technology Assistant Vice President, Asia-Pacific Telecom Group	-	-	-	-	Please refer to Page 90

Title	Name	Gender	Nationality	Elected (inauguration) date	Shareholdings		Shares held by spouses and children of minor age		Shares held under others' name		Major educational and career background	Positions currently held in other companies concurrently	Managerial officers who are spouses or relatives within the 2nd degree of kinship			Employee share subscription warrants obtained by managerial officers
					Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage			Title	Name	Relationship	
Technology Division Assistant Vice President, Network and Application Service Division	Bi-Yun Song	Female	Taiwan	August 1, 2009	67,038	0.09%	-	-	-	-	Department of Electronic Engineering, Van Nung Institute of Industry Engineer, Fujitsu Taiwan Engineer, Comtel Technology Co., Ltd.	-	-	-	-	Please refer to Page 90
Audit Officer	Xing-Yue He	Male	Taiwan	December 13, 2018	-	-	-	-	-	-	Bachelor, Department of Accounting, Tamkang University Global Internal Auditor Auditor, Vetco Pharmaceuticals Inc.	-	-	-	-	Please refer to Page 90

Note: Chien-Chi Liao was appointed to an affiliate as the Group's internal job adjustment on May 1, 2021, and his position was taken over by Wei-Dong Pan

III. Remuneration paid to directors, supervisors, president and vice presidents for the recent year

(I) Remuneration for general director and independent director

December 31, 2021; Unit: NT\$ thousand; shares; %

Title	Name	Directors' remuneration								Ratio of total amount (A+B+C+D) to net income		Remuneration received as an employee								Ratio of total remuneration (A+B+C+D+E+F+G) to net income		Remunerations received from an invested company other than the Company's subsidiary or the parent company			
		Salary (A)		Severance pay and pension (B)		Remuneration to directors (C)		Business execution expense (D)				Salary, bonus & allowance etc. (E)		Severance pay and pension (F)		Remuneration to employees (G)									
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies in the financial statements			The Company	All companies in the financial statements	
																		Cash Amount	Shares Amount	Cash Amount	Shares Amount				
Chairman	Chunghwa Telecom Co., Ltd. Representative: Yen-Hung Wu																								
Director	Chunghwa Telecom Co., Ltd. Representative: Hung-Tsan Ma	0	0	0	0	3,360	3,360	190	190	3,550	3,550	5,903	5,903	0	0	240	0	240	0	9,693	9,693	1.41%	1.41%	8,934	
Director	Chunghwa Telecom Co., Ltd. Representative: Ming Chung																								
Director	Representative of Investar Corporation: Chung-He Tai																								
Independent Director	Ling-Tai Chou																								
Independent Director	Dao-Hung Lu	2,520	2,520	0	0	0	0	150	150	2,670	2,670	0	0	0	0	0	0	0	0	2,670	2,670	0.39%	0.39%	0	
Independent Director	Ai-Chun Pang																								

The Company's policy, system, standards and structure of remuneration payments to independent directors, and describe the relationship between the responsibility, risk, time committed to the organization and other factors and the amount of remuneration to them: the remunerations to the independent directors are deliberated by the Remuneration Committee pursuant to the Articles of Incorporation. The participation in the Company's operation and the value contributed by each director, link the reasonableness and fairness of the performance risks to the remunerations. By referencing the Company's operating performance and normal remuneration level in the industry, the recommendations are made to the Board for resolutions.

Note 2: In addition to the disclosure shown in the above table, the remuneration received by the directors for their service provided to all companies listed in the financial reports in the most recent fiscal year: None.

Remuneration Scale Table

Remuneration scale paid to each director	Name of Director			
	Total of first four remunerations (A+B+C+D)		Total of first seven remunerations (A+B+C+D+E+F+G)	
	The Company	All companies in the financial statements	The Company	Parent and all investees
Below NT\$1,000,000	Chunghwa Telecom Co., Ltd. Representative: Yen-Hung Wu Representative: Hung-Tsan Ma Representative: Ming Chung Investar Corporation Representative: Chung-He Tai Ling-Tai Chou Dao-Hung Lu Ai-Chun Pang	Chunghwa Telecom Co., Ltd. Representative: Yen-Hung Wu Representative: Hung-Tsan Ma Representative: Ming Chung Investar Corporation Representative: Chung-He Tai Ling-Tai Chou Dao-Hung Lu Ai-Chun Pang	Chunghwa Telecom Co., Ltd. Representative: Hung-Tsan Ma Representative: Ming Chung Investar Corporation Representative: Chung-He Tai Ling-Tai Chou Dao-Hung Lu Ai-Chun Pang	Investar Corporation Representative: Chung-He Tai Ling-Tai Chou Dao-Hung Lu Ai-Chun Pang
NT\$1,000,000 (inclusive) - NT\$2,000,000 (exclusive)	-	-	-	-
NT\$2,000,000 (inclusive) - NT\$3,500,000 (exclusive)	-	-	-	-
NT\$3,500,000 (inclusive) - NT\$5,000,000 (exclusive)	-	-	-	Representative of Chunghwa Telecom Co., Ltd.: Ming Chung
NT\$5,000,000 (inclusive) - NT\$10,000,000 (exclusive)	-	-	Representative of Chunghwa Telecom Co., Ltd.: Yen-Hung Wu	Representative of Chunghwa Telecom Co., Ltd.: Yen-Hung Wu Representative of Chunghwa Telecom Co., Ltd.: Hung-Tsan Ma
NT\$10,000,000 (inclusive) - NT\$15,000,000 (exclusive)	-	-	-	-
NT\$15,000,000 (inclusive) - NT\$30,000,000 (exclusive)	-	-	-	-
NT\$30,000,000 (inclusive) - NT\$50,000,000 (exclusive)	-	-	-	-
NT\$50,000,000 (inclusive) - NT\$100,000,000 (exclusive)	-	-	-	-
Above NT\$100,000,000	-	-	-	-
Total	7	7	7	7

- (II) Remunerations to supervisors: not applicable, as the Company established the Audit Committee on June 22, 2016 to replace the supervisors.
- (III) Remuneration for President and Vice President

Remuneration for President and Vice President

December 31, 2021; Unit: NT\$ thousand

Title	Name	Wage (A)		Severance pay and pension (B)		Bonus and special expense (C)		Remuneration to employees (D)				Ratio of total amount (A+B+C+D) to net income		Remunerations received from an invested company other than the Company's subsidiary or the parent company
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies in the financial statements		The Company	All companies in the financial statements	
								Cash Amount	Shares Amount	Cash Amount	Shares Amount			
CEO	Yen-Hung Wu	15,730	15,730	0	0	15,651	15,651	7,150	0	7,150	0	38,531 5.61%	38,531 5.61%	0
President	Yao-Yuan Liu													
Senior Vice President	Ling-Dong Chang													
Vice President	Wen-Han Jiang													
Vice President	Jing-Hsiang Yen													
Vice President	Yen Chou													
Vice President	Wei-Dong Pan (Note)													
Vice President	Chien-Chi Liao(Note)													

Note: Chien-Chi Liaowas appointed to an affiliate as the Group's internal job adjustment on May 1, 2021, and his position was taken over by Wei-Dong Pan

Remuneration Scale Table

Remuneration scale paid to each President and Vice President	Names of Presidents and Vice Presidents	
	The Company	All companies in the financial statements
Below NT\$1,000,000	–	–
NT\$1,000,000 (inclusive) - NT\$2,000,000 (exclusive)	Chien-Chi Liao	Chien-Chi Liao
NT\$2,000,000 (inclusive) - NT\$3,500,000 (exclusive)	Wei-Dong Pan	Wei-Dong Pan
NT\$3,500,000 (inclusive) - NT\$5,000,000 (exclusive)	Jing-Hsiang Yen, Yen Chou, and Wen-Han Jiang	Jing-Hsiang Yen, Yen Chou, and Wen-Han Jiang
NT\$5,000,000 (inclusive) - NT\$10,000,000 (exclusive)	Yen-Hung Wu, Yao-Yuan Liu, and Ling-Dong Chang	Yen-Hung Wu, Yao-Yuan Liu, and Ling-Dong Chang
NT\$10,000,000 (inclusive) - NT\$15,000,000 (exclusive)	–	–
NT\$15,000,000 (inclusive) - NT\$30,000,000 (exclusive)	–	–
NT\$30,000,000 (inclusive) - NT\$50,000,000 (exclusive)	–	–
NT\$50,000,000 (inclusive) - NT\$100,000,000 (exclusive)	–	–
Above NT\$100,000,000	–	–
Total	8	8

(IV) Names of Management Team for the Allotment of Employee Remuneration, and Allotment Conditions

December 31, 2021; Unit: NT\$ thousand

	Title	Name	Amount of shares	Amount in cash	Total	Raito of total amount to after-tax net income (%)
Managerial Officers	CEO	Yen-Hung Wu	0	9,517	9,517	1.36%
	President	Yao-Yuan Liu				
	Senior Vice President	Ling-Dong Chang				
	Vice President	Wen-Han Jiang				
	Vice President	Jing-Hsiang Yen				
	Vice President	Yen Chou				
	Vice President	Wei-Dong Pan (Note)				
	Vice President	Chien-Chi Liao(Note)				
	Assistant Vice President	Kuo-Lung Chiu				
	Assistant Vice President	Chia-Han Chen				
	Assistant Vice President	Chin-He Wu				
	Assistant Vice President	Bi-Yun Song				

Note: Chien-Chi Liao was appointed to an affiliate as the Group's internal job adjustment on May 1, 2021, and his position was taken over by Wei-Dong Pan

(V) Analyze the total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by this company and by each other company included in the consolidated financial statements during the past two fiscal years to directors, presidents and vice presidents, and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure.

1. Analysis of the total remuneration paid, as a percentage of net income stated in the parent company only financial reports or individual financial reports

Title	2020		2021	
	Ratio of total remuneration to after tax net income (%)	All companies in the financial statements	Ratio of total remuneration to after tax net income (%)	All companies in the financial statements
Director	1.01%	1.01%	0.91%	0.91%
Presidents and Vice Presidents	6.34%	6.34%	5.61%	5.61%

2. Remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure.

(1) The Company's directors' remunerations are distributed from the yearly earnings, based on the resolution of the Board and the Company's Articles of Incorporation. However, the independent directors do not participate in the distribution of the annual directors' remunerations from earnings. The fixed remuneration of the part-time job as an independent director has taken into

account of the Company's operating goals, financial position, and directors' duties; the remunerations of managerial officers such as CEO, presidents and vice presidents include salary, bonuses and employees' remunerations, determined based on the positions, responsibilities and contributions to the Company, while referencing the industrial level; procedures of determining remunerations also comply with the Company's Articles of Incorporation and authority of approval; the Company's payments of remunerations to directors and managerial officers such as presidents and vice presidents have also taken into account of the Company's future operational risks and its positive correlation with operational performance by linking key performance indicators such as the "Company's overall performance," the "performance of the unit belonging to" and the "individual performance," to achieve a balance between sustainable operation and risk control.

- (2) The Company established the Remuneration Committee on November 20, 2015, to assist the Board to determine the remunerations to the directors and managerial officers, and the Company's remuneration policies. Pursuant to the Articles of Incorporation, and operations of the Remuneration Committee and the Board, the Company reviews the participation in the Company's operation and the value contributed for the remunerations to the directors and managerial officers, and minimized the possibilities and correlations to the future risks, for the balance between the sustainable operation and risk control.

IV. The state of the company's implementation of corporate governance

(I) The state of operations and evaluation implementation of the board of directors

(1) Operation of the Board of Directors

The board of directors convened six meetings (A) in 2021. The attendance of the directors is described below:

Title	Name	Attendance in person	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Chairman	Chunghwa Telecom Co., Ltd. Representative: Yen-Hung Wu	6	0	100.00%	
Director	Chunghwa Telecom Co., Ltd. Representative: Hung-Tsan Ma	6	0	100.00%	
Director	Chunghwa Telecom Co., Ltd. Representative: Ming Chung	5	1	83.33%	
Director	Investar Corporation Representative: Chung-He Tai	6	0	100.00%	
Independent Director	Ling-Tai Chou	6	0	100.00%	
Independent Director	Dao-Hung Lu	6	0	100.00%	
Independent Director	Ai-Chun Pang	6	0	100.00%	

Other matters required to be recorded:

1. For matters set in the Article 14-3 of Security Exchange Act, and any other resolution with any independent director's dissenting or qualified opinion which is on record or stated in a written statement, it is required to specify dates, number of meetings and content of proposals of directors, opinions of all independent directors and response to the opinions of independent directors on the Company: None

2. Implementation status of recusal bearing on the interest of a director: in the most recent year and until the publication date of the annual report, the proposals in board meetings involving any interest of a director as the follows:

Date of board meeting	Proposal description	Reason of recusal	Name of Director	Participation in voting
January 26, 2021	Leasing lands from the related party, Chunghwa Telecom Co., Ltd.	Recusal due to personal interests	Yen-Hung Wu Hung-Tsan Ma Ming Chung	Other than the recused directors indicated on the left, other attending directors approved the proposal without objection
April 28, 2021	Proposal of the 2020 performance bonuses to the managerial officers	Recusal due to personal interests	Yen-Hung Wu	Other than the recused directors indicated on the left, other attending directors approved the proposal without objection
July 29, 2021	Proposal of 2020 employees' remunerations	Recusal due to personal interests	Yen-Hung Wu	Other than the recused directors indicated on the left, other attending directors approved the

	to managerial officers			proposal without objection
July 29, 2021	Proposal of 2020 directors' remunerations	Recusal due to personal interests	Yen-Hung Wu Hung-Tsan Ma Ming Chung Chung-He Tai	Other than the recused directors indicated on the left, other attending directors approved the proposal without objection

3. Goal for enhancement of board functions in the current year and the most recent year (e.g. establishment of the Audit Committee or enhancement of information transparency), and assessment of implementation status:

(1) Goals of board functions

① To implement the corporate governance, strengthen the supervisory functions, enhance the managerial functions, the Company has established the Audit Committee consisting of all independent directors pursuant to Article 14-4 of the Securities and Exchange Act, as the enhancement of the Board's functions.

② The Company regularly arranges for the directors to attend professional sessions as the continuing education, enabling them to retain the core value, professional advantages and abilities.

(2) Assessment of implementation status

① The Company established the Remuneration Committee on November 20, 2015, and the Audit Committee on June 22, 2016, to assist the Board to perform their duties.

② The Company publishes key resolutions on Market Observatory Post System (MOPS) immediately after board meetings, to protect the interests of shareholders. Dedicated personnel are appointed to be responsible for the collection and disclosure of the Company's information. The spokesman system is established to ensure that all material information is disclosed in a timely and appropriate manner for shareholders and stakeholders to review the Company's financial and operation related information.

(2) The status of the board's evaluation implementation:

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation methods	Evaluation contents
Implemented annually	January 1, 2021 to December 31, 2021	Evaluation of the Board's performance	Self-evaluation	Participation in the operation of the company; improvement of the quality of the board of directors' decision making; composition and structure of the board of directors; election and continuing education of the directors; and internal control.
Implemented annually	January 1, 2021 to December 31, 2021	Evaluation of board member's performance	Self-evaluation	Alignment of the goals and missions of the company; awareness of the duties of a director; participation in the operation of the company; management of internal relationship and communication; the director's professionalism and continuing education; and internal control.

(II) Operation of the Audit Committee or Supervisors' involvement in the Board Operation:

1. Operation of the Audit Committee

The Audit Committee convened six meetings (A) in 2021. The attendance of the independent directors and supervisors is described below:

Title	Name	Attendance in person	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Independent Director	Ling-Tai Chou	6	0	100%	
Independent Director	Dao-Hung Lu	6	0	100%	
Independent Director	Ai-Chun Pang	6	0	100%	

Other matters required to be recorded:

- For any of the following circumstances in the Audit Committee's operation, the date, term, proposal description, description of independent director's dissents, qualified opinions or material recommendation, resolutions adopted by the Audit Committee, and the Company's treatment to the Audit Committee's opinions shall be specified:
  - Circumstances listed in Article 14-5 of the Securities and Exchange Act: None.
  - Other than the aforesaid circumstances, the resolutions not approved by the Audit Committee but approved by two-thirds or more of all directors: None.
- Recusals by independent directors from the proposal involving interests: None.
- Key annual tasks of the Audit Committee, including reviewing financial reports, and appraising the effectiveness of the internal control system and its operation:

Meeting date	Description of key discussed proposal (key annual task)	Resolution (operation):
February 19, 2021	2020 business and financial reports	Audit Committee The proposals listed on the left-hand side have been discussed and approved by all attending members, and submitted to the Board for resolutions.
	2020 appraisal for the effectiveness of the internal control system and the Declaration for Internal Control System	
April 28, 2021	2021 Q1 financial report	Board of Directors The proposals listed on the left-hand side have been approved by all attending directors.
July 29, 2021	2021 Q2 financial report	
October 27, 2021	2021 Q3 financial report	

- Communication among independent directors, internal audit officer, and CPAs (including the material matters, methods, and outcomes communicated regarding the Company's finance and business):
  - After the audit reports and follow-up reports are presented for approval, the audit officer will deliver the audit reports and follow-up reports to the independent directors, and promptly reply to the matters instructed by the independent directors.
  - The audit officer and CPAs communicate financial and business situations with certain independent directors before the quarterly regular board meetings.
  - The audit officer attends the Audit Committee meetings, and presents the auditing operation reports. The communications between the Company's independent directors and the internal audit officer are fairly good.
  - The CPAs shall communicate with the independent directors face-to-face in the Audit Committee meetings, on the Company's financial and operation status; otherwise, the independent directors may communicate with the vice president of the Finance Division by telephone or e-mail any time.

## 2. Supervisors' involvement in the Board's operation

Not applicable, as the Company established the Audit Committee on June 22, 2016 to replace the supervisors.

**(III) Corporate Governance Status, Variances with Corporate Governance  
Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons**

Evaluation item	Operation			Variances with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
I. Does the company follow the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies,” and has the company established and disclosed its own Corporate Governance Best-Practice Principles?	✓		The Company has established the “Corporate Governance Best-Practice Principles” on October 23, 2017 upon the Board’s resolution. The principles are uploaded to the Corporate Governance Section on the official website for downloading and review by the stakeholders.	No material variance.
II. Shareholding structure and shareholders’ rights of the Company				
(I) Does the company stipulate internal operating procedures to deal with shareholders’ suggestions, doubts, disputes and litigation matters, and implement them according to procedures?	✓		(I) The Company has the as spokespersons, acting spokespersons, and dedicated personnel for investor services in place, and discloses their contact information on the official website, to handle the shareholders’ suggestions or disputes, and other related matters.	No material variance.
(II) Does the Company grasp the main shareholders that control the Company and the name list of final controllers of the main shareholders?	✓		(2) The Company has set up a stock affair unit and a engaged a stock affair agency. Major shareholders report changes in their shareholding to the Company as required. The list of the top ten shareholders is also published in the annual report every year, to grasp the major shareholders who actually control the Company, and the list of ultimate controllers of the major shareholders.	No material variance.

Evaluation item	Operation			Variances with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
(III) Does the Company establish and perform the risk control and firewall mechanism with the affiliates?	✓		(3) The Company's internal control covers the risk management at the enterprise level, and operational activities at the operational level; the "Regulations for Subsidiary Supervision and Management" are established to implement the risk control mechanism for subsidiaries. In addition, the Company has prescribed the "Key Points for Reinvestment Operations," applicable to strategic planning, evaluation and review of reinvestment, post-investment management, and exit mechanism and disposals.	No material variance.

Evaluation item	Operation			Variances with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
(IV) Does the Company prepare the internal regulations to prevent its personnel from trading the securities in virtue of the information that is not open to the public?	✓		(4) The Company has established the “Procedures for Ethical Management and Guidelines for Conduct” and the “Managerial Operations to Prevent Insider Trading” under the internal control system. Every year, the prevention of insider trading is promoted to insiders every year (e.g. the promotion topic on May 11, 2022 is the types and case study for disgorgement of short-swing, as a reminder not to violate the Securities and Exchange Act); in addition, the Company’s Board approved the amendments to the “Corporate Governance Best-Practice Principles” on February 17, 2022, adding the control measures for stock trading by the insiders from the date of knowing the Company’s financial reports or related performance, including (but not limited to) that the directors shall not trade their shares during the 30 days prior to the announcement of the annual financial reports, and the block-out period of 15 days before the announcement of the quarterly financial report. On December 28, 2021 and March 4, 2022, the insiders were reminded to observe the requirements.	No material variance.
III. Composition and duties of the board of directors (I) Has the Board established a diversity policy, concretely	✓		(I) 1. Diversity policy The Company has the	No material variance.

Evaluation item	Operation			Variances with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
managed the objectives, and actually implemented?			<p>“Corporate Governance Best-Practice Principles of Chief Telecom Inc.” in place, of which Article 20 specifies that the composition of the board of directors shall be determined by taking diversity into consideration. It is advisable that an appropriate policy on diversity based on the company’s business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards: basic requirements and values (gender, age, nationality, and culture) and professional knowledge and skills (e.g. law, accounting, industry, finance, marketing, technology), professional skills, and industry experience required for executing duties.</p> <p>2. Concrete management objectives: The Company’s Board coordinates the Company’s strategies, and supervises the management. The Company’s directors have the knowledge, skills, literacy and industry decision-making and management abilities necessary for perform the duties. The Company continues to arrange diversified continuing education for board members every year, to improve their decision-making quality and supervisory ability,</p>	

Evaluation item	Operation			Variances with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
			<p>thereby enhancing the functions of the Board. Furthermore, the Company also pays attention to gender equality in the composition of the Board. The Company's goal of gender equality and diversity is at least one female director sitting in the Board. Among the current seven directors, two are female directors.</p> <p>3. Implementation of the Board members' diversity: The current board of directors consists of seven directors, of which are three independent directors. Each director also has the ability required for the diversified development of the Company's business. The three independent directors have different professional knowledge and skills in accounting, auditing and information, respectively. For the re-election of directors in 2019, the number of female directors was increased from one to two. Therefore, the goal of gender equality and diversity is at least one female director sitting in the Board has been achieved and ever outperformed.</p>	

Evaluation item	Operation			Variances with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
(II) Other than the Remuneration Committee and the Audit Committee which are required by law, does the Company voluntarily set up other functional committees?		√	(II) The Company established the Remuneration Committee in November 2015, and the Audit Committee in June 2016. The current plan is to establish another functional committee (the Risk Management Committee) in late April 2022. The above information will be announced on the company's website.	No material variance.
(III) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis, reported the results of performance to the Board of Directors, and use the results as reference for directors' remuneration and renewal?	√		(3) On December 19, 2019, the Company has prescribed the Self-Evaluation or Peer Evaluation of the Board of Directors, and conducts the annual regular performance evaluation pursuant to laws, as a reference for review and improvement, and a reference basis for the selection or nomination of directors. The 2021 annual evaluation results were reported to the Board meeting on February 17, 2022.	No material variance.
(IV) Does the Company regularly evaluate its external auditors' independence?	√		(IV) The Company evaluates the CPAs' independence annually: 1. The evaluation mechanism is as follows: (1) The attesting accounting firm must obtain an independent declaration from the CPAs before the annual appointment for attestation, and the declarations are deliberated by the Audit Committee and approved with the resolution of the Board. (2) The attesting CPAs shall report to the Audit Committee quarterly for	No material variance.

Evaluation item	Operation			Variances with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
			<p>reviewed and audited contents, and the compliance with the independence requirement.</p> <p>(3) The Company regularly uses the “CPA’s Independence and Suitability Assessment Form” to evaluate the independence of CPAs every year. The list of key evaluation criteria items include: whether the CPAs hold shares in the Company and affiliates; whether any monetary borrowing or lending exists among the CPAs and the Company and its affiliates; whether the CPAs have any relationship with the managerial officers of the Company, such as spouses, direct relative by blood, direct relative by marriage, or collateral relative by blood within the second degree of kinship.</p> <p>2. The evaluation results are as follows:  The Company has completed the “CPA’s Independence and Suitability Assessment Form” pursuant to the aforementioned assessment mechanism, to perform the CPA’s independence and suitability assessment, and submitted the form to the Audit Committee for deliberation and the Board for deliberation. For the recent two years, the Audit Committee’s deliberation and the resolutions of the Board were adopted on February 19, 2021 and February 17, 2022, respectively, that the CPAs are</p>	

Evaluation item	Operation			Variances with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
(V) Does the Company establish the succession plans for the board members and key management?	√		<p>not related parties to the Company and have no stakes in the Company, with the independent declaration from the CPAs obtained.</p> <p>(V) The Company's succession plans for the board members and key management, and the operations are as follows:</p> <p>1. The succession plans for the board members and operations: The Company currently has seven directors (including three independent directors), each of whom has the expertise in commerce, finance, accounting, or these required for company operation. On February 17, 2022, the Board adopted the resolution to amend the Articles of Incorporation, for changing the number of the directors from five to seven, to seven to nine. In the future, the composition of board member will be enforced continuously.</p> <p>For the succession planning of the Board, currently the directors are mostly appointed by the parent company, Chunghwa Telecom Co., Ltd.; and they have the managerial and professional abilities required by the Company. The independent directors shall have the work experience in commerce, law, finance, accounting or required by business, as prescribed by laws. The Company engages the independent directors as required</p>	No material variance.

Evaluation item	Operation			Variances with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
			<p>by laws and regulations. Currently, the independent directors have the expertise in accounting, auditing, information, and industry expertise, respectively, which utilizes the corporate governance functions and conforms to the board diversity.</p> <p>2. Succession planning and operation for key management: The Company's management (president, vice president of each division) has leadership ability in professional fields and business development. To cultivate key management and their deputies, the internal and external trainings are held annually (the training in 2021, included diversified topics, such as the discussion of enterprise sustainable transformation from the ESG investment and financing), to improve the professional ability and decision-making quality of the management. Moreover, the Company conducts employee performance appraisals every year. Through observing during the normal course, and performance appraisal, personal development needs and company expectations are understood, as a reference for future succession planning.</p>	

Evaluation item	Operation			Variances with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
IV. Whether the listing company has set up a corporate governance unit or personnel responsible for corporate governance related matters (including but not limited to providing information required by directors and supervisors to conduct business, and handling matters related to meetings of the board of directors and shareholders' meeting in accordance with the law, handling company registration and change registration, and organizing board of directors and shareholders' meetings)?	√		The Company's Finance Division was concurrently in charge of the corporate governance. It is expected to appoint a corporate governance officer late April 2022, responsible for corporate governance-related affairs, and will complete the required continuing education by the end of 2022. The above information is also announced on the company's website.	No material variance.
V. Does the company establish communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers), set up stakeholder areas on the company's website, and respond appropriately to important corporate societies of concern to stakeholders, and responsibility issues?	√		In order to maintain unblocked communication channels with stakeholders, the Company has set up a dedicated section of stakeholders on the official website, and dedicated personnel reply the issues concerned by the stakeholders. Where any of stakeholder find that their rights are infringed, the employees of the Company have illegal conducts, or violating corporate governance, or have any question or suggestion about the Company, they may use the channel to contact the Company, and the Company will have the dedicated personnel to reply and handle.	No material variance.
VI. Does the Company commission a professional stock affair agency for	√		The Company has commissioned Stock Affair Agency Department, Yuanta Securities Co., Ltd. to handle	No material variance.

Evaluation item	Operation			Variances with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
handling the shareholders' meeting?			these affairs.	
VII. Information disclosure				
(I) Has the company set up a website to disclose financial and corporate governance information?	√		(I) The Company has set up an official website to disclose relevant information from time to time; pursuant to the regulations of the competent authorities, the Company profile and various financial information are announced publicly on the MOPS.	No material variance.
(II) Does the company adopt other information disclosure methods (such as setting up an English website, appointing a dedicated person responsible for the collection and disclosure of company information, implementing the spokesman system, and posting the company's corporate briefing process on the website)?	√		(II) The Company appoints dedicated personnel in taking charge of collection and disclosure of relevant information (including financial information, corporate governance, investor conferences, among other things), to be provided to the spokespersons, acting spokespersons, and relevant business departments to reply to inquiries from stakeholders and the competent authorities. The financial and operation information released in investor conferences, will be announced on the MOPS.	No material variance.
(III) Does the Company publicly announce and file the annual financial reports within two months after the accounting year-end, and publicly	√		(III) The Company publicly announced and filed the 2021 annual financial reports on February 17, 2022; on February 19, 2021, the 2020 annual	No material variance.

Evaluation item	Operation			Variances with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
announce and file the first, second and third quarterly financial reports and monthly operating status reports before the stipulated deadlines?			financial reports were publicly announced and filed; the Company also publicly announces and files the first, second and third quarterly financial reports and monthly operating status reports early, before the stipulated deadlines.	
VIII. Does the Company have any other important information (including but not limited to employees' rights, employee care, investor relations, supplier relationship, rights and interests of stakeholders, training for directors and supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, and the Company's purchase of liability insurance for directors and supervisors)?	√		<p>(I) Employees' interests: The Company protects the basic rights and interests of employees pursuant to the Labor Standards Act, and establishes an Employee Welfare Committee, values employees' treatment and welfare significantly, and regularly holds labor-management meetings, to ensure that the opinions of both employer and employees may be communicated. In addition, employees are insured with the group insurance, and regular health checks are held, to ensure the lives of employees.</p> <p>(II) Care to employees: The Company has diversified and unblocked communication channels such as opinion box for employees to express their opinions.</p> <p>(III) Investor relation: The Company has spokespersons and acting spokespersons, in charge of the communication of the Company's external relations; the dedicated personnel are also appointed to disclose the Company's information on the</p>	<p>No material variance.</p> <p>No material variance.</p> <p>No material variance.</p>

Evaluation item	Operation			Variances with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
			<p>MOPS as required by laws and regulations.</p> <p>(IV) Supplier relationship: The Company procures various equipment from suppliers pursuant to the relevant provisions of the "Procurement Management Procedures," and regularly evaluates suppliers from the aspects of price, quality, and delivery schedules, to establish a stable and sustainable supply chain.</p> <p>(V) Stakeholders' interests: The Company maintains good communication channels with the stakeholders. The Company's official website has set up a dedicated section for stakeholders, and their legitimate interests are respected and safeguarded. There is also a system of spokespersons and acting spokespersons, to handle questions and suggestions raised by shareholders.</p> <p>(VI) Continuing education of directors: The Company regularly arranges the directors to attend in professional knowledge training courses every year, and has purchased liability insurance for the directors, so that they are able to fulfill their responsibilities as directors from the interests of investors without concern.</p> <p>(VII) Implementation of risk management policies and risk</p>	<p>No material variance.</p> <p>No material variance.</p> <p>No material variance.</p> <p>No material variance.</p>

Evaluation item	Operation			Variances with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
			<p>balance standard: The Company has prescribed the risk management rules and approved by the Board. The risk assessment of issues related to the Company's operations are conducted every month for implementation. The operational risk evaluation and contingency plans are reported to the Board every year, and the implementation of the internal control system by the internal audit unit regularly and randomly.</p> <p>(VIII) Implementation of customer policies: The Company maintains a good relationship with customers, and provides the customer service based on various internal management procedures; the "customer satisfaction" is specified as the annual BSC achievement rate.</p> <p>(IX) Does the Company establish the intellectual property management policy, targets, and system linked to the operating strategies? The Company has planned to formulate the intellectual property management policies, objectives and system linked to the operation strategies; it is expected to report to the Board every year for continuous improvements.</p>	No material variance.
IX. Please state the improvements made to the items in the corporate	√		The enhancement made to the 2020 Corporate Governance Evaluation, for the English information disclosure:	No material variance.

Evaluation item	Operation			Variances with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
governance evaluation results issued by the Corporate Governance Center of the Taiwan Stock Exchange Co., Ltd. of the latest year, and indicate the enhancement and improvement measures for the items not yet improved. (Not required for the companies not evaluated)			including disclosure of material information in English and Chinese at the same time (indicator 3.2) Future enhancement as priority: filing the annual financial report in English to the MOPS by 7 days before the AGM (indicator 3.5)	

(IV) For the companies having the Remuneration Committee in place, the composition, duties, and operation shall be disclosed.

1. Information of the Remuneration Committee members

Status	Conditions	Professional qualifications and experiences	Independence	No. of other listed companies in which serving as remuneration committee member concurrently	Remarks
	Name				
Independent Director (Convener)	Ling-Tai Chou	Main experiences: Director, Office of Student Affairs, Professor and Dean, Department of Accounting, National Chengchi University; she is qualified as an instructor or higher in a department of accounting in a public or private junior college, college, or university, with work experience in the area of finance, or accounting, or otherwise necessary for the business of the Company, without any circumstance specified in Article 30 of the Company Act.	1. Including but not limited to whether the person, spouse, relatives within the second degree of kinship serve as directors, supervisors or employees of the company or its affiliated companies: None. 2. The number and proportion of the company's shares held by person, spouse, relatives within the second degree (or in the name of others): None. 3. Whether to serve as a director, supervisor or employee of a company that has a specific relationship with the company: None. 4. Amount of remuneration for providing business, legal, financial, accounting and other services to the company or its affiliates in recent two years: None.	1	None
Independent Director	Dao-Hung Lu	Main experiences: Auditor Officer, Chunghwa Telecom Co., Ltd., with the work experience in the area of commerce or otherwise necessary for the business of the Company, without any circumstance specified in Article 30 of the Company Act.	1. Including but not limited to whether the person, spouse, relatives within the second degree of kinship serve as directors, supervisors or employees of the company or its affiliated companies: None. 2. The number and proportion of the company's shares held by person, spouse, relatives within the second degree (or in the name of others): None. 3. Whether to serve as a director, supervisor or employee of a company that has a specific relationship with the company: None. 4. Amount of remuneration for providing business, legal, financial, accounting and other services to the company or its affiliates in recent two years: None.	0	None

Independent Director	Ai-Chun Pang	<p>Main experiences:  Dean, Graduate Institute of Networking and Multimedia, Professor, Department of Computer Science and Information Engineering, and Associate Dean, College of Electrical Engineering and Computer Science, National Taiwan University, with work experience in the area of finance, or accounting, or otherwise necessary for the business of the Company, without any circumstance specified in Article 30 of the Company Act.</p>	<p>1. Including but not limited to whether the person, spouse, relatives within the second degree of kinship serve as directors, supervisors or employees of the company or its affiliated companies: None.  2. The number and proportion of the company's shares held by person, spouse, relatives within the second degree (or in the name of others): None.  3. Whether to serve as a director, supervisor or employee of a company that has a specific relationship with the company: None.  4. Amount of remuneration for providing business, legal, financial, accounting and other services to the company or its affiliates in recent two years: None.</p>	0	None
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## 2. Remuneration Committee Operation Status

(1) The Company's Remuneration Committee is composed of three members.

(2) Current term (3rd term): November 20, 2020 to November 19, 2023. In 2021, the Remuneration Committee held four meetings (A). Members' qualification and attendance are listed below:

Title	Name	Attendance in person	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Convener	Ling-Tai Chou	4	0	100%	Scope of authorities: 1. Prescribe and periodically review the performance review and remuneration policy, system, standards, and structure for directors and managerial officers. 2. Periodically evaluate and prescribe the remuneration of directors, supervisors, and managerial officers.
Member	Dao-Hung Lu	4	0	100%	
Member	Ai-Chun Pang	4	0	100%	

Other matters required to be recorded:

- If the board of directors does not accept or modify the suggestions from the Remuneration Committee, the date and the number of times of the meeting, contents of the proposal, the board of directors' resolution, and the response of the Company to the suggestions shall be stated. (If the remuneration approved by the board of directors is higher than the Remuneration Committee suggests, the difference and the reason shall be stated.): No such situation.
- If there is any resolution in the Remuneration Committee meeting opposed by any member, or a matter the members hold qualified opinions on, which had record or statement in writing, the date and the number of times of the meeting, contents of the proposal, opinions of all members and the response to the opinions shall be stated: No such situation.
- Discussions and resolution adopted by the Remuneration Committee

Date	Term	Description of agenda	Resolution adopted
February 19, 2021	1st meeting, 3rd term	<ul style="list-style-type: none"> <li>Election of the convener for the 3rd Remuneration Committee</li> <li>Proposal to distribute the 2020 directors and employees' remunerations.</li> </ul>	The Remuneration Committee Related proposals have been approved by all attending members, and submitted to the Board for resolutions.  Board of Directors: Approved by all attending directors; where any director recused due to interest conflict, approved by the remaining attending directors.
April 28, 2021	2nd meeting, 3rd term	<ul style="list-style-type: none"> <li>Proposal of the 2020 performance bonuses to the managerial officers</li> </ul>	
July 29, 2021	3rd meeting, 3rd term	<ul style="list-style-type: none"> <li>Proposal of 2020 employees' remunerations to managerial officers</li> <li>Proposal of 2020 directors' remunerations</li> </ul>	
October 27, 2021	4th meeting, 3rd term	<ul style="list-style-type: none"> <li>Proposal of remuneration policy, system, standards, and structure for directors and managerial officers.</li> </ul>	

(V) Sustainable Development Implementation Status; Variances with Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons

Evaluation item	Operation			Variances with Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
I. Has the company established the governance framework for promoting sustainable development, and appointed a designated unit in charge of promoting sustainable development, and is the senior management authorized by the board of directors for handling, as well as the status of board of directors' oversight?	✓		The HR Department was originally assigned as the concurrent unit to promote the corporate social responsibility, in charge of proposing and implementing the relevant policies, systems or management guidelines and plans, and was responsible for corporate ethical management and employee conduct management, with the regular reports to the Board every year for the operation and implementation results. On December 17, 2021, the performance of corporate social responsibility and ethical management were reported to the Board. On February 17, 2022, the Board approved to amend the "Corporate Social Responsibility Best-Practice Principles" as the "Sustainable Development Best-Practice Principles," with amendments to partial	No material variance.

Evaluation item	Operation			Variances with Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
			provisions. It is expected that a dedicated (concurrent) unit will be established to promote the sustainable development in 2022, and report the implementations to the Board annually.	
II. Does the Company follow the materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company operation, and establish risk management related policy or strategy?	✓		The Company has established the regulations for risk management, including the operational structure of risk management; In the regulations, the risk sources have include the risk evaluations for economic environments, social and humanities, technologies, natural disasters, and the social and corporate governance issues relate to the Company's operations including the climate changes, and the non-compliance with the regulations related to environment and climates; such regulations have been approved by the Board. Other than the regular monthly risk evaluations and implementation of	No material variance.

Evaluation item	Operation			Variances with Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
			issues related to the Company's operations (e.g. the evaluations to renew the certifications of SO27001/27011/27017/27018 & DCOS every year continuously, defining the annual training hours of employees, and replacement of equipment to enhance the performance of data centers as the responses to the climate changes, and the environment, social, and corporate governance issues). Every year, the operational risks evaluation and contingency plans are reported to the Board (the latest report was on December 17, 2021).	
III. Environmental Issue (I) Does the company set up an appropriate environmental management system, according to the feature of the industry?	✓		(I) The Company belongs to the communication and network industry, without production and manufacturing, and thus no special pollution is produced. To maintain the environment's tidiness, the Company employs dedicated personnel to	No material variance.

Evaluation item	Operation			Variances with Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
(II) Does the company dedicate in promoting efficiency of the energy utilization, and use renewable materials that have low impact on the environment?	✓		maintain the overall employees' working area and public environment, and enhances the implementation of energy-saving and carbon-reduction measures for power and water consumption, and lighting equipment internally.  (II) To well utilize various resources, the Company thoroughly implements activities such as categorization, recycling and reduction of resource waste. The Company implements the use of recycled paper, improves the utilization efficiency of various resources, and thoroughly implements resource recycling and reusing.	No material variance.
(III) Does the company assess the risks and chances that the climate change makes to the present and the future of the company, and adopt	✓		(III) The Company configures the schedule to automatically turn off the air conditioners in the offices. Meanwhile,	No material variance.

Evaluation item	Operation			Variances with Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
measures against the climate issue?  (IV) Does the company calculate the emission of greenhouse gas (GHG), water consumption, and the amount of waste in the recent two years, and set up a managerial policy of energy saving and carbon reduction, reducing greenhouse gas, reducing using water, or		✓	<p>the Company promotes the concept of energy saving and carbon reduction to personnel in each department, and various energy-saving measures, to achieve energy-saving and greenhouse gas reduction policies for lowering the impacts on the environment, as the fulfillment of the corporate responsibility in environment; in addition, the IDC data centers continued to update high-efficiency air conditioners and other equipment, and the PUE value dropped from 1.67 in 2018 to 1.62 in 2020.</p> <p>(IV) The Company belongs to the communication and network industry, without production and manufacturing, and thus no special pollution is produced. The Company cooperates with and responds to the government's</p>	<p>The GHG emission, water consumption, and total weight of waste are expected to be inventoried in 2022.</p>

Evaluation item	Operation			Variances with Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
other waste?			energy-saving measures, and has established the “Energy-Saving” measures, to implement long-term energy-saving and carbon-reduction measures in terms of management of internal power consumption, water consumption, lighting equipment, and resource recovery.	
IV. Social Issues (I) Does the Company establish policies and procedures in compliance with regulations and globally recognized human rights principles?	✓		(I) The Company supports and observes each human rights framework and spirit of the globally recognized human rights conventions and the Global Labor Organization conventions. In November 2019, the Company prescribed the “Chief Telecom Human Rights Policy,” announced on the Company’s internal website. In addition to regular promotion and	No material variance.

Evaluation item	Operation			Variances with Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
(II) Has the Company established and implemented reasonable employee welfare measures (including remuneration, vacation and other benefits) and appropriately reflected the business performance or results in the employee remuneration policy?	✓		<p>implementation every year, In 2022, the internal human rights policy-related training sessions (total 153 attendance, with a total participation of 306 people/hour), and the policy was implemented, for example, setting up an anonymous opinion box, and announcing directors' contact information on the internal website, to continuously maintain a channel for employees to express their opinions, protecting and enhancing the interests of employees.</p> <p>(II) The Board has the Remuneration Committee established with authorities to prescribe the salary and remuneration policies, systems, standards and structures; and distribute various bonuses and regular salary adjustments to</p>	No material variance.

Evaluation item	Operation			Variances with Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
(III) Has the Company provided employees with a safe and healthy working environment and regularly conducted safety and health training?	✓		<p>employees by combining the Company's operating performance, annual net profit, and employee appraisals (the Company appropriately reflects the operating performance in the employee remunerations; the average salary adjustment rate for all employees in 2021 was 3.31%).</p> <p>(III) The Company has established the "Health and Safety Working Principles," and has set up an "Occupational Health and Safety Section" on the internal website. The "Occupational Health and Safety Management Plan" and the "Form of Occupational Health and Safety Implementation Plan" are established every year. Dozens of items such as monthly data</p>	No material variance.

Evaluation item	Operation			Variances with Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
			<p>center/firefighting equipment inspections, quarterly outsourced drinking water inspection, and equipment maintenance were implemented in 2021, with the budgets prepared. Meanwhile, the occupational health and safety trainings are arranged, to enrich employees' occupational health and safety/fire prevention/first aid-related knowledge, concepts and skills. In addition the physical safety of employees and the protective measures taken in the working environment, with the implementations are seen in the following example:</p> <ol style="list-style-type: none"> <li>1. The access control measures of the Company include the access cards and bio-identification system, and the</li> </ol>	

Evaluation item	Operation			Variances with Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
(IV) Has the Company established an effective career development training program for employees?	✓		<p>personnel other than these designated by the units with authorities must not arbitrarily access to certain areas, or use related information devices, to maintain the physical safety of employees and protective measures taken in the working environment.</p> <p>2. The working venues of the Company, e.g. Liyuan Building obtains the City of Taipei Public Safety Building Inspection Certificate of Approval (the latest year of filing is 2021, and the certificate is valid from January 4, 2022 to September 30, 2023)</p> <p>(IV) The Company encourages employees from each department to actively arrange and attend external training sessions line with their jobs, to enhance their professional functions. In addition, to improve</p>	No material variance.

Evaluation item	Operation			Variances with Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
(V) Has the Company complied with the relevant regulations and global standards and formulated policies for consumer protection and grievance procedures with respect to consumer health and safety, customer privacy, marketing and labeling of products and services?	✓		the employees' integration with global society, the Company has overcome the pandemic in 2021, and employed instructors to hold online English courses for employees. (V) The Company values the customer feedback, and a dedicated unit handles the service procedures for customer opinions, to ensure the best service performance for customers, and achieve the goal of protecting interests.	No material variance.
(VI) Has the Company established supplier management policies which require suppliers to comply with regulations on environmental protection, occupational safety and health or labor rights, and reported the implementation?	✓		(VI) The Company has established "Supplier Management Procedures," and conducts evaluation and investigation before engaging any supplier, with regular evaluations every year. When granting tenders, suppliers are required to sign a "Answers to Procurement Instructions," as the	No material variance.

Evaluation item	Operation			Variances with Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
			<p>promise to comply with the regulations in terms of corporate social issues, such as environmental protection, occupational health and safety, or labor rights (for example, during the working period, the contractor should appoint a dedicated occupational health and safety supervisor, and the contractor's staff must meet the labor conditions stipulated in the Occupational Safety and Health Act, and for all working items must be operated by technical personnel with professional licenses as the license requirements); any violation will disqualify a supplier from participating in the bidding of the Company's relevant procurement projects and construction projects. For the cloud</p>	

Evaluation item	Operation			Variances with Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
			<p>services suppliers, they must pass certain criteria including ISO 27001 global certification, to participate in and provide the Company's cloud services. Furthermore, the suppliers are evaluated every year. In August 2021, evaluations for 95 suppliers were completed, and they have been categorized as "cooperation continues," "further observation and evaluation required," and "cooperation terminates."</p>	
<p>V. Has the Company referenced to global reporting standards or guidelines in its preparation of the sustainability report and other reports which disclose the Company's non-financial information? Have the abovementioned reports obtained the verification or assurance opinions from third-party certification organizations?</p>	✓		<p>The Company has established the Sustainable Development Best-Practice Principles and the implementations are promoted; in 2022, the Sustainability Report is prepared by referencing the global reporting standards or guidelines, and a third-party certification is expected to be commissioned.</p>	No material variance.

Evaluation item	Operation			Variances with Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
<p>VI. If the company has its own sustainable development principles in accordance with the “Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies,” please describe the variances between its operation and the prescribed principles: the Company has established the sustainable development best-practice principles, and has strived to promote the corporate sustainable development, without material variance from the prescribed principles.</p>				
<p>VII. Other important information to help understand the implementation of promoting sustainable development:</p> <p>(I) The Company manages employees pursuant to the Labor Standards Act and other relevant regulations, and has dedicated personnel to handle various employee benefits to protect employees’ interests. Among all public companies in 2020, the salaries of full-time employees who are not in supervisory positions were ranked the 25th.</p> <p>(II) There is no major environmental pollution problem due to the nature of the Company’s industry; provided that the Company has installed electricity-saving devices in the data centers to achieve the objective of environmental protection, energy-saving and carbon reduction.</p> <p>(III) In 2021, the Company continued to make charity donations to certain disadvantaged groups every month as the care for the society.</p>				

(VI) Fulfillment of Ethical Corporate Management, Variances with Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons

Evaluation item	Operation			Variances with Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
I. Establishing ethical management policies and programs				
(I) Has the company established ethical management policies approved by the board and have bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures and the commitment regarding the implementation of such policy from the board and the executive management team?	✓		(I) The Company has established the “Ethical Corporate Management Principles” approved by the Board, specifying that when conducting business, the directors, managerial officers, and employees shall comply with the laws and regulations, and implement such thoroughly.	No material variance.
(II) Has the Company established a risk assessment mechanism against unethical conduct, analyzed and assessed on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, and established prevention programs accordingly	✓		(II) The Company has established the “Chief Telecom Inc. Procedures for Ethical Management and Guidelines for Conduct” as the program preventing unethical conducts; the compliance with the ethical principles is one of the key items for the employee’s performance appraisal, overseen by the head	No material variance.

Evaluation item	Operation			Variances with Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
<p>which at least cover the prevention measures against the conducts listed in Paragraph 2, Article 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies?</p> <p>(III) Has the Company defined operating procedures, conduct guidelines, disciplinary penalties and grievance process in the program preventing unethical conduct and put them in practice, and regularly reviewed and amended the program?</p>	✓		<p>of divisions and departments with enforced preventive measures.</p> <p>(III) The Company has established the “Procedures for Ethical Management and Guidelines for Conduct” as the program preventing unethical conducts, specifying the operating procedures, code of conducts, disciplinary actions for violations, and appealing system, while implementing and reviewing the aforesaid program regularly.</p>	No material variance.
<p>II. Implementation of ethical management</p> <p>(I) Does the Company evaluate the ethical management records of the transaction counterparties, and include the terms regarding the ethical</p>	✓		<p>(I) When handling the procurement projects, the Company requires the bidders to declare that there is no unethical conduct. If there is any undue</p>	No material variance.

Evaluation item	Operation			Variances with Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
conducts in the agreement signed with them?			conduct like being unethical, the contract shall be terminated or rescinded based on the contracts; the suppliers are appraised every year, and any failure to meet the standard will exempt such suppliers from employment.	No material variance.
(II) Has the Company established a dedicated (concurrent) unit under the board responsible for the promotion of corporate ethics management, which regularly (at least once a year) reports policies on ethical operations, programs on prevention of unethical conduct and the status of supervision to the board?	✓		(II) In order to implement the management of ethical management, the HR Department is responsible for the supervision and implementation of ethical management policies and preventive programs, with relevant trainings conducted every year. All departments perform their duties to the best based on their jobs and function scopes. The regular reports of the implementation status are made to the Board every year; the latest report to the Board was made on December 17, 2021.	
(III) Does the Company prepare the policies against interest conflict and provide and	✓		(III) The Company has established the "Code of Conduct" and has a whistle-blowing	No material variance.

Evaluation item	Operation			Variances with Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
<p>implement the proper statement channel?</p> <p>(IV) Has the Company established an effective accounting and internal control system to put ethical operations management into practice and arranged for the internal audit unit to formulate audit plans based on the risk assessment of unethical conduct and audit the compliance to prevent unethical conduct, or commissioned independent auditors to conduct the audit?</p> <p>(V) Does the Company hold regular internal and external education trainings on ethical management regularly?</p>	<p>✓</p> <p>✓</p>		<p>mailbox, providing a representing channel for whistleblowers; the identities of whistleblowers and the contents reported are kept confidential.</p> <p>(IV) The Company has established an effective internal control system, related procedures and accounting systems to be implemented; the internal audit unit prescribes the internal audit plans, including the prevention of insider trading, and implements various audits according to the audit plans.</p> <p>(V) Employees of the Company must read and sign the "Code of Conduct" online every year, and are reminded to implement the ethical principles in their daily business.</p>	<p>No material variance.</p> <p>No material variance.</p>
III. Operation of the Company's whistle-blowing system				

Evaluation item	Operation			Variances with Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
(I) Does the Company prepare the specific whistle-blowing and award & punishment system, establish the convenient whistle-blowing channel and appoint dedicated personnel to deal with the accused?	✓		(I) The Company has established a whistle-blowing channel. When any employee knows or engages in any conduct or activity that may violate the ethics or related laws and regulations, they may immediately report it to the dedicated unit.	No material variance.
(II) Does the Company establish standard operating procedures for investigating the complaints received, follow-up measures to be adopted and the related confidentiality measures after investigation?	✓		(II) The Company's employee handbook stipulates the standard operating procedures of investigation, and related non-disclosure mechanisms for accepting such reports.	No material variance.
(III) Does the Company take measures for protecting the whistle-blower from being punished improperly?	✓		(III) The Company's employee handbook stipulates the protection of whistleblowers, to prevent them from being retaliated, threatened or harassed, and implements thoroughly	No material variance.
IV. Strengthening of information disclosure				

Evaluation item	Operation			Variances with Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
(I) Does the company disclose the contents of its Ethical Corporate Management Best-Practice Principles and the effectiveness on its website and the MOPS?	✓		(I) The Company discloses the implementation of the ethical management on the MOPS and in annual reports.	No material variance.

V. If the company has its own Ethical Corporate Management Best-Practice Principles in accordance with the “Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies,” please describe the difference between them:

VI. Other important information that helps to understand the company’s ethical management operation (e.g. the review and amendments to the prescribed Ethical Corporate Management Best-Practice Principles):

1. The Company complies with the Company Act, the Securities and Exchange Act, the Business Entity Accounting Act, securities-related regulations and other laws and regulations related to business conduct, as the basis for implementing the ethical management.
2. In the Company’s “Rules of Procedure for Board of Directors Meetings,” the system for director to recuse due to their interests has been established. Any director or a corporate shareholder represented by a director is an interested party with respect to any agenda item, and the relationship is likely to prejudice the interests of the Company, the director may only express opinion and reply to inquiries, but not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director’s proxy to exercise voting rights on that matter.
3. The Company has established the “Managerial Operations to Prevent Insider Trading” clearly stipulating that insiders and those who have been informed of the information due to their duties shall not disclose the material information they know to others.
4. The Company implements the philosophy of ethical management, complies with all relevant regulations and internal control systems, and strictly prohibits unethical conducts or violations to laws and regulations. Employees sign the “Code of Conduct” every year.

(VII) Disclosure of inquiry methods where the Company has established the corporate governance principles and related regulations:

Currently, the Company has established regulations such as the Ethical Corporate Management Best-Practice Principles, the Code of Ethical Conduct, the Corporate

Social Responsibility Best-Practice Principles, the Corporate Governance Best-Practice Principles, the Audit Committee Charter, the Remuneration Committee Charter, and the Rules Governing the Scope of Powers of Independent Directors, all disclosed on the MOPS and the official website.

(VIII) Other material information to enhance the understanding of the corporate governance operation:

1. The Company continues to invest resources to enhance the corporate governance operations. The Remuneration Committee is currently established, with the Audit Committee, to immediately disclose material information to safeguard the rights of the public investors and shareholders.

2. The Company's internal material information handling status

As the foundation for handling the material information internally, the Company has established the "Managerial Operations to Prevent Insider Trading," "Managerial Operations for Financial and Non-Financial Information," and the "Procedures for Information Disclosure Management" in the internal control system, to prevent any violation and insider trading due to negligence.

(IX) Implementation of Internal Control System

1. Declaration for Internal Control:



Chief Telecom Inc.  
Declaration for Internal Control System

Date: February 17, 2022

With respect to the internal control system for 2021, based on the self-inspection result, we hereby present as follows:

- I. The Company acknowledges that it is the responsibility of the Board of Directors and the managers of the Company to establish implement and maintain the internal control system, and the Company has established the system for the purpose of providing reasonable assurance of the achievement of such targets as the operating result and efficiency (including profits, performance and safeguarding assets safety), the financial report reliability and the compliance with relevant statutes.
- II. The internal control system has its congenital limitation; notwithstanding a perfect design, the effective internal control system can only provide reasonable assurance of the achievement of the above three targets; furthermore, the internal control system effectiveness may vary according to the change of the environment and conditions, provided that internal control system of this Company is equipped with the self-supervision mechanism and the Company can take any corrective action in case of any deficiency identified.
- III. The Company shall judge the design of the internal control system and the effectiveness of the implementation thereof based on the judgment items of the effectiveness of the internal control system as provided in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as “the Regulations”) The internal control system judgment adopted in the Regulations refers to the management-based control process and divides the internal control system into five elements: 1. control environment; 2. risk evaluation; 3. control job; 4. information and communication; and 5. supervision. Each element contains a number of items. For the above items, refer to the Regulations.
- IV. The Company has adopted the above-mentioned internal control system judgment items to examine the design of the internal control system and the effectiveness of the implementation thereof.
- V. Based on the preceding examination result, the Company deems that, the internal control system of the Company on December 31, 2021 (including the supervision and management of its subsidiary), including knowing about the operating result and the achievement of the efficiency and targets; reports being reliable, timely, and transparent; and the design of and the implementation effectiveness of the internal control system regarding the compliance with relevant statutes; is effective, and it can reasonably ensure the achievement of the above targets.
- VI. This Declaration shall be the main content of the annual report and prospectus of the Company and be disclosed to the public. In case of any false or hidden illegal matters, the above content disclosed shall involve the legal responsibilities in Article 20, Article 32, Article 171 and Article 174

in the Securities and Exchange Act.

- VII. We state herein that the Declaration was approved by the board of directors on February 17, 2022. None of the six directors attending the meeting expressed any objection, and all of them agreed on the contents of the Declaration.

Chief Telecom Inc.

Yen-Hung Wu, Chairman

Yao-Yuan Liu, President

2. If a CPA is appointed to review the internal control system, the CPA's audit report shall be disclosed: Not applicable

(X) If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement: None.

(XI) Material resolutions of a shareholders' meeting or a board of directors' meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:

1. Material resolutions of a shareholders' meeting:

Meeting date	Material resolutions of 2021 general shareholders' meeting and implementations thereof
August 17, 2021	<ol style="list-style-type: none"> <li>1. Proposal of 2020 business and financial reports Implementation: the resolution adopted is followed</li> <li>2. Proposal of 2020 earning distribution Implementation: for the distribution of 2020 earnings and cash distributed from the capital reserves, the total amount of cash dividends to shareholders was totaled NT\$620,044,753 (or NT\$8.8 per share); September 8, 2021 was the ex-dividend base date, and September 17, 2021 was the distribution date, and the related operations have been completed on these dates.</li> <li>3. Proposal to distribute cash with the capital reserves Implementation: as the preceding Item 2</li> </ol>

2. Material resolutions of a Board meeting:

Date of board meeting	Material proposal description
January 26, 2021	<ol style="list-style-type: none"> <li>1. Proposal to lease lands from the related party, Chunghwa Telecom Co., Ltd.</li> <li>2. Proposal to build the Jiou-Zhong IDC data center</li> </ol>
February 19, 2021	<ol style="list-style-type: none"> <li>1. Proposal to distribute the 2020 directors and employees' remunerations</li> <li>2. Proposal of 2020 business and financial reports</li> <li>3. Proposal of 2020 "appraisal for the effectiveness of the internal control system" and the "Declaration for Internal Control System"</li> <li>4. Proposal of matters related to issue new shares for employee share subscription warrants conversion and base date of capital increase</li> <li>5. Proposal of appointing attesting CPAs and evaluating their independence</li> <li>6. Proposal of 2020 earning distribution</li> <li>7. Proposal to distribute cash with the capital reserves</li> <li>8. Matters related to 2021 general shareholders' meeting and proposing right of shareholders</li> </ol>
April 28, 2021	<ol style="list-style-type: none"> <li>1. 2021 Q1 consolidated financial report</li> <li>2. Proposal of 2021 CPAs' professional service fees</li> <li>3. Proposal of changing the finance and accounting officers</li> <li>4. Proposal to renew the leasing contract of the office building</li> <li>5. Proposal to adjust the managerial officers' salaries</li> </ol>

	6. Proposal of the 2020 performance bonuses to the managerial officers
July 29, 2021	<ol style="list-style-type: none"> <li>1. 2021 Q2 consolidated financial report</li> <li>2. Proposal to apply the renewal of the short-term financing from Mega Global Bank</li> <li>3. Proposal to determine the postponed date of the 2021 general shareholders' meeting and its venue.</li> <li>4. Proposal to determine the schedule of 2020 earning distribution</li> <li>5. Proposal to determine the schedule for distributing cash with the capital reserves</li> <li>6. Proposal of 2020 employees' remunerations to managerial officers</li> <li>7. Proposal of 2020 directors' remunerations</li> </ol>
October 27, 2021	<ol style="list-style-type: none"> <li>1. 2021 Q3 consolidated financial report</li> <li>2. Proposal of 2022 audit plans</li> <li>3. Proposal of remuneration policy, system, standards, and structure for directors and managerial officers.</li> </ol>
December 17, 2021	<ol style="list-style-type: none"> <li>1. Proposal of 2022 operation plans</li> <li>2. Proposal of matters related to issue new shares for employee's warrant conversion and base date of capital increase</li> <li>3. Proposal to apply the renewal of the short-term financing from Bank of Taiwan, and the guarantee limit of the pre-paid internet phone.</li> </ol>

(XII) Where, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a director has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof: No such situation.

(XIII) A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the company's chairperson, general manager, chief accounting officer, chief financial officer, chief internal auditor, chief corporate governance officer, and chief research and development officer:

Title	Name	Date of appointment	Date of discharge	Reason of resignation or discharge
Finance officer	Chien-Chi Liao	September 1, 2017	May 1, 2021	Job adjustment within the Group
Accounting officer	Chien-Chi Liao	February 9, 2018	May 1, 2021	Job adjustment within the Group

V. CPAs' professional service fees:

Unit: NT\$ thousand

Name of the accounting firm	Name of CPA:	Duration of audit	Audit fee	Non-audit fee	Total	Remarks
Deloitte & Touche Taiwan	Ding-Sheng Chang	2021	1,860	570	2,430	The non-audit fees include the checking table for the payrolls of non-supervising full-time employees for NT\$50,000; re-check for filing the employee share subscription warrant issuance certificates for NT\$50,000; transfer pricing for NT\$180,000; attesting taxations of the Company and subsidiaries for NT\$230,000; and the attesting the telecom business of the Company and subsidiaries for NT\$60,000.
	Cheng, Hung Kuo					

- (I) When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: None.
- (II) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: None.

VI. Replacement of CPAs: None.

VII. Where the company's chairperson, president, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed: None.

VIII. Any transfer of equity interests and/or pledge of or change in equity interests (during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report) by a director, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.

(I) Information on changes in shares of a director, managerial officer, or shareholder with a stake of more than 10 percent.

Unit: share

Title	Name	2021		2022 until April 9	
		Number of shares held Increase (decreased) by	Shares pledged Increase (decreased) by	Number of shares held Increase (decreased) by	Shares pledged Increase (decreased) by
Director and major shareholder holding more than 10% of the shares	Chunghwa Telecom Co., Ltd.	-	-	-	-
Chairman & CEO	Chunghwa Telecom Co., Ltd Representative: Yen-Hung Wu	30,000	-	30,000	120,000
Director	Chunghwa Telecom Co., Ltd Representative: Hung-Tsan Ma	-	-	-	-
Director	Chunghwa Telecom Co., Ltd Representative: Ming Chung	-	-	-	-
Director	Investar Corporation	-	-	-	-
Director	Representative of Investar Corporation: Chung-He Tai	-	-	-	-
Independent Director	Ling-Tai Chou	-	-	-	-
Independent Director	Dao-Hung Lu	-	-	-	-
Independent Director	Ai-Chun Pang	-	-	-	-
President	Yao-Yuan Liu	8,000	-	15,000	-
Senior Vice President Manager	Ling-Dong Chang	4,000	-	4,000	-
Vice President	Wen-Han Jiang	6,760	-	4,000	-
Vice President	Jing-Hsiang Yen	-	-	-	-
Vice President	Yen Chou	13,000	-	4,000	-
Vice President	Wei-Dong Pan	1,000	-	4,000	-
Vice President	Chien-Chi Liao (Note)	4,000	-	Not applicable	-
Assistant Vice President	Kuo-Lung Chiu	-	-	-	-
Assistant Vice President	Chia-Han Chen	5,750	-	3,750	-
Assistant Vice President	Chin-He Wu	(2,000)	-	5000	-
Assistant Vice President	Bi-Yun Song	3,000	-	3,000	-

Note: appointed to an affiliate as the Group's internal job adjustment on May 1, 2021.

(II) Where the counterparty in any such transfer or pledge of equity interests by a director, managerial officer, or major shareholder is a related party: None.

IX. Information on top ten shareholders and their mutual relationship as spouse or blood relative within the second degree:

April 9, 2022 Unit: Shares

Name	Shareholdings		Shares held by spouses and children of minor age		Shareholding by nominee arrangement		Relationship information, if any of the company's top ten shareholders who is a related party or a relative within the second degree of kinship of another		Remarks
	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage	Name	Relationship	
Chunghwa Telecom Co., Ltd. Representative: Chi-Mao Hsieh	39,425,803	55.78%	-	-	-	-	Chunghwa Investments Co., Ltd.	Subsidiary	
	-	-	-	-	-	-	-	-	
Custody Stichting Depository APG Emerging Markets Equity Mutual Fund Investment Account, JP Morgan Taipei Branch	3,852,000	5.45%	-	-	-	-	-	-	
Chunghwa Investments Co., Ltd. Representative: Jui-Tsang Li	2,078,000	2.94%	-	-	-	-	Chunghwa Telecom Co., Ltd.	Subsidiary	
	-	-	-	-	-	-	-	-	
Hua-Wei Investments Co., Ltd. Representative: Tzu-Hsien Tung	1,823,149	2.58%	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	
Fubon Life Insurance Co., Ltd. Representative: Ming-Hsing Tsai	1,449,000	2.05%	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	
Ni-Lian Ruan	1,381,067	1.95%	123,367	0.17%	-	-	Hui-Chun Tai Ju-Chun Tai	Relative within the second degree	
Hui-Chun Tai	1,323,234	1.87%					Ni-Lian Ruan Ju-Chun Tai	Relative within the second degree	
Entrusted Custody of PineBridge Global Fund - PineBridge Asia Ex-Japan Small Company Equity Fund Investment Account,	1,240,000	1.75 %	-	-	-	-	-	-	

Name	Shareholdings		Shares held by spouses and children of minor age		Shareholding by nominee arrangement		Relationship information, if any of the company's top ten shareholders who is a related party or a relative within the second degree of kinship of another		Remarks
	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage	Name	Relationship	
Standard Chartered Taiwan									
Discretionary investment account of Cathay Life commissioned to Cathay Securities Investment Trust (Taiwan Equities 15)	1,065,000	1.51 %	-	-	-	-	-	-	
Ju-Chun Tai	975,702	1.38%	-	-	-	-	Ni-Lian Ruan Hui-Chun Tai	Relative within the second degree	

- X. The total number of shares and total equity stake held in any single enterprise by the company, its directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the company

December 31, 2021, Unit: thousand shares

Re-investee	Investment by the Company		Investments by directors, supervisors, managerial officers and directly or indirectly controlled enterprises		Total investment	
	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage
Unigate Telecom Inc.	200	100%	-	-	200	100%
Chief International Corp.	200	100%	-	-	200	100%
Shanghai Chief Telecom Co., Ltd.	(Note)	49%	-	-	(Note)	49%

Note: Limited company without shares

## Four. Capital Raising Activities

### I. Capital and shares

#### (I) Source of capital stock:

##### 1. Types of shares issued

April 9, 2022 Unit: Shares

Types of shares	Approved share capital			Remarks
	Outstanding shares	Shares not issued	Total	
Ordinary shares	70,682,381	17,317,619	88,000,000	Shares listed at Taipei Exchange

##### 2. Process of share capital formation

Unit: thousand shares; NT\$ thousands

Year/ Month	Issuance Price (NT\$)	Approved share capital		Paid-in capital		Remarks		
		Shares (thousand shares)	Amount (NT\$ thousand)	Shares (thousand shares)	Amount (NT\$ thousand)	Sources of share capital	Property other than cash provided as capital contributions	Other
January 1991	10.00	2,000	20,000	2,000	20,000	Capital of foundation for NT\$ 20,000	None	Note 1
November 1998	10.00	3,000	30,000	3,000	30,000	Capital increase in cash for NT\$10,000 thousand	None	Note 2
July 1999	10.00	4,250	42,500	4,250	42,500	Capital increase in cash for NT\$12,500 thousand	None	Note 3
October 1999	11.00	5,950	59,500	5,950	59,500	Capital increase in cash for NT\$17,000 thousand	None	Note 4
November 2000	30.00 10.00	7,500	75,000	7,500	75,000	Capital increase in cash for NT\$2,970 thousand Surplus earnings to capital increase for NT\$12,530 thousand	None	Note 5
May 2001	10.00	23,956	239,555	23,956	239,555	Capital reserves to capital increase for NT\$7,640 thousand Surplus earnings to capital increase for NT\$156,915 thousand	None	Note 6
August 2001	30.00	24,456	244,555	24,456	244,555	Capital increase in cash for NT\$5,000 thousand	None	Note 7
February 2002	25.00	50,000	500,000	35,956	359,555	Capital increase in cash for NT\$115,000 thousand	None	Note 8
December 2002	10.00	88,000	880,000	66,684	666,835	Capital increase in cash for NT\$300,000 thousand Surplus earnings to capital increase for NT\$7,280 thousand	None	Note 9
September 2004	10.00	120,000	1,200,000	66,684	666,835	-	None	Note 10
February 2005	10.00	120,000	1,200,000	54,814	548,138	Capital decrease to offset the losses for NT\$118,697 thousand	None	Note 11

Year/ Month	Issuance Price (NT\$)	Approved share capital		Paid-in capital		Remarks		
		Shares (thousand shares)	Amount (NT\$ thousand)	Shares (thousand shares)	Amount (NT\$ thousand)	Sources of share capital	Property other than cash provided as capital contributions	Other
August 2006	10.00	88,000	880,000	54,814	548,138	-	None	Note 12
November 2007	10.00	88,000	880,000	54,701	547,008	Capital decrease to offset the losses for NT\$251,130 thousand Capital increase in cash for NT\$250,000 thousand	None	Note 13
July 2014	14.84	88,000	880,000	55,088	550,878	Employees' bonus to capital increase for NT\$3,870 thousand	None	Note 14
August 2015	10.00	88,000	880,000	60,046	600,457	Surplus earnings to capital increase for NT\$49,579 thousand	None	Note 15
April 2018	34.40	88,000	880,000	61,014	610,137	Employee share subscription warrants for NT\$9,680 thousand	None	Note 15
June 2018	170.0 0	88,000	880,000	68,856	688,556	Capital increase in cash for NT\$78,420 thousand before listed at Taipei Exchange	None	Note 17
February 2018	34.40	88,000	880,000	68,915	689,149	Employee share subscription warrants for NT\$593 thousand	None	Note 18
March 2019	34.40	88,000	880,000	69,331	693,314	Employee share subscription warrants for NT\$4,165 thousand	None	Note 19
December 2019	34.40	88,000	880,000	69,462	694,621	Employee share subscription warrants for NT\$1,307 thousand	None	Note 20
April 2020	34.40 135.6	88,000	880,000	70,225	702,249	Employee share subscription warrants for NT\$7,628 thousand	None	Note 21
January 2021	138.7	88,000	880,000	70,246	702,459	Employee share subscription warrants for NT\$210 thousand	None	Note 22
April 2021	132.7	88,000	880,000	70,460	704,596	Employee share subscription warrants for NT\$2,137 thousand	None	Note 23
January 2022	134.5	88,000	880,000	70,470	704,701	Employee share subscription warrants for NT\$105 thousand	None	Note 24
April 2022	128.7	88,000	880,000	70,682	706,824	Employee share subscription warrants for NT\$2,122.5 thousand	None	Note 25

Note 1: Bei-Shi-Jian-Shang Zhi No. 00295084 by MOEA, dated January 19, 1991.

Note 2: Jian-Yi Zhi No. 87342562 by MOEA, dated November 23, 1998.

Note 3: Jian-Shang-Er Zhi No. 88313309 by MOEA, dated July 30, 1999.

Note 4: Jian-Shang-Er Zhi No. 88338632 by MOEA, dated October 8, 1999.

Note 5: Jian-Shang-Er Zhi No. 89346763 by MOEA, dated November 10, 2000.

Note 6: Jing (89)-Shang Zhi No. 09001179830 by MOEA, dated May 22, 2001.

Note 7: Jing (90)-Shang Zhi No. 09001345350 by MOEA, dated August 29, 2001.  
 Note 8: Jing-Shou-Shang-Zhi No. 09101057350 by MOEA, dated February 18, 2002.  
 Note 9: Jing-Shou-Shang-Zhi No. 09101495310 by MOEA, dated December 10, 2002.  
 Note 10: Jing-Shou-Shang-Zhi No. 09301176690 by MOEA, dated September 15, 2004.  
 Note 11: Jing-Shou-Shang-Zhi No. 09401025420 by MOEA, dated February 16, 2005.  
 Note 12: Jing-Shou-Shang-Zhi No. 09501194490 by MOEA, dated August 30, 2006.  
 Note 13: Jing-Shou-Shang-Zhi No. 09601289970 by MOEA, dated November 26, 2007.  
 Note 14: Jing-Shou-Shang-Zhi No. 10301138270 by MOEA, dated July 10, 2004.  
 Note 15: Jing-Shou-Shang-Zhi No. 10401170500 by MOEA, dated August 13, 2005.  
 Note 16: Jing-Shou-Shang-Zhi No. 10701034760 by MOEA, dated April 10, 2018.  
 Note 17: Jing-Shou-Shang-Zhi No. 10701067220 by MOEA, dated June 27, 2018.  
 Note 18: Jing-Shou-Shang-Zhi No. 10701149970 by MOEA, dated November 29, 2018.  
 Note 19: Jing-Shou-Shang-Zhi No. 10801033070 by MOEA, dated March 25, 2019.  
 Note 20: Jing-Shou-Shang-Zhi No. 10801173740 by MOEA, dated December 2, 2019.  
 Note 21: Jing-Shou-Shang-Zhi No. 10901050850 by MOEA, dated April 7, 2020.  
 Note 22: Jing-Shou-Shang-Zhi No. 10901247670 by MOEA, dated January 15, 2021.  
 Note 23: Jing-Shou-Shang-Zhi No. 11001054110 by MOEA, dated April 9, 2021.  
 Note 24: Jing-Shou-Shang-Zhi No. 11101002690 by MOEA, dated January 7, 2022.  
 Note 25: Jing-Shou-Shang-Zhi No. 11101051810 by MOEA, dated April 11, 2022.

3.Information of shelf registration: Not applicable.

(II) Shareholder's structure

April 9, 2022 Unit: Person/Shares

Shareholder's structure Quantity	Governmental agencies	Financial institutions	Other institutions	Individuals	Foreign institutions and foreigners	Total
Number of shareholders	-	2	44	3,030	87	3,163
Number of shares held	-	2,514,000	44,742,230	14,070,087	9,356,064	70,682,381
Shareholding percentage	-	3.56%	63.30%	19.90%	13.24%	100.00%

(III) Share ownership distribution

1. Ordinary share

April 9, 2022

Unit: Person/Shares

Classification of shareholding	Number of shareholders	Number of shares held	Shareholding percentage (%)
1 to 999	1,027	132,401	0.19
1,000 to 5,000	1,735	2,986,999	4.23
5,001 to 10,000	140	1,066,882	1.51
10,001 to 15,000	77	963,148	1.36
15,001 to 20,000	33	592,347	0.84
20,001 to 30,000	52	1,287,605	1.82
30,001 to 50,000	20	682,148	0.97
40,001 to 50,000	17	774,628	1.1
50,001 to 100,000	24	1,638,448	2.32
100,001 to 200,000	16	2,065,834	2.92
200,001 to 400,000	8	2,032,030	2.87
400,001 to 600,000	4	1,846,956	2.61
600,001 to 800,000	0	-	-
800,001 to 1,000,000	1	975,702	1.38
More than 1,000,001	9	53,637,253	75.88
Total	3,163	70,682,381	100.00

3. Preference share: no preference share is issued by the Company.

(IV) List of Major Shareholders (shareholders with a stake of 5 percent or greater, or shareholders who rank in the top 10 in shareholding percentage)

April 9, 2022

Unit: Shares

Shares	Number of shares held	Shareholding percentage
Name of major shareholder		
Chunghwa Telecom Co., Ltd.	39,425,803	55.78%
Custody Stichting Depository APG Emerging Markets Equity Mutual Fund Investment Account, JP Morgan Taipei Branch	3,852,000	5.45%
Chunghwa Investments Co., Ltd.	2,078,000	2.94%
Hua-Wei Investments Co., Ltd.	1,823,149	2.58%
Fubon Life Insurance Co., Ltd.	1,449,000	2.05%
Ni-Lian Ruan	1,381,067	1.95%
Hui-Chun Tai	1,323,234	1.87%

Entrusted Custody of PineBridge Global Fund - PineBridge Asia Ex-Japan Small Company Equity Fund Investment Account, Standard Chartered Taiwan	1,240,000	1.75%
Discretionary investment account of Cathay Life commissioned to Cathay Securities Investment Trust (Taiwan Equities 15)	1,065,000	1.51%
Ju-Chun Tai	975,702	1.38%

(V) Market share price, net worth, earnings, dividend and relevant information for the most recent two years

Unit: NT\$; thousand shares

Item		Year		As of March 31, 2022	
		2020	2021		
Market price per share	Highest (Note 1)	410.0	356.5	282	
	Lowest (Note 1)	201.5	260.5	262	
	Average (Note 1)	322.81	295.00	272.79	
Net worth per share	Before distribution	42.48	43.92	47.16	
	After distribution	33.63	-	-	
Earnings per share	Weighted-average shares		70,069	70,417	70,508
	Earnings per share	Before retroactive adjustment	8.67	9.75	2.79
		After retroactive adjustment	8.67	- (Note 2)	-
Dividends per share	Cash dividends		8.8	9.3 (Note 2)	-
	Bonus share	Shares from earnings	0	0 (Note 2)	-
		Shares from capital reserves	0	0 (Note 2)	-
	Cumulative unpaid dividends		0	0	-
Analysis of return on investment	Price to earnings ratio		37.23	30.26 (Note 3)	-
	Price to dividend ratio		36.68	31.72 (Note 3)	-
	Cash dividend yield		2.73%	3.15% (Note )	-

Note 1: Source: Taipei Exchange.

Note 2: The 2021 distribution of dividends is to be rectified by the 2022 general shareholders' meeting.

Note 3: Price to earnings ratio = Average closing price per share of the year / EPS;

Price to dividend ratio = Average closing price per share of the year / cash dividend per share;

Cash dividend yield = Cash dividend per share / average closing price per share of the year (2020: NT\$322.81; 2021: NT\$295.00)

(VI) Dividend Policy and Implementation

1. Dividend policy as follows:

Where the Company has pre-tax profit, 3.5% to 6.9% of such profit shall be provided as the employees' remunerations, and no more than 2.3% of such as the

directors' remunerations, and resolved by the majority of the attending directors in the Board meeting attended by two-third or more directors. Where the employees' remunerations are paid in shares or cash, the entitled receivers included the employees of the subordinating companies meeting certain specific requirements.

The proposal to distribute employees' and directors' remunerations in the preceding paragraph shall be reported to a shareholders' meeting. Where the Company has accumulated losses, the amount to offset such losses shall be reserved in advance, and then the employees' and directors' remunerations shall be provided as the percentage specified in the preceding paragraph.

Where the Company have surplus profit after settling the annual accounts, it shall cover its losses and pay all taxes and dues, set aside ten percent of such profits as a legal reserve, and then set aside or reverse the special reserve. However when the legal reserve amounts to the authorized capital, this shall not apply. Should there be any remaining profit, with the accumulated undistributed earnings, at least 50% of such balance shall be distributed as the shareholders' dividends.

For the amount of earning distribution, type and percentage of dividends in the preceding paragraph, the Company may make adjustment based on the current and future investment environment, capital demands, domestic and global competitions, and capital budgets while considering the shareholders' interests and the actual profit, capitals of the year; the distribution is made upon the resolution adopted in the shareholders' meeting

Other than the aforesaid regulations for earning distribution, the distribution of shareholder bonus for the year may be in the form of share or cash dividends, of which, the cash dividends shall not be less than 50% (inclusive) of the total amount of dividends.

## 2. Dividend distribution proposed to this shareholders' meeting

For the proposal of 2021 earning distribution, on February 17, 2022, the Board proposed to distribute the cash dividend of NT\$8.7 per share, or NT\$614,937,000; pursuant to Article 241 of the Company Act, it was proposed to distribute cash from the capital reserves with a premium over the par value of ordinary shares. On February 17, 2022, the Board proposed to distribute the cash dividend of NT\$0.6 per share, or NT\$42,409,000; as the total, NT\$9.3 per share will be distributed. The proposal will be submitted the shareholders' meeting on June 7, 2022 for rectification.

### (VII) Impact of proposed bonus shares on operating performance and EPS:

The proposal of earning distribution resolved in the Board meeting on February 17, 2022 does not include the share dividend distribution, and thus the operating performance and EPS are not impacted.

### (VIII) Remunerations to employees and directors

1. Employees' and directors' remuneration percentage or range as stated in the Articles of Incorporation:

Please refer to the description of the aforesaid "(VI) 1. Dividend Policy."

2. The basis for the estimation of the amount of remuneration of employees and directors in the current period, and the accounting treatment if there is a difference between the estimated amount and the actual bonus paid in shares or cash:

The employees' and directors' remunerations are estimated every year in accordance with the "Articles of Incorporation" and the Company's "Key Points for Implementing Employees' Remunerations" by taking into account of the past experience and the amount that may be paid in the future for calculation. After the end of the year, if there is a significant change in the amount of distribution approved by the Board before the date of approval and issuance of the annual financial reports, the changes shall be adjusted to the original provided annual expense. Any adjustment after such dates are accounted in the following year, treated as the accounting estimate changes.

3. Remuneration distribution approved by the Board of Directors' meeting:

- (1) Amount of distributed employees and directors' remunerations, in cash or share. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment:

On February 17, 2022, the Board approved the distribution of remuneration to employees and directors. The remuneration of directors and employees will be fully distributed in cash, for NT\$3,360,000 thousand as directors' remunerations, and NT\$63,366 thousand as employees' remunerations. There is no difference from the annual estimates of recognized expenses.

- (2) The amount of any employees' remunerations distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employees' remunerations:

The 2021 employees' remunerations are all paid in cash, and thus there is no such situation.

4. The actual distribution of employees' and directors' remunerations for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employees' and directors' remunerations, additionally the discrepancy, cause, and how it is treated:

The 2020 employees' remunerations of NT\$56,107 thousand and directors' remunerations of NT\$3,162 thousand are not discrepant from the yearly estimate amount of the recognized fees.

(IX) Status of a company repurchasing its own shares: None.

- II. Issuance of corporate bonds: None.
- III. Issuance of preferred shares: None.
- IV. Issuance of global depository receipts: None.

V. Employee share subscription warrants:

- (I) Unexpired employee share subscription warrants issued by the company in existence as of the date of publication of the annual report, and the effect of such warrants upon shareholders' equity.

April 9, 2022; Unit: NT\$ thousand; shares

Types of employee share subscription warrants	2017 employee share subscription warrants	2017 employee share subscription warrants
Effective date of filing	December 18, 2017	December 18, 2017
Date of issuance	December 19, 2017	October 31, 2018
Duration	Five years	Five years
Units issued	950 units (1,000 shares/unit)	50 units (1,000 shares/unit)
Ratio of the issued shares may be subscribed to the total issued shares (Note 2)	1.34%	0.07%
Duration of subscription	December 19, 2019 to December 18, 2022	October 31, 2020 to October 30, 2023
Method of contract performance	Issuance of new ordinary shares	Issuance of new ordinary shares
Restricted subscription period and ratio (%)	50% for two full years; 75% for three full years; and 100% for four full years	50% for two full years; 75% for three full years; and 100% for four full years
Obtained shares executed	874,500 shares	31,500 shares
Amount of subscribed shares executed	NT\$116,498 thousand	NT\$4,325 thousand
Unexecuted subscription (Note 3)	1,000 shares	10,500 shares
Subscription price per share for these who not yet subscribe	NT\$128.7 (Note 1)	NT\$134.5 (Note 1)
Ratio of the unexecuted subscription quantity to the total issued shares (%)	0.001%	0.015%
Impact on shareholders' equity	The share subscription warrants are for retaining the talents needed by the Company, motivate employees and enhance their loyalty, seeking to create the interests of the Company and shareholders together. The percentage of the number of unexecuted shares to the total number of issued shares is 0.001%, which will not significantly impact the dilution of equity.	The share subscription warrants are for retaining the talents needed by the Company, motivate employees and enhance their loyalty, seeking to create the interests of the Company and shareholders together. The percentage of the number of unexecuted shares to the total number of issued shares is 0.015%, which will not significantly impact the dilution of equity.

Note 1: The original subscription price per share was NT\$147; provided due to the distribution of cash

dividends in previous years, the subscription price per unit was adjusted pursuant to the “Regulations Governing 2017 Employee Share Subscription Warrant Issuance and Subscription.”  
 Note 2: Based on the total issued shares of 70,682,381 shares as of March 31, 2022.  
 Note 3: The unexecuted subscription is the shares less the cancelled shares

April 9, 2022; Unit: NT\$ thousand; shares

Types of employee share subscription warrants	2020 employees' share subscription warrants
Effective date of filing	September 16, 2020
Date of issuance	November 13, 2020
Duration	Five years
Units issued	200 units (1,000 shares/unit)
Ratio of the issued shares may be subscribed to the total issued shares (Note 2)	0.28%
Duration of subscription	November 13, 2022 to November 12, 2025
Method of contract performance	Issuance of new ordinary shares
Restricted subscription period and ratio (%)	25% for two full years; 50% for three full years; and 100% for four full years
Obtained shares executed	0 shares
Amount of subscribed shares executed	NT\$0
Unexecuted subscription	194,000 shares
Subscription price per share for these who not yet subscribe	NT\$199.7 (Note 1)
Ratio of the unexecuted subscription quantity to the total issued shares (%)	0.274%
Impact on shareholders' equity	The share subscription warrants are for retaining the talents needed by the Company, motivate employees and enhance their loyalty, seeking to create the interests of the Company and shareholders together. The percentage of the number of unexecuted shares to the total number of issued shares is 0.274%, which will not significantly impact the dilution of equity.

Note 1: The original subscription price per share was NT\$206; provided due to the distribution of cash dividends in 2021, the subscription price per unit was adjusted pursuant to the “Regulations Governing 2017 Employee Share Subscription Warrant Issuance and Subscription.”

Note 2: Based on the total issued shares of 70,682,381 shares as of March 31, 2022.

Note 3: The unexecuted subscription is the shares less the cancelled shares.

(II) Names of managerial officers holding employee share subscription warrants as of the date of publication of the annual report, and the names of the top ten employees holding employee subscription warrants authorizing purchase of the most shares, along with the cumulative number of warrants exercised by these ten employees, as of the date of publication of the annual report

April 9, 2022; Unit: thousand shares; NT\$ thousand; %

	Title	Name	Quantity of obtained subscription	Ratio of the obtained subscription quantity to the total issued shares	Executed				Not executed			
					Subscription Quantity	Subscription Price	Subscription Amount	Ratio of the subscription quantity to the total issued shares	Subscription Quantity	Subscription Price	Subscription Amount	Ratio of the subscription quantity to the total issued shares
Managerial officers	CEO	Yen-Hung Wu	291 54	0.41% 0.08%	291 0	128.7 199.7	37,451.7 0	0.41% 0%	0 54	128.7 199.7	0 10,783.8	0 0.08%
	President	Yao-Yuan Liu										
	Senior Vice President	Ling-Dong Chang										
	Vice President	Wen-Han Jiang										
	Vice President	Yen Chou										
	Vice President	Jing-Hsiang Yen										
	Assistant Vice President	Chia-Han Chen										
	Assistant Vice President	Bi-Yun Song										
	Assistant Vice President	Chin-He Wu										
	Assistant Vice President	Kuo-Lung Chiu										
Employee	Employee	Da-Ren Wu	130 12	0.18% 0.02%	130 0	128.7 199.7	16,731 0	0.18% 0%	0 12	128.7 199.7	0 2,396.4	0 0.02%
	Employee	Feng-Tai Liu										
	Employee	Mei-Ling Lai										
	Employee	Shi, Xu-An										
	Employee	Che-Ping Su										
	Employee	Sheng-Chi Lin										
	Employee	Hung-Yi Lin										
	Employee	Chao-Chih Huang										
	Employee	Wei-Yi Wang										
	Employee	Chia-Ling Hsu										

VI. New restricted employee shares: None.

VII. Issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies: None.

VIII. Implementation of the company's capital allocation plans: None.

## Five. Overview of business operations

### I. Description of the business

#### (I) Scope of business

1. The Company's major lines of business: the Company operates the services for the telecom general business and special business; the major business lines include the IDC data center services, data network services, voice communication services, and cloud application services.

#### 2. The relative weights of major products

Unit: NT\$ thousand

Product item	Year	2020		2021	
		Net amount of operating revenue	Weight (%)	Net amount of operating revenue	Weight (%)
Data network services		1,219,840	47.56%	1,308,608	46.72%
IDC data center services		745,665	29.07%	823,638	29.40%
Cloud application services		346,981	13.53%	429,287	15.33%
Voice communication services		252,163	9.84%	239,513	8.55%
Total		2,564,649	100.00%	2,801,046	100.00%

#### 3. Current products (services)

Product name	Major usage or function
IDC data center services	Including services of co-location, private cage and open rack services, power services, and remote hand outsourcing management.
Data network services	Including services of virtual private network, internet access, data center cross-connection, leasing of domestic and global circuit and bandwidth.
Voice communication services	Including ISR voice wholesales, enterprise voice cost-saving, 070 VoIP, 070 cloud PBX, 070 App commercial application, among other services.
Cloud application services	Including services of virtual machine, big data marketing applications, IoT industrial application, enterprise commercial applications, information security applications, cloud-based storage, cloud-based video conferences, public cloud direct connect, enterprise hybrid clouds, cloud-based exchange platforms and smart health cloud.

#### 4. New products (services) planned for development

- A. The Company has successfully combined the global cloud-based services providers (AWS, Microsoft, Google, Oracle, IBM, etc.) via the cloud exchange platform, the hybrid cloud-based direct link services are provided to enterprises. Later, the Company will continue to enhance the cloud exchange platform to satisfy needs to various cloud-based application services of enterprises under the multi-cloud environment.
- B. To respond to the domestic needs of enhancing health, the Company launched the smart health cloud service in 2020. Via the push notification, chart display, and intelligent dialogues, the services of collection, analyzing and feedbacking personal health data with the personal health dashboard in the Health Cloud Mobile App are provided, for the purpose of health enhancement. The Company will continue to improve the services and functions of the smart health cloud by integrating the health cloud platform with various vertical and horizontal professional partners and fields, for actively promoting the health enhancing services.
- C. Responding to the development trends of network services, the SDWAN network service structure is introduced to meet the customers' needs to network services.
- D. Continuous expansions of network backbones among Taipei, Hong Kong, Singapore, and Japan, with the submarine cables of more than 600G bandwidth, for the overseas services. Also to responding the positioning of Taiwanese companies, the network service coverage has been extended continuously, to various Southeast Asian countries (including India, the Philippines, Vietnam, Thailand, Indonesia, and Malaysia).

#### (II) Industry Overview

##### 1. Current status and development of the industry

The communication industry, i.e. the telecom industry, refers to all service sectors that sending, transmitting or receiving signs, signals, texts, images, voice/sound, or the messages of other natures via wiring, radio, optical, electromagnetic systems or other technological products.

Human beings naturally have a strong demand to communication. Pigeon posts, beacon-fire, and the stagecoach courier system in ancient China are the early forms of communication. As the civilization and technologies advance, the communication and message-transmission also evolves. Since the first telegram in 1884, and the first connection of the telephone by Bell in 1876, the foundation of the modern communication industry was commenced. With the increasingly active global commercial and civil exchanges, and the improving life quality, consumers have sought the more diversified communication services. The liberalization of telecommunication accelerates the progressive changes of industries, and the internet enriches the communication contents that have developed diversely from

“voice” to “data” and “images” gradually. The technological advances of digital signal processors (DSP) and very-large-scale integrations (VLSI) have lowered the production costs, refined the utilization and penetration of communication devices. Currently, the focuses of communication development are on the real-time and convenient wireless applications, and adding more bandwidth to relieve the increasing congestion. Once the infrastructure installation becomes mature, the contents and methods of future communication applications will present the faces that have never been seen before.

Before the 1990s, the mainstream of communication contents was analogue voices. As the internet emerged, the transmitted contents have been diversified. The texts, images, file transfer in the digital format have had greater needs gradually, with increasingly important positions. Meanwhile, the communication industry also has developed robustly, with emergences of various wired and wireless products and services like mushrooms after rain, and thus the scope the whole communication industry has been expanded, too. After 1990s, the wireless services have flourished. The 3rd generation (3G) services are the 3G mobile communication services mainly focusing on the broadband multimedia services, and the key of roaming globally with one device in hand. In 2010, the mobile communication entered the 4G broadband era. With the fast speed and low latency of 4G transmission, the new application development such as high-speed internet connection, high quality digital contents, clouds, e-commerce were promoted, which in turn have changed the development format of various industries, and resulted the inseparable integration of people’s lives and mobile communications.

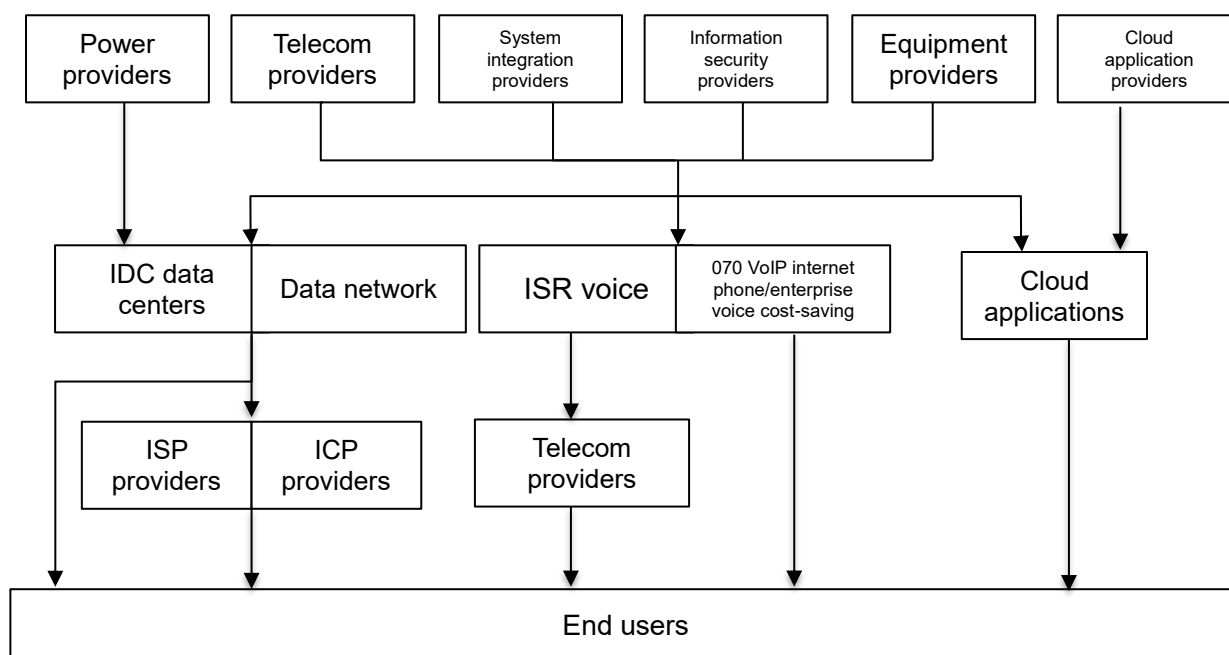
Currently, the domestic mobile providers have launched 5G commercial network that greatly enhances the bandwidth for the internet access. The technologies and services of Internet of Things (IoT) and blockchain also have been innovating. For the development of the cloud industry, based on the “Worldwide Public Cloud Services End-User Spending Forecast” released by Gartner, during 2019 to 2022, the cloud service sector would have an exponential growth with a CAGR of 16%. The multi-cloud services of enterprise hybrid clouds and public clouds have become the industrial development trends. The launches of various cloud-based services also bring market challenges and opportunities to providers.

## 2. Links between the upstream, midstream, and downstream segments of the industry supply chain

The upstream of the telecom service industry consists of mainly the network equipment providers, content providers, network installers, system software providers, i.e. the companies installing the physical wires of landlines, or physical wireless base stations for the operations of telephone or the internet. The

midstream are mainly the telecom providers who provide the downstream network telecom services with the equipment provided by the upstream; and the downstream is the general consumers. Based on the four major products/services of the Company, the links between the upstream, midstream, and downstream segments are as follows:

Products/services	Links between the up- and downstream segments
IDC data center services	Lease building space from upstream real estate owners and apply for power utilization from Taipower, while building data centers through system integrators and equipment suppliers, and partnering with information security providers to enhance the safeguard security mechanisms, to provide downstream customers with the IDC data center leasing and related value-added services.
Data network services	Rent and purchase circuits and the internet bandwidth from domestic and global upstream telecom providers, and build the networks through system integrators and equipment suppliers, and partnering with information security providers to enhance the safeguard security mechanisms, to provide downstream customers with the data network leasing and related value-added services.
Voice communication services	<ol style="list-style-type: none"> <li>1. Global voice exchange: The telecom providers play the roles of upstream and downstream for each other, and provide the global call transfer to different destinations, with high-quality voice bypass routing and tariffs for the sales of voice calls.</li> <li>2. Internet telephone service: Build the internet telephone service system through system integrators and equipment suppliers, and lease circuits from upstream telecom providers to interface with the telecom providers' voice exchanging systems for the internet telephone connection, providing downstream customers with the internet telephone service.</li> </ol>
Cloud application services	Purchasing relevant software and hardware equipment from upstream system integrators, equipment suppliers, information security providers, and cloud-based virtual operating software suppliers, building a cloud-based service platform, and combining cloud-based operating software developers and Cloud service providers provide downstream customers with relevant cloud application services.



Source: compiled by Chief Telecom Inc.

### 3. Development trends and competition for the Company's products.

#### A. IDC data center services:

- (a) As applications of the compact and power-consuming blade servers penetrate increasingly, the cabinets with high power consumption and the remote outsource management services on behalf of customers will be the future development trends.
- (b) In response to the emergence of environmental awareness, green energy data centers with high power-saving efficiency will also be the development trend of IDC data centers in the future.

#### B. Data network services:

- (a) Due to the vigorous development of broadband network applications, non-voice communication services have been greatly improved, provisions of high-quality internet transfer services with high-availability main and backup network systems and multiple bypass routes will become the future development trend.
- (b) The platform technology of the new-generation network virtualization (Software Defined Networking, SDN) is to change the network structure and functions through software, enabling the network for freer control and management. Therefore, communication providers and enterprises may utilize the network infrastructure more efficiently, and even reduce equipment maintenance costs via this technology.
- (c) The vigorous development of the internet has resulted in the increasing demand for using URLs. In the future, IPV4 URLs may not be short. Therefore, IPV4/IPV6 URL conversion services may appear in the communication market.

#### C. Voice communication services:

The demand for value-added voice application services is increasing every day, and the 070 commercial mobile application providing the 070 VoIP, 070 cloud PBX and message transmission, file transmission, chat room, data fax, and conference call will be the future development trend.

#### D. Cloud application services:

With the increasing penetration of information applications, to meet the needs of cross-enterprise and cross-regional information exchange, the cloud-based applications emerge. Taking the cloud-based technologies as the core of development, while through the partnership and profit sharing model of cloud ecological symbiosis, with cloud-based operation software developers and cloud-based service providers combined, the Company provides various cloud-based services, including virtual host, enterprise hybrid clouds, big data marketing applications, IoT industrial applications, enterprise commercial applications, information security applications, cloud-based storage, cloud-based video conferences and cloud-based exchange platforms, among other services. The CCX cloud-based exchange platform built by the Company will combine with global major cloud-based service providers, to provide enterprise hybrid cloud direct link services, meeting the needs of enterprises for various cloud-based application services under a multi-cloud environment.

### 4. Product competitions

#### A. Comparison of products from main competitors

- (a) The IDC service provided by our company has become the first choice for international companies to set up their service PoPs in Taiwan because of its carrier neutral position and industry clustering effect. Compared with other competitor's general IDC colocation service, the company's market positioning is clearly differentiated.
- (b) The data network service provided by the Company is mainly for the virtual private network and internet-related transfer services for Taiwanese enterprise customers on both sides of the strait. Although there are many competitors, the Company has been positioning for the network business of the enterprise customers both in Taiwan and China for many years, with rich operating experience and long-term partners in the mainland, so the Company has a certain degree of market competitiveness.
- (c) The 070 VoIP service provided by the Company offering the numbers issued by NCC and may be dialed in and out from both directions. Through the Chief 070 App, various mobile devices may be used. Customers may enjoy the convenient service of the 070 mobile one number for all, and other functions such as text

message transmission, file transmission, group chats, chat room, data fax, conference phone via the wireless connection. This is greatly different from the fixed network landline services provided by common telecom providers and other internet telephone services without telephone numbers (e.g. Skype, Line, or Messenger). In addition, Chief 070 cloud PBX service may save the procurement and maintenance costs of enterprise customers' hardware switches, and also provides very competitive telephone tariffs, which has been adopted by many enterprise customers.

- (d) The Company builds its own cloud-based service platforms, with cloud-based operation software developers and cloud-based service providers combined, via the partnership of co-exist and co-prosperity cloud ecosystem, the Company provides various cloud-based services, including virtual host, cloud-based storage, enterprise hybrid clouds, big data marketing applications, IoT industrial applications, enterprise commercial applications, information security applications, and intelligent health.
- (e) The cloud exchange platform established by the Company (CCX, Chief Cloud eXchange), combined the global cloud-based services providers (AWS, Microsoft, Google, Oracle, IBM, etc.) consecutively. Via the cloud exchange platform, the hybrid cloud-based direct link services are provided to enterprises to satisfy needs to various cloud-based application services of enterprises under the multi-cloud environment.

#### B. Possible competitors entering the market in the future

The telecom industry is a technology-intensive industry with highly concentrated markets, and under the strict regulations of the competent authorities, so the enter barrier is rather high.

As the telecom service market in Taiwan is approaching saturation, the Company not only strengthens and maintains close relationships with the existing customers, but also actively improves product functions and competitiveness, establishes differentiated service features, and aggressively expands new customers to respond to competitors that may join in the future.

### (III) Overview of the company's technologies and its research and development work

#### (1) Technologies and its research and development

##### A. Technologies of the businesses operated

The telecom services provided by the Company are mainly IDC data center services, data network services, voice communication services and cloud-based application services, by procuring the circuits, bandwidth and switching equipment

from upstream telecom providers and equipment suppliers, to construct a telecom service system, rather than a general manufacturing or technology research and development company simply seeking the development of new products or new technologies. The Company integrates its own communication facilities, existing communication technologies, communication protocols and equipment, to provide customers with a complete and stable telecom network service platform, and form a telecom cluster effect with a certain economic scale. This integrated service process relies on the communication know-how and experience of the Company's technical personnel, oriented by markets, to provide customers with the best communication solutions and communication quality commitments. The Company is also different from the general telecom industry. Based on the current market needs, the Company invests significant resources to build related network hardware facilities and equipment, and cooperate with the evolution of the existing latest network equipment and the latest communication technologies, to provide customers with customized services and lower their communication operation costs, while achieving the Company's goal of long-term table profit.

#### B. Research and development work

The company began to invest the product development of "Chief i-Health" smart health cloud in 2018 and launched in 2019. "Chief i-Health" can collect dynamic data related to personal health through various channels, which includes smart phones, wearable devices, measurement devices, exercise records, diet records and input of health examination reports. After the health data is analyzed by the big data cloud computing and the health engine, it can be fed back to the users of the health app through message push broadcast, chart display, intelligent dialogue, and provide members with exercise suggestions and dietary suggestions to achieve their health goal. Chief Health Cloud integrates various professional partners and related application fields vertically and horizontally to jointly create an ecosystem of health promotion related industries via Chief Telecom platform.

- (2) Research and development expenses input during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

Unit: NT\$ thousand

Item/Year	2021	As of March 31, 2022
Research and development expenses	0	2,991
Net amount of operating revenue	2,801,046	749,752
Ratio of research and development expenses to net amount of operating revenue (%)	0%	0.40%

- (3) Technologies and/or products successfully developed during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: the intelligent health cloud app “Chief i-Health.”

(IV) Long- and short-term business development plans

1. Short-term business development plans

- (1) Taking advantages of the IDC data center as the telecommunication neutrality and customer cluster effect, the data center space is expanded based on business needs, for getting more domestic and foreign customers to occupy continuously.
- (2) To respond to the broad application of high-density blade servers, a special area for high-power consuming electrical cabinets will be constructed in the data center to meet customers’ needs for high power consumption.
- (3) Actively striving for customers to access the Company’s internet to increase the information exchange volume, and planning to add internet service nodes overseas to enhance operation value.
- (4) Strengthening the functional items of value-added voice application services, and promoting the Company’s 070 commercial mobile app, to meet the needs of corporate customers for voice communication services, such as voice, text messages, file transfer, group chats, chat room, data fax, conference calls, among other things.
- (5) Getting customers to join the CCX cloud-based exchange platform, and connect to the cloud platforms of global major cloud-based service providers through dedicated links, to meet the enterprises’ needs for various cloud-based application services under a multi-cloud environment.
- (6) Expanding the market of the smart health cloud service; via the horizontal integration in the sector, the services of collection, analyzing and feedbacking personal health data are provided with the health enhancing mobile app services.

(7) Enhancing the cooperation with information security providers (TrendMicro, F5), and incorporate the network information security solutions into the purchase options of customers' one-stop shopping service.

## 2. Long-term business development plans

(1) Expanding the advantages of IDC data center with telecommunication neutrality and customer clustering effect, seeking to enable the Company's IDC data center to be developed into a telecom hub in East Asia, serving as a submarine cable exchange center, an internet exchange center, a voice exchange center and a cloud-based exchange center.

(2) Investing in the fourth IDC data center to meet the expansion needs of existing customers and attracting new customers. The newly built IDC data center is expected to be availed for commercial services in 2024, to ensure the Company's market leadership in telecom neutral data centers.

(3) Signing IDC strategic alliances with network and data center service providers in East Asian countries, to increase the backbone bandwidth of the submarine cables and extend overseas service nodes, expand the coverage of network services, and become a key partner for the overseas investment planning of enterprises.

(4) Developing and promoting value-added cloud-based application services, and becoming a key provider of enterprise cloud-based commercial app application services. Continuing to strengthen the functions of the CCX cloud-based exchange platform, combining resources like local clouds and global clouds, to provide the best cloud-based service solutions for enterprises, and develop Chief into a cloud business application center.

## II. Overview of market, production and marketing

### (I) Market analysis

#### 1. Geographic areas where the main products (services) of the company are provided (supplied)

Unit: NT\$ thousand

Sales area/Year	2020		2021	
	Sales amount	% to revenue	Sales amount	% to revenue
Domestic sales	1,676,046	65.35%	1,917,384	68.45%
Export	888,603	34.65%	883,662	31.55%
Total	2,564,649	100.00%	2,801,046	100.00%

#### 2. Market share

The Company is a professional telecom service provider, mainly providing IDC data center services, data network services, voice communication services and

cloud-based application services. With multiple years hard working in the industry, the Company has certain accomplishment with stable growth of revenue every year. Regarding the market share analysis, due to the large number of telecom providers and their different business scopes, there are currently no valid statistics, for fair and objective market share figures.

3. Demand and supply conditions for the market in the future, and the market's growth potential

In the future, the demand for telecom-neutral IDC data center services will continue to grow. Currently, many domestic providers continue to invest in the construction of data centers and avail them for commercial use one after another. Broadband application services are booming, and the potential of internet transfer services will be greatly enhanced in the future. The enterprises' demand for voice cost-saving and value-added voice application services will drive the growth of internet telephone services. The 070 VoIPe service with NCC-issued numbers that may be dialed in and out for both directions, will have a promising future market growth. Furthermore, the adoption of multi-cloud architecture by enterprises has become the development trend of the cloud-based service industry, satisfaction of the enterprises needs for various cloud-based applications under a multi-cloud environment will become the momentum of the cloud business growth.

4. The Company's competitive advantages

A. Providing complete enterprise information communication solutions to meet the needs of customers for one-stop shopping.

Customers' demands for telecom services are increasingly diversified. Other than providing services such as data center service network, voice and cloud-based value-added services, the Company also has Taipei Submarine Cable Exchange Center, Taipei Voice Exchange Center, and Taipei Internet Exchange Center, acting as an exchange center operator, and providing submarine cable interface and network and communication exchange, interconnection or trading for domestic and foreign telecom providers, for the needs and convenience of one-stop shopping.

B. Professional and neutral East Asia telecom hub center with clustering effect

The Company is a telecom company obtained ISO 27001 and ISO 27011 information security management certification. Its IDC data centers are equipped with 99.999% power design and backup systems, SOC information security safeguard, as well as the main landing port for global submarine cable providers, enabling the Company to become a telecom hub in East Asia; meanwhile, it has the telecom neutrality, clustering a large number of domestic and foreign internet service providers, submarine cable providers, fixed network providers and global cloud-based service providers, for providing customers with fast and highly

flexible services with multi-party interconnection, so it has become the first option for foreign companies to enter Taiwan. The Company's cloud-based services have also passed ISO 27017 and ISO 27018 global certifications. In addition, the Company's TPIX Taipei Internet Exchange Center is a national critical infrastructure, and has passed the relevant assessment of the national critical infrastructure protection drill by the National Communication Commission.

#### C. Professional technical and service capabilities

The Company has a wide range of network and related products, and may provide consulting, management, planning, building and introduction of business solutions, strengthen the infrastructure and application requirements of enterprise network information, for the best performance. In the regard of professional, high-level officers are all well qualified, and employee training sessions are held from time to time, to keep employees' skills up to date and provide customers with the best service quality.

### 5. Positive and negative factors for future development

#### A. Positive factors

(a) The emerging new types of networks create a large demand for mobile data traffic

The Internet of Things, audio and video, virtual reality (VR) and various new forms of information consumption and entertainment, require increasing data transmission rate and traffic. The Internet of Things (IoT) and 5G network are regarded as the two major wireless communication trends in the future: there are nearly 1.4 million small- and medium-sized enterprises in Taiwan, accounting for more than 97% of all enterprises. Currently, Industry 4.0 is actively promoted. In the environment of IoT, where machines and machines are connected through the network, creating more network demands. It is expected that the demand for mobile data network in Taiwan will be more urgent in terms of traffic, bandwidth and network stability, and the inherent business opportunities include communication links, cloud-based data analysis, among other things. Therefore, it is expected that in the future, the Company's revenue from data network services will increase with the increase in end-use demands.

(b) The cloud has become the main tool for enterprise's storage and computing data to drive the demand for network traffic

Cloud-based service providers offer global customers more options for storing data, and optimize the efficiency of cloud-based services. This trend makes many customers willing to close their physical data centers, and move

to full cloud-based services, or move their most important enterprise services to IaaS. The Company provides cloud data centers with rich IDC data centers and telecom resources, meeting the needs of cross-enterprise and cross-regional information exchange, while providing cloud computing platform services, enterprise cloud-based commercial applications, enterprise cloud-based storage services, cloud-based information security services, and enterprise hybrid cloud. It will become a major driving force for the Company's business growth in the future.

(c) The gradual globalization of the telecom market

Although the telecom service market is gradually globalized, basically telecom providers are still regulated by the competent authorities of the countries in each region. Nonetheless, the degree of control varies from country to country. In terms of service content, the Company's main customer base is global customers (global telecom providers, global submarine cable providers, global information content service providers, global website service providers, and global cloud-based service providers), and the Company's data centers are the main choice for foreign operators when entering Taiwan. The more open, liberalized, and globalized telecom services in Taiwan are, the more opportunities for foreign companies to come to Taiwan, implying that Chief Telecom will have greater business opportunities to serve these foreign companies. Therefore, in terms of service content, the globalization of telecom in Taiwan is very positive for the Company.

B. Negative factors and countermeasures

(a) Negative factors

I. Regulations liberalization resulting in more potential competitors.

As the current blurring of the boundaries between network operators and telecommunication providers, e.g. LINE's voice calling and Facebook's online calling function, they are considered a part in the new type of telecom industry while not belonging to the traditional telecom industry. On July 1, 2020, the Telecommunications Management Act took effect, changing the previous system of permit issuing for the telecom industry to the registration system. The monopolistic franchise of the Category I telecom operators and the permit-issuing system for Category II have been broken. In the future, with the lowered barrier when only registrations are required, it is possible more competitors will wish to share the telecom market.

Countermeasures

In the third quarter of 2021, the Company has submitted documents to the competent authority, the National Communication Commission, to complete the telecom transition. Currently, the Company has the advantage of being an early player in the telecom service market. Even the regulations allow the competitions, the participation of other providers may not result in the loss of existing customers, because that the exchange of network traffic requires both parties to be in the same network exchange center. Therefore, once the number of customers accumulates, there will be a clustering effect. Now several renowned domestic and foreign companies have chosen the Company as their network node in Taiwan, which creates a high entry barrier. To maintain its existing competitive advantages, the Company is also actively developing new businesses, including providing abundant and complete cloud-based services, ranging from virtual hosts, cloud-based data centers, private clouds, VoIP integration, cloud storage integration, cloud-based commercial applications, to cloud dynamic password authentication, seeking to meet more diversified needs of customers.

## II. Price-cutting competitions resulting in low profit

Although mobile data usage in Taiwan has been increasing year by year, according to NCC's statistics on Taiwan's mobile data market revenue, the overall mobile data market revenue tends to a slight downward trend. It is because the major telecom operators in Taiwan have the price-cut competition with the flat-rate plans. The average price per GB in Taiwan is about \$2, which is significantly lower than the average price \$7 per GB or more in Korea and Japan. According to the statistics, more than 60% of users will download videos more frequently due to the flat rates, which results in the high mobile data network usage in Taiwan with declined unit profits. The mobile network all-you-can-eat program also directly or indirectly increases the traffic volume of the internet access service. However, the wholesale price of the internet access service has been reduced year by year in recent years, and the market competition is fierce. Both the revenue and profitability of the internet access service were affected.

### Countermeasures

For data network services, other than providing preferential tariff solutions, the Company also actively enters the cloud market to seek a blue ocean market with higher gross profits. Currently, it has cooperated with the Ministry of Economic Affairs to successfully develop a domestic cloud data center, providing a cloud marketplace for cloud operators in

Taiwan to integrate the energy of the cloud operators in Taiwan, thereby attracting a large number of SaaS providers; in addition, Chief Telecom also cooperates with a number of system service providers, to help partners to promote cloud services, so that Taiwanese SMEs may enjoy safe and high-quality cloud services. In addition, the Company has also established the CCX cloud exchange platform, which combines local cloud and global cloud resources to provide the best cloud service solutions for enterprises and thus develop Chief to become a cloud-based commercial application center. The cloud-based application services market is actively expanding to increase the proportion of cloud-based application service in the revenue, for pursuing the goal of dual growth of revenue and profit.

### III. Coming shortage of IDC data centers

Currently, the internet users are getting more and more accustomed to the video and audio transmission. In the future, to meet the network traffic demand of end users, enterprises must increase their own network bandwidth and larger data storage space; the space in the Company's existing data center is nearly full. If companies need more data center space in the future, the supply may be slower than the demand.

#### Countermeasures:

Other than the expectation that some levels of the leased building will be retrieved for the Company's use in the future, it is also actively seeking the customers who have mainly external connection to the internet as tenants, for improving the operating efficiency of the data centers. The construction of the fourth LY2 IDC data center at Jiuzhong Road is underway, and it is expected that commercial services will be provided in 2024 to meet the needs of future IDC business growth.

(II) Usage and manufacturing processes for the company's main products.

1. Key usage of main products

Product name	Major usage or function
IDC data center services	Including services of co-location for telecom operators and enterprises, private cage and open rack services, power services, and outsourcing management, to provide customers with high-quality data center services.
Data network services	Including services of enterprise-specific virtual network, accesses to the internet, data center cross-connection, leasing of domestic and global data circuit and bandwidth, to meet customers' needs for the network services.
Voice communication services	Including ISR voice wholesales, enterprise voice cost-saving, 070 VoIP internet phone, 070 cloud PBX, 070 App commercial application, among other services.
Cloud application services	Including services of virtual machine, big data marketing applications, IoT industrial application, enterprise commercial applications, information security applications, cloud-based storage, cloud-based video conferences, public cloud direct connect, enterprise hybrid clouds, and cloud-based exchange platforms.

2. Manufacturing processes for the company's main products

A. IDC data center services: The Company mainly leases building space from upstream real estate owners, and purchases equipment from upstream electromechanical and air-conditioning equipment suppliers, to build IDC data centers, and provides IDC data center leasing and related value-added services to downstream distributors or customers.

B. Data network services: The Company mainly leases and purchases circuits and internet bandwidth from domestic and foreign upstream telecom providers, and purchases equipment from upstream transmission and network equipment suppliers, to build the network service systems, providing downstream distributors or customer data network rental and related value-added services.

C. Voice communication services:

(a) Global voice wholesales: The telecom providers play the roles of upstream and downstream for each other, and provide the global call transfer to different destinations, with high-quality voice bypass routing and tariffs for the exchange of voice calls, for the win-win purpose.

(b) Enterprise voice cost-saving: providing cost-saving services of voice communications to enterprise customers.

(c) 070 VoIPe service: the Company purchase equipment form upstream telephone equipment suppliers to build the internet telephone service system, and lease circuits from upstream telecom providers to interface with the telecom providers' voice exchanging systems for the 070 VoIPe connection, providing downstream distributors or customers with the internet telephone service.

D. Cloud application services: The Company purchases relevant software and hardware equipment from upstream server and hard disk providers and cloud-based virtual operating software suppliers, to build a cloud-based service platform, and combining cloud-based operating software developers and Cloud service providers provide downstream distributors or customers with relevant cloud application services. The Company also combines a number of global cloud-based service companies to provide direct connection services to enterprise hybrid clouds through the CCX cloud exchange platform to meet the needs of enterprises for various cloud application services in a multi-cloud environment.

(III) Supply situation for the company's major raw materials

The Company mainly purchases circuits and bandwidth from upstream telecom providers, while purchasing transmission equipment, network equipment, servers and switching equipment from equipment suppliers to build related information and communication service systems, providing customers with high-quality information and communication integration services. The Company has established long-term and stable cooperative relationship with major suppliers, and the supply situation is stable.

(IV) Any supplier and customer accounting for 10 percent or more of the company's total procurement (sales) amount in either of the 2 most recent fiscal years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each, and an explanation of the reason for increases or decreases.

1. Procurement accounting for 10 percent or more of total procurement amount

Unit: NT\$ thousand

Item	2020				2021			
	Name	Amount	Ratio to the net amount of the whole-year procurement	Relationship with the issuer	Name	Amount	Ratio to the net amount of the whole-year procurement	Relationship with the issuer
1	CHT	406,619	28.18	Parent company	CHT	480,624	31.10	Parent company
	Other	1,036,483	71.82	—	Other	1,064,636	68.90	—
	Net amount of procurement	1,443,102	100.00	—	Net amount of procurement	1,545,260	100.00	—

Reasons of increase/decrease: The Company mainly purchases circuits and bandwidth from telecom providers, and telecom equipment from equipment suppliers, to build the Company's telecom service system. In the recent two years, there has been no major change in major suppliers, the change is mainly the purchases in response to customer needs.

2. Sales accounting for 10 percent or more of total sales amount

Unit: NT\$ thousand; %

Item	2020				2021			
	Name	Amount	Ratio to the net amount of the whole-year sales	Relationship with the issuer	Name	Amount	Ratio to the net amount of the whole-year sales	Relationship with the issuer
1	CHT	254,402	9.92	Parent company	CHT	259,125	9.25	Parent company
	Other	2,310,247	90.08	—	Other	2,541,921	90.75	—
	Net amount of sales	2,564,649	100.00	—	Net amount of sales	2,801,046	100.00	—

Reasons of increase/decrease: The Company mainly provides IDC data center services, data network services, voice communication services and cloud-based application services. The main sales customers are domestic and foreign telecom operators and internet content service providers. Generally speaking, the main sales customers in the recent two years and the sales amount have not changed significantly.

(V) Production volume/value for the 2 most recent fiscal years: Not applicable, as the Company is not in the manufacturing industry.

## (VI) Sales volume/value for the 2 most recent fiscal years

Unit: tsubo/data unit/minute/G; NT\$ thousand

Year Sales volume Main products	2020		2021	
	Sales volume	Sales value	Sales volume	Sales value
IDC data center services (tsubo)	3,556	745,665	3,588	823,638
Data network services (data unit)	321,982	1,219,840	343,226	1,308,608
Voice communication services (minute)	116,836,922	252,163	111,875,685	239,513
Cloud application services (G)	1,226	346,981	1,529	429,287
Total	-	2,564,649	-	2,801,046

## Analysis and explanation for the changes in production/sales volume/value:

Generally speaking, the occupancy of the Company's IDC data center has approached saturation; however, through the optimization of the floor efficiency of the data centers, the operating efficiency has been improved. The sales value of the IDC data center service in 2021 still shows a growth trend comparing to that in 2020. The Company has successively started to retrieve some of the leased IDC data center space from the parent company, and has started to build the fourth IDC data center in October 2021, to meet the needs of future IDC business growth. The sales volume of the Company's data network services in 2021 shows a growth trend comparing to 2020, mainly due the emergence of various application services, such as 5G, AI, IOT and cloud, which led to the growth of the internet communication services. The sales value of data network services in 2021 increased slightly comparing to 2020. The main source of growth is the increase in demand from customers for global submarine cables from Taipei to Hong Kong, Japan, Singapore and other regions. Regarding the voice communication services, the sales volume and value of voice communication services in 2021 decreased slightly comparing to 2020, mainly due to the increasing penetration of free communication software, resulting in the shrinking of the paid voice market. The cloud-based application services are the business area that the Company is committed to expanding. The Company continues to strengthen partnership with global public cloud-based services providers to launch enterprise hybrid cloud direct link services. With the demands of customers have significantly improved with better acceptance and use of cloud-based services, the sales value of the cloud-based application services in 2021 increased significantly from 2020.

III. The number of employees employed for the 2 most recent fiscal years, and during the current fiscal year up to the date of publication of the annual report

Unit: person; year; %

Year		2020	2021	As of March 31, 2022
Number of employees	Direct	17	17	16
	Indirect	133	136	136
	Total	150	153	152
Average age		44.41	44.41	45.11
Average years of service (year)		10.88	10.88	11.72
Education Distribution (%)	PhD	-	-	-
	Master	11.33%	12.42%	12.5%
	College	80.67%	80.39%	80.92%
	Senior high school	8.00%	7.19%	6.58%
	Under senior high school	-	-	-

IV. Disbursements for environmental protection

Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: No such situation.

V. Labor relations

- (I) List any employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor–management agreements and measures for preserving employees’ rights and interests.

1. Employee benefit plans

The Company’s welfare measures are divided into the welfare measures provided by the Company and the welfare measures provided by the Employee Welfare Committee, described as follows:

- (1) Welfare measures provided by the Company: labor and health insurance, provision of labor pension, group accident insurance, regular health check for employees, travel subsidies, employee meals, year-end party and bonuses like year-end bonus, to take care of employees’ lives.
- (2) Welfare measures provided by the Employee Welfare Committee: domestic and foreign employee trip organized regularly, employee trip subsidy with fixed amount,

bonuses for three festivals, birthday bonuses and subsidies for weddings and funerals.

## 2. Continuing education and training

### (1) Employee trainings and continuing education

The Company has established the Procedures for Education and Training, to cultivate employees' professional know-how and skills, so that they can perform their functions, increase working efficiency, ensure work quality, to achieve the goals of the Company's sustainable operation and development. In 2021, there were 45 training classes with 804 in attendance, for a total of 1,717 hours, and NT\$575,000 as the expenses. In 2021, there were 30 classes of training, with 833 in attendance, for a total of 4,449 hours, and NT\$801,000 as the expenses. (Including ethical management regulations related classes, with anti-corruption policy and prohibition of insider trading, with 153 in attendance, or total person-hours of 306; for human rights policy-related courses, total 153 attendance.)

(2) The Company's personnel related to financial information transparency have obtained the relevant certificates and licenses designated by the competent authority as follows:

	Finance Division	Audit Office
Level C Accounting	1	-
Senior Securities Specialist at Broker	2	-
Securities Investment Trust and Consulting Professionals	1	-
Stock affair personnel	1	1
Trust Specialist	1	1
Global Internal Auditor	-	1

## 3. Retirement system

The Company provides the labor retirement reserves as much as 2% of the total salary paid pursuant to the "Labor Standards Act." The fund is deposited in the specific account in the Trust Department, Bank of Taiwan, and computed by engaging actuaries, to ensure the proper contributions to the reserves.

The new labor retirement system has been imposed since July 1, 2005. Pursuant to Labor Pension Act, employees who originally applied old pension system but elected to apply the new system, or employees who are onboard after the implementation of the new system. The Company's monthly contribution shall not be less than 6% of the

worker's monthly salary, paid to the worker's pension account, and the retirement-related matters are handled pursuant to the Labor Pension Act.

4. Labor-management agreements and measures for preserving employees' rights and interests

All regulations of the Company comply with the Labor Standards Act. The Company values the opinions of employees, by adopting the two-way and open manner for the communicates with employees, with unblocked internal communication channels, seeking to maintain a good and harmonious interactive relationship between labor and management.

- (II) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: No such situation.

VI. Cyber security management

- (I) Describe the information security risk management framework, information security policy, specific management plan and the resources invested in the information security management: The Company has the Information Security Management Committee in place, and set up an information security team, an information security audit team and an emergency response team under the information security management committee according to the job duties. Furthermore, Chief Telecom convenes the annual meeting to continue the enhancement of information security management, while conducting the business continuity drills and the trainings of information security. Relevant information security policies and information security management operations are announced on the company's internal website. Thus, the Company has obtained the global certification of information security management, ISO 27001 and ISO 27011 in 2011, as well as the global certification of cloud-based information security management, ISO 27017 and ISO 27018 in 2017. Each year, the Company invests the required resources to enhance various information security measures, to ensure pass the annual evaluations of ISO certification institutions for certification renewal every year. (The latest certificate of ISO27001 and other global certifications is valid from January 6, 2020 to January 5, 2023).

(II) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: No such situation

VII. Important contracts

Nature of contracts	Counterparty	Beginning and end of contract	Main contents	Restrictive terms
Construction contract	Li Jin Engineering Co., Ltd.	From the day following the completion of the contract signing, to the completion of all the work and obtaining the building use permit	New construction of IDC data center building	Terms of Non-Disclosure
Sales contract	Data Communications Business Group, Chunghwa Telecom Co., Ltd.	January 2021 to December 2029	Leasing of data center	Terms of Non-Disclosure

## Six. Overview of Financial Status

I. Condensed balance sheets and statements of comprehensive income for the past 5 fiscal years, showing the name of the certified public accountant and the auditor's opinion given thereby

(I) Condensed balance sheets and statements of comprehensive income

1. Condensed balance sheets - IFRS (Consolidated)

Unit: NT\$ thousand

Year		Financial information of the most recent five years				
		2017	2018	2019	2020	2021
Current assets		1,127,145	2,908,973	2,986,347	3,098,970	2,943,692
Property, plant and equipment		405,189	333,647	318,282	287,885	571,659
Right-of-use assets		-	-	1,268,338	1,177,665	1,758,408
Intangible assets		33,385	33,670	38,049	62,919	57,375
Other assets		35,910	49,328	54,264	38,445	42,150
Total assets		1,601,629	3,325,618	4,665,280	4,754,078	5,494,100
Current liabilities	Before distribution	358,476	421,793	531,707	572,046	603,362
	After distribution	700,736	941,778	1,093,506	1,192,091	-
Non-current liabilities		50,962	54,467	1,266,740	1,191,431	1,798,020
Total liabilities	Before distribution	409,438	476,260	1,798,447	1,763,477	2,401,382
	After distribution	751,698	996,245	2,360,246	2,383,522	-
Equity attributable to owners of the parent company		1,185,903	2,841,092	2,855,538	2,976,486	3,078,324
Share capital		600,457	689,149	694,621	702,459	704,701
Capital reserves		9,985	1,435,188	1,380,763	1,379,217	1,346,535
Retained earnings	Before distribution	577,578	719,701	785,370	901,801	1,038,014
	After distribution	235,318	199,716	223,571	281,756	-
Other equities		(2,117)	(2,946)	(5,216)	(6,991)	(10,926)
Treasury shares		-	-	-	-	-
Non-controlling interests		6,288	8,266	11,295	14,115	14,394
Total equities	Before distribution	1,192,191	2,849,358	2,866,833	2,990,601	3,092,718
	After distribution	849,931	2,329,373	2,305,034	2,370,556	-

Source: The 2017-2021 consolidated financial reports audited and attested by CPAs.

2. Condense Balance Sheet -IFRS(Parent-Only)

Unit: NT\$ thousand

Year		Financial information of the most recent five years				
		2017	2018	2019	2020	2021
Current assets		1,043,088	2,826,194	2,882,887	2,983,609	2,821,788
Property, plant and equipment		405,020	333,542	318,227	287,854	571,498
Right-of-use assets		-	-	1,268,082	1,177,405	1,758,166
Intangible assets		33,385	33,670	38,049	62,919	57,375
Other assets		93,631	122,226	139,260	219,763	261,540
Total assets		1,575,124	3,315,632	4,646,505	4,731,550	5,470,367
Current liabilities	Before distribution	338,259	420,073	524,227	563,876	594,281
	After distribution	680,519	940,058	1,086,026	1,183,921	-
Non-current liabilities		50,962	54,467	1,266,740	1,191,188	1,797,762
Total liabilities	Before distribution	389,221	474,540	1,790,967	1,755,064	2,392,043
	After distribution	731,481	994,525	2,352,766	2,375,109	-
Share capital		600,457	689,149	694,621	702,459	704,701
Capital reserves		9,985	1,435,188	1,380,763	1,379,217	1,346,535
Retained earnings	Before distribution	577,578	719,701	785,370	901,801	1,038,014
	After distribution	235,318	199,716	223,571	281,756	-
Other equities		(2,117)	(2,946)	(5,216)	(6,991)	(10,926)
Treasury shares		-	-	-	-	-
Total equities	Before distribution	1,185,903	2,841,092	2,855,538	2,976,486	3,078,324
	After distribution	843,643	2,321,107	2,293,739	4,111,505	-

Source: The 2017-2021 parent-only financial reports audited and attested by CPAs

### 3. Condense Statement of Comprehensive Income (Consolidated)

Unit: NT\$ thousand; provided NT\$ for earnings per share

Item \ Year	Financial information of the most recent five years				
	2017	2018	2019	2020	2021
Operating revenue	2,126,329	2,272,362	2,400,002	2,564,649	2,801,046
Gross profit from operations	747,301	893,210	1,008,168	1,121,547	1,255,786
Operating profits (losses)	457,667	568,981	677,321	777,244	870,737
Non-operating incomes and expenses	6,423	35,408	382	(17,310)	(15,357)
Net income before tax	464,090	604,389	677,703	759,934	855,380
Net income of continuing operations	386,274	486,752	545,987	610,353	686,952
Loss of discontinuing operation	-	-	-	-	-
Net incomes of the period	386,274	486,752	545,987	610,353	686,952
Other comprehensive profits (losses) of the current period (net amount after tax)	(5,012)	1,310	(3,610)	(1,303)	(4,810)
Total comprehensive profits (losses) in the current period	381,262	488,062	542,377	609,050	682,142
Net income attributable to owners of the parent company	384,586	484,604	542,508	607,779	686,567
Net income attributable to non-controlling interest	1,688	2,148	3,479	2,574	385
Total amount of the comprehensive profits (losses) attributable to the parent company	379,604	486,084	539,335	606,230	681,863
Total amount of the comprehensive profits (losses) attributable to non-controlling interest	1,658	1,978	3,042	2,820	279
Earnings per share (NT\$)	6.40	7.41	7.83	8.67	9.75

Source: The 2017-2021 consolidated financial reports audited and attested by CPAs

#### 4. Condense Statement of Comprehensive Income-IFRS (Parent-Only)

Unit: NT\$ thousand; provided NT\$ for earnings per share

Item \ Year	Financial information of the most recent five years				
	2017	2018	2019	2020	2021
Operating revenue	2,047,167	2,186,938	2,317,201	2,488,252	2,736,517
Gross profit from operations	725,365	871,724	983,271	1,100,106	1,240,467
Operating profits (losses)	441,697	554,237	659,810	762,632	862,452
Non-operating incomes and expenses	19,653	47,583	13,852	(5,595)	(7,474)
Net income before tax	461,350	601,820	673,662	757,037	854,978
Net income of continuing operations Net incomes of the period	384,586	484,604	542,508	607,779	686,567
Loss of discontinuing operation	-	-	-	-	-
Net profits (losses) of the period	384,586	484,604	542,508	607,779	686,567
Other comprehensive profits (losses) of the current period (net amount after tax)	(4,982)	1,480	(3,173)	(1,549)	(4,704)
Total comprehensive profits (losses) in the current period	379,604	486,084	539,335	606,230	681,863
Earnings per share	6.40	7.41	7.83	8.67	9.75

Source: The 2017-2021 parent-only financial reports audited and attested by CPAs

(II) Attesting CPAs and audit opinions in the most recent five years

1. Attesting CPAs and audit opinions in the most recent five years

Year	Name of the accounting firm	Name of CPA:	Auditing opinion
2017	Deloitte & Touche Taiwan	Ding-Sheng Chang and Hung-Peng Lin	Unqualified opinion
2018	Deloitte & Touche Taiwan	Ding-Sheng Chang and Hung-Peng Lin	Unqualified opinion
2019	Deloitte & Touche Taiwan	Ding-Sheng Chang and Jing-Bing Shi	Unqualified opinion with highlighted matters paragraphs
2020	Deloitte & Touche Taiwan	Ding-Sheng Chang and Cheng-Hung Kuo	Unqualified opinion
2021	Deloitte & Touche Taiwan	Ding-Sheng Chang and Cheng-Hung Kuo	Unqualified opinion

2. Where any CPA was replaced in the most recent five years, the accounting firm, previous and succeeded CPAs, and the explanation of the replacement shall be specified:

To cooperate with the internal adjustment of Deloitte & Touche Taiwan in 2017, the previous CPAs, Hung-Peng Lin and Jing-Bing Shi were replaced by Ding-Sheng Chang and Hung-Peng Lin

To cooperate with the internal adjustment of Deloitte & Touche Taiwan in 2017, the previous CPAs, Ding-Sheng Chang and Hung-Peng Lin were replaced by Ding-Sheng Chang and Jing-Bing Shi.

To cooperate with the internal adjustment of Deloitte & Touche Taiwan in 2020, the previous CPAs, Ding-Sheng Chang and Jing-Bing Shi were replaced by Ding-Sheng Chang and Cheng-Hung Kuo.

## II. Financial Analysis in the most recent five years

### I. IFRS (Consolidated)

Item	Year	Financial information of the most recent five years				
		2017	2018	2019	2020	2021
Financial structure	Liabilities to assets ratio (%)	25.56%	14.32%	38.55%	37.09%	43.71%
	Long term capital to property, plant and equipment ratio (%)	306.81%	870.33%	1,298.71%	1,452.67%	855.53%
Solvency	Current ratio (%)	314.43%	689.67%	561.65%	541.73%	487.88%
	Quick ratio (%)	303.55%	677.95%	550.80%	537.86%	482.23%
	Interest protection multiples	2,380.95	3,163.81	35.56	36.15	32.24
Operating capacity	Receivable turnover rate (times)	10.63	11.18	11.28	11.61	12.55
	Average cash recovery days	34.34	32.64	32.36	31.44	29.08
	Inventory turnover rate	5.07	3.89	2.30	1.63	4.10
	Payable turnover rate (times)	11.00	10.67	12.00	12.76	13.27
	Average days sales outstanding	71.99	93.83	158.70	223.93	89.02
	Property, plant and equipment turnover rate (times)	5.23	6.15	7.36	8.46	6.52
	Total asset turnover rate (times)	1.40	0.92	0.60	0.54	0.55
Profitability	Return on assets (%)	25.45%	19.76%	14.07%	13.34%	13.85%
	Return on equity (%)	34.03%	24.09%	19.10%	20.84%	22.58%
	Pre-tax net income to paid-in capital (%)	77.29%	87.70%	97.56%	108.18%	121.38%
	Net profit margin (%)	18.17%	21.42%	22.75%	23.80%	24.52%
	Earnings per share (NT\$)	6.40	7.41	7.83	8.67	9.75
Cash flows	Cash flow ratio (%)	161.26%	148.34%	133.14%	152.94%	147.05%
	Cash flow adequacy ratio (%)	159.26%	163.17%	144.49%	138.07%	121.30%
	Cash reinvestment ratio (%)	11.60%	6.40%	4.18%	6.66%	5.48%
Leverage	Operating leverage	1.33	1.26	1.34	1.25	1.23
	Financial leverage	1.00	1.00	1.03	1.03	1.03

#### Reasons of financial ratio changes for 20% or more in the past two years

##### (1) Financial structure

Decreases in property, plant and equipment ratio (%): mainly due to the increases in property, plant and equipment in 2021.

##### (2) Operating capacity

Decreases in inventory turnover rate and average days sales outstanding: mainly due to the increases in the sales costs related to inventories.

Decreases in property, plant and equipment turnover rate (times): mainly due to the increases in property, plant and equipment in 2021.

Source: The 2017-2021 consolidated financial reports audited and attested by CPAs.

## II. IFRS (Parent-Only)

Item		Financial information of the most recent five years				
		2017	2018	2019	2020	2021
Financial structure	Liabilities to assets ratio (%)	24.71%	14.31%	38.54%	37.09%	43.73%
	Long term capital to property, plant and equipment ratio (%)	305.38%	868.12%	1,295.39%	1,447.84%	853.21%
Solvency	Current ratio (%)	308.37%	672.79%	549.93%	529.13%	474.82%
	Quick ratio (%)	296.85%	661.03%	538.94%	525.21%	469.09%
	Interest protection multiples	2,366.90	3,150.37	35.56	36.03	32.23
Operating capacity	Receivable turnover rate (times)	10.82	11.14	11.38	11.35	12.36
	Average cash recovery days	33.73	32.76	32.07	32.16	29.53
	Inventory turnover rate	5.07	3.89	2.30	1.63	4.1
	Payable turnover rate (times)	12.20	11.02	12.03	12.29	12.82
	Average days sales outstanding	71.99	93.83	158.70	223.93	89.02
	Property, plant and equipment turnover rate (times)	5.04	5.92	7.36	8.21	6.37
	Total asset turnover rate (times)	1.37	0.89	0.60	0.53	0.54
Profitability	Return on assets (%)	25.74%	19.82%	14.12%	13.34%	13.90%
	Return on equity (%)	34.05%	24.07%	19.17%	20.84%	22.68%
	Pre-tax net income to paid-in capital (%)	76.83%	87.33%	97.56%	107.77%	121.32%
	Net profit margin (%)	18.79%	22.16%	22.75%	24.43%	25.09%
	Earnings per share (NT\$)	6.40	7.41	7.83	8.67	9.75
Cash flows	Cash flow ratio (%)	165.52%	150.07%	135.15%	148.32%	149.29%
	Cash flow adequacy ratio (%)	157.83%	162.29%	144.21%	136.11%	119.47%
	Cash reinvestment ratio (%)	10.94%	6.52%	4.20%	5.86%	5.49%
Leverage	Operating leverage	1.32	1.27	1.34	1.25	1.23
	Financial leverage	1.00	1.00	1.03	1.03	1.03

Reasons of financial ratio changes for 20% or more in the past two years

(1) Financial structure

Decreases in property, plant and equipment ratio (%): mainly due to the increases in property, plant and equipment in 2021.

(2) Operating capacity

Decreases in inventory turnover rate and average days sales outstanding: mainly due to the increases in the sales costs related to inventories.

Decreases in property, plant and equipment turnover rate (times): mainly due to the increases in property, plant and equipment in 2021.

Source: the 2017-2021 parent-only financial reports audited and attested by CPAs

Formula of financial analysis calculation as follows

1. Financial structure

(1) Debt to asset ratio = total liabilities / total assets.

(2) Long term capital to property, plant and equipment ratio = (total equity + non-current liabilities) / net property, plant and equipment.

## 2. Solvency

(1) Current ratio = current assets / current liabilities.

(2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.

(3) Interest protection multiples = net profit before income tax and interest expense / interest expense in the current period.

## 3. Operating capacity

(1) Receivable (including accounts receivable and notes receivable due to business) turnover rate = net sales / average receivables for each period (including accounts receivable and notes receivable due to business).

(2) Average cash recovery date = 365 / receivables turnover rate.

(3) Inventory turnover rate = sales cost / average inventory

(4) Payable (including accounts payable and notes payable due to business) turnover rate = cost of sales / average balance payable on each period (including accounts payable and notes payable due to business)

(5) Average days sales outstanding = 365 / inventory turnover rate.

(6) Property, plant and equipment turnover rate = net sales / net average property, plant and equipment.

(7) Total asset turnover rate = net sales / average total assets.

## 4. Profitability

(1) Return on assets = [after tax profit and loss + interest expense × (1 - tax rate)] / average total assets.

(2) Return on equity = after tax profit and loss / average equity.

(3) Net profit margin = after tax profit and loss / net sales.

(4) Earnings per share = (profit or loss attributable to parent company owner - special dividend) / weighted average number of issued shares.

## 5. Cash flows

(1) Cash flow ratio = net cash flow from operating activities / current liabilities.

(2) Cash flow adequacy ratio = net cash flow from operating activities in the last five years / (capital expenditure + inventory increase + cash dividend) in the last five years.

(3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long term investment + other non-current assets + working capital).

## 6. Leverage

(1) Operating leverage = (net operating income - changing operating costs and expenses) / operating profit.

(2) Financial leverage = operating profit / (operating profit - interest expense)

### III. Review Report of the Audit Committee for the Most Recent Year

#### Review Report of the Audit Committee

The Company's 2021 business report, financial statements and statement of earnings distribution were submitted by the Company's Board of Directors. The financial statements were already audited by Ding-Sheng Chang, CPA and Cheng-Hung Kuo, CPA of Deloitte & Touche Taiwan, who also issued the independent auditor's report accordingly. The Audit Committee, after completing the audit of said business report, financial statements and statement of earnings distribution, believes that they are free of material misstatement, and thus produces this report according to Article 14-4, the Securities and Exchange Act and Article 219 of the Company Act. Please review accordingly.

Chief Telecom Inc.

Convener of Audit Committee: Ling-Tai Chou

February 17, 2022

- IV. For the financial reports of the most recent fiscal year, including the independent auditor's report, the balance sheets, statements of comprehensive income, statements of changes in equity, and statements of cash flows with two-year comparison, and the notes or table thereof, please refer to Appendix A.
  
- V. The parent-only financial statements audited and attested by CPAs for the most recent fiscal year: please refer to Appendix B.
  
- VI. If the company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the company's financial situation:  
None.

## Seven. Review and Analyses of Financial Position and Financial Performance, and Risks

### I. Financial Position

Main reasons for any material change in the company's assets, liabilities, or equity during the past 2 fiscal years, and describe the effect thereof. Where the effect is of material significance, the annual report shall describe the measures to be taken in response:

Unit: NT\$ thousand; %

Item \ Year	2020	2021	Amount increased (decreased)	Percentage of change (%)
Current assets	3,098,970	2,943,692	(155,278)	(5.01)
Financial instruments at fair value through profit or loss are measured at fair value - non-current	88,194	118,829	30,635	34.74
Property, plant and equipment	287,885	571,659	283,774	98.57
Right-of-use assets	1,177,665	1,758,408	580,743	49.31
Intangible assets	62,919	57,375	(5,544)	(8.81)
Other non-current assets	38,445	44,137	5,692	14.81
Total assets	4,754,078	5,494,100	740,022	15.57
Current liabilities	572,046	603,362	31,316	5.47
Non-current liabilities	1,191,431	1,798,020	606,589	50.91
Total liabilities	1,763,477	2,401,382	637,905	36.17
Share capital	702,459	704,701	2,242	0.32
Capital reserves	1,379,217	1,346,535	(32,682)	(2.37)
Retained earnings	901,801	1,038,014	136,213	15.10
Other equities	(6,991)	(10,926)	(3,935)	56.29
Non-controlling interests	14,115	14,394	279	1.98
Total equities	2,990,601	3,092,718	102,117	3.41
Explanations of material changes (changes for 20% or more, and the absolute amount changes for NT\$10 million or more): (1) Increase in financial instruments at fair value through profit or loss are measured at fair value - non-current. (2) Increases in property, plant and equipment, right-of-use assets, and non-current liabilities: mainly due to the construction-in-progress of data centers.				

## II. Financial performance

Main reasons for any material change in operating revenues, operating income, or income before tax during the past 2 fiscal years, provide a sales volume forecast and the basis therefor, and describe the effect upon the company's financial operations as well as measures to be taken in response:

### I. Analysis of operating results

Unit: NT\$ thousand; %

Item \ Year	2020	2021	Amount increased (decreased)	Percentage of change (%)
Net amount of operating revenue	2,564,649	2,801,046	236,397	9.22
Operating costs	1,443,102	1,545,260	102,158	7.08
Gross profit from operations	1,121,547	1,255,786	134,239	11.97
Operating expenses	345,683	385,083	39,400	11.40
Net amount of other incomes, expenses and losses	1,380	34	(1,346)	(97.54)
Operating profit	777,244	870,737	93,493	12.03
Non-operating incomes and expenses	(17,310)	(15,357)	1,953	(11.28)
Net income before tax	759,934	855,380	95,446	12.56
Income tax expense	149,581	168,428	18,847	12.60
Net income of the year	610,353	686,952	76,599	12.55
Other comprehensive (losses) profit	(1,303)	(4,810)	(3,507)	269.15
Total comprehensive income in the current period	609,050	682,142	73,092	12.00
Explanations of material changes (changes for 20% or more, and the absolute amount changes for NT\$10 million or more): None.				

II. Sales volume forecast and the basis therefor, and describe the effect upon the company's financial operations as well as measures to be taken in response.

1. Sales volume forecast and the basis therefor: The Company sets annual goals based on the estimated needs of customers, while considering the overall market environment, the planning of target customers' needs of use, and past operating results. Also to respond to the diversified market needs, the Company is also committed to improving product functions and service quality, so the number of sales is expected to increase from the previous year.

2. Effect upon the company's financial operations and measures to be taken in response: The Company will be committed to meeting the needs of customers and the effective use of financial funds, to meet the needs of business growth.

### III. Cash flows

#### (I) Analysis and explanation of the cash flow changes during the most recent fiscal year

Unit: NT\$ thousand

Item \ Year	2020	2021	Amount increased (decreased)	Percentage of change (%)
Operating activities	874,858	887,228	12,370	1.41
Investment activities	(239,581)	(105,400)	134,181	(56.01)
Financing activities	(566,257)	(674,016)	(107,759)	19.03
Effects on cash by exchange rate fluctuations	(6,937)	484	7,421	(106.98)
Net cash inflow (outflow)	62,083	108,296	46,213	74.44

#### Analysis of cash flow changes:

- (1) Operating activities: Mainly due to the increase in profit in 2021 and the changes in accounts receivable, advances and other current assets.
- (2) Investment activities: Mainly the decrease in financial assets measured at fair value through other comprehensive profit and loss acquired in 2021, decreases in acquisition and disposal of financial assets at fair value through profit or loss, increase in the acquisition of real estate, the increase in plant and equipment, the decrease in the acquired intangible assets, and the increase in time deposits and NCD longer than three months.
- (3) Capital raising activities: mainly due to the increase in the distributed cash dividends and decrease in the exercised employee share subscription warrants.

(II) Cash liquidity analysis for the coming year

Unit: NT\$ thousand

Beginning of the period Cash balance	Expected net cash flow from operating activities throughout the year	Expected net cash flow from investment activities throughout the year	Expected net cash flow from capital raising activities throughout the year	Expected cash surplus (deficit) amount	Remedies for expected cash deficit	
					Investment plans	Treasury plans
1,019,936	931,146	(4,812)	(773,907)	1,172,363	-	-
Analysis and explanation:						
(I) Analysis of cash liquidity analysis for the coming year:						
Operating activities:		As the Company's business will continue to grow, it is expected that operating income and profit will increase simultaneously, resulting in a net cash inflow from operating activities.				
Investment activities:		Mainly due to the expected new IDC data center to generate net cash inflow.				
Capital raising activities:		Mainly due to expected cash dividend distribution to generate net cash outflow.				
(II) The corrective measures to be taken in response to illiquidity, and provide a liquidity analysis: Not applicable as no illiquidity is expected.						

IV. The effect upon financial operations of any major capital expenditures during the most recent fiscal year: The Company started the construction of the fourth IDC data center in 2021, which is expected to be completed by the end of 2023; it will be funded with the self-owned capital without any material effect on the financial operation of the Company.

V. The Company's reinvestment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year:

- (I) Re-investment policy: The Company's reinvestment policy is based on the principle of taking into account of the development needs of the main business and long-term strategic investment, not short-term financial investment.
- (II) Main reasons for the profits/losses generated by re-investments, and plan for improving re-investment profitability

Unit: NT\$ thousand

Re-investee	Amount of profit (loss) recognized in 2021	Main reasons for the profits/losses	Plan for improving
Unigate Telecom Inc.	99	Operating normally with stable profitability.	None.
Chief International Corp.	7,380	Operating normally with good profitability.	None.
Shanghai Chief Telecom Co., Ltd.	370	Operating normally with stable profitability.	None.

(III) Investment plan for the coming year: none.

VI. The section on risks shall analyze and assess the following matters during the most recent fiscal year and as they stood on the date of publication of the annual report:

- (I) The effect upon the company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future.

1. Interest rate fluctuations

A. Impact on the Company's profits/losses

The interest incomes of 2020 and 2021 was NT\$14,590 thousand and NT\$11,003 thousand, respectively, or 1.92% and 1.29% to the pre-tax net profit, indicating that the interest rate fluctuations have no significant effect on the Company's profits/losses.

B. Concrete countermeasures

The Company regularly assesses banks' lending interest rates and maintains a good relationship with banks, to obtain more favorable lending interest rates and reduce interest expenses, while observing the impact of changes in financial market interest rates on the Company's funds all the time for taking flexible

measures anytime. Therefore, the interest rate changes have no significant impact on the Company's profit or loss.

## 2. Exchange rate fluctuations

### A. Effect on the Company's income by exchange rate fluctuations

The Company is mainly denominated in New Taiwan dollars, and some transactions are denominated in US dollars, Hong Kong dollars, renminbi and euros. The net exchange losses in 2020 and 2021 were NT\$11,124,000 and NT\$3,989,000, respectively, accounting for 0.43% and 0.14% of the Company's net operating income, respectively, or 1.46% and 0.47% of the net profit before tax, respectively. However, the consolidated exchange losses of the Company in 2020 and 2021 accounted for less than 5% of the consolidated operating incomes and consolidated net profit before tax. It is obvious that the exchange rate fluctuations will not have a significant impact on the profit and loss of the Company and its subsidiaries.

### B. Concrete countermeasures

(A) When a business unit provides quotations to a customer, the quotation decision shall include the exchange rate trend, and the quotations are adjusted dynamically to avoid the exchange rate fluctuation having any significant impact on the Company's profit.

(B) In the future, the major strategy for exchange rate risk remains the natural hedged foreign exchange positions, and adjustment to the asset and liability positions in foreign currencies promptly to reduce the risk of exchange rate fluctuations.

(C) The Financial Department maintains close relations with financial institutions, continuously monitors exchange rate evolutions, and flexibly adjusts foreign currency positions in the spot market.

## 3. Inflation

### A. Analysis of the impacts on the Company

According to the forecast of the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, the annual growth rate of the consumer price index in 2021 is 1.93%, and the annual growth rate of the consumer price index in January 2022 is 2.84%, indicating that there was no significant inflation. As of the annual report publication date, the Company's profit and loss has not been significantly affected by inflation.

### B. Concrete countermeasures

According to the change of costs, when the defined tolerance range is exceeded, the prices will be dynamically adjusted to the customer, to avoid the significant impact on the Company due to inflation.

- (II) The company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future.

The Company has conducted the business within the major business scope practically. And the principle of financial policy is being robust and conservative, without engaging any high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions. The Company has the "Operating Procedures for Acquisition and Disposal of Assets" in place as the compliance foundation for the related actions. Moreover, the resolution adopted by the Board provides that no loan to other party, endorsement, guarantee, and derivative transaction may be engaged.

- (III) Research and development work to be carried out in the future, and further expenditures expected for research and development work

#### 1. Future R&D plans

The development of the Company's products and technologies has always been aligned to the needs of customers and the market, and the future industry trends and developments are closely monitored, to develop products, services or technologies with future potential and market growth. The future research and development priorities are listed as follows:

##### A. IDC data center services:

Continue to introduce new high-efficiency and green energy and eco data center facilities or designs and working methods, to provide a data center operating environment with high availability, high performance and high power capacity. In addition, for the access control of the data centers, the evaluation and introduction of the face recognition system are implemented.

##### B. Data network services:

(A) Implementing structured resource allocation and deployment, updating network backbone equipment, and improving equipment capacity and information processing capabilities.

(B) Simplifying the effective application network tools through centralized and standardized management.

(C) Studying and testing the introduced new technologies, conducting routing analysis of network communications, enhancing network service standards,

introducing network information security functions, reducing risks of irregularities, and increasing service reliability and customer satisfaction.

C. Voice communication services:

- (A) In line with the evolution of global telecom trends, study and introduce new technologies related to Unified Communications (UC), and continue to improve the application services of UC integrated communications (voice, fax, short message, video conference, electronic whiteboard, and file sharing).
- (B) Establish standard automation suitable for mass supply and installation process, and customize flexible communication services.
- (C) Enhance the three major aspects of voice communication services: construction, supply and installation aspect, maintenance and operation management; and barrier inspection and repair, so as to improve customer dependence, adhesion and satisfaction.

D. Cloud application services:

For the three major cloud-based services, IaaS, PaaS, and SaaS, the relevant technologies, including virtualization, IPS, S3 are introduced, while continuing the combination with the domestic and global SaaS cloud-based service providers, adding the service contents of the cloud application, Chief App Cloud, establishing the cloud-based exchange platform, Chief Cloud eXchange (CCX). By combining the global major cloud providers, the domestic cloud and relation global cloud resources are integrated. Through the network direct linking services, the flexible on-demand services with high stability, high availability are provided, for the shared computing resources (networks, servers, and storages), with billing system based on the volume of used resources, to satisfy various cloud-based application demands of customers under the multi-cloud environment. In addition, the Company will develop and provide the smart health cloud service. Via the multi-channels of personal health data collection and analysis of health engine, the personal health dashboard (red/green light alerts of health) is offered with a mobile app. It is possible to provide suitable personal exercise recommendation by combining the weather and environment information, as well as the suitable personal diet recommendations based on the personal health conditions, to achieve the goal of health enhancement.

2. Expected R&D expenses to be input

The technical level of the telecommunications services provided by the Company is improved. The colleagues of the Company's technical department and planning department hold project work reports and work experience seminars from time to time; so as to accumulate, share and inherit relevant technical experience, improve the technical level, and improve the relevant service

functions. research and development. The R&D will be developed by the internal information staff on their own, or budgeted the expenses for outsourced R&D; the expected R&D expenses to be input in 2022 is NT\$12 million.

- (IV) Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response

The Company's operations are conducted pursuant to the related domestic and global laws and regulations, while monitoring the policy development trends and changes in regulations at home and abroad, consulting the professionals, collecting related information as references for the management, in order to fully grasp and respond to the evolving market environment and adjust the related operating strategies promptly. As the most recent fiscal year and up to the annual report publication date, the Company's financial operations are not affected by important policies adopted and changes in the legal environment at home and abroad.

- (V) Effect on the company's financial operations of developments in science and technology (including cyber security risks) as well as industrial change, and measures to be taken in response

The company is mainly engaged in the provision of IDC data center services, data network services, voice communication services, and cloud application services. With the advancement of technology, it is also actively researching products and services for new applications. To assess the impact of operations, formulate relevant countermeasures and adopt prudent financial management strategies to ensure market competitiveness; Furthermore, the Company has the Information Security Management Committee in place, and convenes the annual meeting to continue the enhancement of information security management, while conducting the business continuity drills and the trainings of information security. The Company has obtained the global certification of information security management, ISO 27001 and ISO 27011 in 2011, as well as the global certification of cloud-based information security management, ISO 27017 and ISO 27018 in 2017. Each year, the Company invests the required resources to enhance various information security measures, to ensure pass the annual evaluations of ISO certification institutions for certification renewal every year. As the most recent fiscal year and up to the annual report publication date, the Company's financial operations are not affected by developments in science and technology (including cyber security risks) as well as industrial change.

- (VI) Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response

Since the foundation, the Company has been focusing on the main business, complied with the related laws and regulations, and actively enhanced the internal management and improved the management quality and performance for the continuous good enterprise image and increased customers' trust in the Company. There is no change in the company's corporate image resulting in the Company's

operational crisis in the most recent fiscal year and up to the annual report publication date. The occurrence of any enterprise crisis may significantly damage the enterprise. Therefore, the Company will continuously implement each corporate governance requirements, to lower the occurrence of enterprise crisis and the impacts on the Company

(VII) Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken:

In the most recent fiscal year and up to the annual report publication date, the Company has had no merger and acquisition. In the future, if any merger and acquisition is planned, the Company will, pursuant to the “Operating Procedures for Acquisition and Disposal of Assets,” to evaluate the effects of merger prudentially for safeguarding the shareholders’ interests.

(VIII) Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken:

Not applicable as the Company does not produce products.

(IX) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken

1. Risks associated with any consolidation of sales, and mitigation measures being or to be taken

The Company mainly procures the circuits and bandwidth from telecom providers, and the telecom equipment from equipment suppliers. During the most recent fiscal year and as of the date of publication of the annual report, among the main suppliers, the top one supplier, CHT, is our parent company, with the procurement amount weighted at 31%, relatively high; the procurement amounts from other suppliers are mostly weighted under 10%. Generally speaking, the Company has no consolidation of purchasing operations.

2. Risks associated with any consolidation of sales operations, and mitigation measures being or to be taken

The sales customers of the Company are mainly the telecom providers and internet content providers at home and abroad. During the most recent fiscal year and as of the date of publication of the annual report, the top one customer, CHT, has had the weight of net sales amount under 10%. In the future, the Company will strive to expand the globally renowned customers, and the individual weight of each sales customer may be lower year by year. Generally speaking, the Company has no consolidation of sales.

(X) Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken

No major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred.

- (XI) Effect upon and risk to company associated with any change in governance personnel or top management: during the most recent fiscal year and as of the date of publication of the annual report, the Company has no change in governance personnel or top management.
- (XII) Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that: (1) involve the company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report.

Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes have been concluded by means of a final and unappealable judgment, or are still under litigation of the Company during 2021 and as of the date of publication of the annual report, are mainly the indictments or applications of pay warrants for the overdue payments to the customers, for total six cases, with total overdue amount of NT\$209 thousand. After the debt collections, the remaining overdue amount is NT\$147 thousand. As the amount is limited, the results do not materially affect shareholders' equity or the prices of the company's securities

- (XIII) Other important risks, and mitigation measures being or to be taken: none.

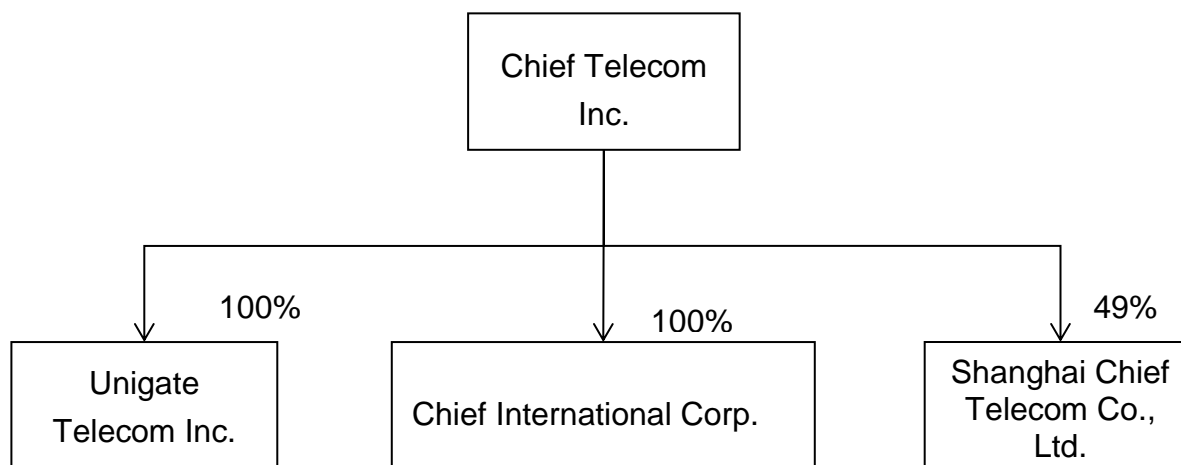
VII. Other important matters: None.

## **Eight. Special Items to be Included**

### I. Information related to the company's affiliates

#### (I) Consolidated business report of the affiliates:

##### 1. Organization chart of affiliates:



##### 2. Basic information of each affiliate

December 31, 2021

Name of enterprise	Date of foundation	Address	Paid-in capital	Main business scope
Unigate Telecom Inc.	July 3, 1999	No. 250, Yangguang St., Neihu District, Taipei City	NT\$ 2,000 thousand	Telecom and network services
Chief International Corp.	May 27, 2018	Offshore Chambers, P.O. Box 217. Apia, Samoa	US\$ 200 thousand	Telecom and network services
Shanghai Chief Telecom Co., Ltd.	January 30, 2015	Room B09, Level 6, No. 55, Jilong Rd., China (Shanghai) Pilot Free Trade Zone	CNY 2,000 thousand	Telecom and network services

3. The existence of the controlling and subordinate relation concluded pursuant to Article 369-3 of the Company Act: None.
4. Sectors covered by the overall affiliates: please refer to the basic information of each affiliate.
5. Directors, supervisors, and presidents of each affiliate.

December 31, 2021; Unit: NT\$ thousand; shares

Name of enterprise	Title	Name or the representative	Shareholdings	
			Number of shares held	Shareholding percentage
Unigate Telecom Inc.	Chairman	Chief Telecom Inc. Representative: Yen-Hung Wu	200,000	100%
	Director	Chief Telecom Inc. Representative: Yao-Yuan Liu		
	Director	Chief Telecom Inc. Representative: Wei-Dong Pan		
	Supervisor	Chief Telecom Inc. Representative: Ling-Dong Chang		
Chief International Corp.	Director	Chief Telecom Inc. Representative: Yao-Yuan Liu	200,000	100%
	Director	Chief Telecom Inc. Representative: Wei-Dong Pan		
Shanghai Chief Telecom Co., Ltd.	Chairman	Chief Telecom Inc. Representative: Wen-Han Jiang	Not applicable	49%
	Director	Chief Telecom Inc. Representative: Yao-Yuan Liu		
	Supervisor	Chief Telecom Inc. Representative: Wei-Dong Pan		
	Director and concurrently served as President	Shenzheng City Century Communication Ltd. Representative: Yuan-Wen Han		51%

#### 6. Operations of each affiliate

December 31, 2021; Unit: NT\$ thousand; provided NT\$ for earnings per share

Name of enterprise	Capital amount	Total amount of liabilities	Total amount of liabilities	Net worth	Operating revenue	Operating profit	Profits/losses of the period (after tax)	Earnings per share (after tax)
Unigate Telecom Inc.	2,000	2,720	1,640	1,080	229	105	99	0.50
Chief International Corp.	6,068	91,397	7,616	83,781	17,982	6,975	7,380	36.90
Shanghai Chief Telecom Co., Ltd.	10,150	29,271	1,048	28,223	46,547	1,206	755	-

(II) Consolidated financial statements of affiliates: please refer to Attachment 1 of the annual report.

(III) Reports of affiliates: not applicable.

II. Private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: no such situation.

- III. Holding or disposal of shares in the company by the company's subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: no such situation.
- IV. Other matters that require additional description: no such situation

**Nine: Situations might materially affect shareholders' equity or the price of the Company's securities**

During 2021 and up to the date of publication of the annual report: none of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred.

# **Chief Telecom Inc. and Subsidiaries**

**Consolidated Financial Statements for the  
Years Ended December 31, 2021 and 2020 and  
Independent Auditors' Report**

## **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The entities that are 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, 2021 are the same as those included in the consolidated financial statements of Chief Telecom Inc. and subsidiaries prepared in conformity with the International Financial Reporting Standard 10”Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates is included in the consolidated financial statements of Chief Telecom Inc. and subsidiaries. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

CHIEF TELECOM INC.

By

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YEN-HUNG WU  
Chairman

February 17, 2022

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Chief Telecom Inc.

### **Opinion**

We have audited the accompanying consolidated financial statements of Chief Telecom Inc. and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, 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 auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. 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 for the Group's consolidated financial statements for the year ended December 31, 2021 is as follows:

#### Revenue Recognition

The Group's main source of revenue comes from the provision of network integration, internet data center ("IDC"), communications integration, and cloud application services. The Group's bills are normally calculated via an automated process and billed on a regular basis, which may not align with the Group's fiscal year end. Therefore, as a result of different billing cycles of its customers, the amount to be billed for the last period is manually calculated as the amount to be charged from the last billed date of the year according to the original cycle to the Group's fiscal year end. This estimation is identified as a key audit matter since incomplete or incorrect data manually extrapolated may have a direct effect on the accuracy of revenue recorded.

See Note 4 for relevant accounting policies for revenue recognition related to network integration, IDC, communications integration, and cloud application services.

We understood the revenue business process, and evaluated the design and implementation and operating effectiveness of the Group's internal controls.

Our audit procedures related to the Group's systems to recognize estimated revenue from transactions not yet billed included the following:

1. We verified the completeness and accuracy of data captured by IT systems used during the process of manual revenue calculation.
2. We recalculated revenue to be recognized for customers not yet billed with the applicable rate in order to verify the accuracy of revenue recognized.
3. We compared subsequent billings to customers to ensure that no material discrepancy exists.

#### **Other Matter**

We have also audited the parent company only financial statements of Chief Telecom Inc. as of and for the years ended December 31, 2021 and 2020 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 IFRS, IAS, IFRIC, and 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of 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 a statement 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, 2021, 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 Dien Sheng Chang and Cheng Hung Kuo.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 17, 2022

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 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.*

# CHIEF TELECOM INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,019,936	19	\$ 911,640	19
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	2,566	-	7,626	-
Notes receivable (Notes 4 and 8)	2,887	-	3,579	-
Trade receivables, net (Notes 4 and 8)	176,414	3	161,782	3
Trade receivables from related parties (Notes 4 and 26)	35,273	1	60,883	1
Inventories (Note 4)	2,332	-	1,957	-
Prepayments	36,944	1	20,181	1
Other financial assets (Notes 4 and 9)	1,640,192	30	1,911,874	40
Other current assets (Note 26)	27,148	-	19,448	1
Total current assets	<u>2,943,692</u>	<u>54</u>	<u>3,098,970</u>	<u>65</u>
<b>NONCURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income (Notes 4 and 10)	118,829	2	88,194	2
Property, plant and equipment (Notes 4 and 12)	571,659	10	287,885	6
Right-of-use assets (Notes 4 and 13)	1,758,408	32	1,177,665	25
Intangible assets (Notes 4 and 14)	57,375	1	62,919	1
Deferred income tax assets (Notes 4 and 20)	1,987	-	2,235	-
Other noncurrent assets	42,150	1	36,210	1
Total noncurrent assets	<u>2,550,408</u>	<u>46</u>	<u>1,655,108</u>	<u>35</u>
<b>TOTAL</b>	<u>\$ 5,494,100</u>	<u>100</u>	<u>\$ 4,754,078</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Contract liabilities (Notes 4 and 18)	\$ 38,557	1	\$ 27,448	1
Notes payable	7,944	-	6,077	-
Accounts payable	50,781	1	46,655	1
Accounts payable to related parties (Note 26)	56,303	1	65,085	1
Other payables (Note 15)	252,548	4	223,814	5
Current tax liabilities (Notes 4 and 20)	92,874	2	84,423	2
Lease liabilities - current (Notes 4, 13 and 26)	92,129	2	101,091	2
Other current liabilities	12,226	-	17,453	-
Total current liabilities	<u>603,362</u>	<u>11</u>	<u>572,046</u>	<u>12</u>
<b>NONCURRENT LIABILITIES</b>				
Lease liabilities - noncurrent (Notes 4, 13 and 26)	1,722,427	32	1,121,816	24
Net defined benefit liabilities (Notes 4 and 16)	9,518	-	9,291	-
Guarantee deposits	66,075	1	60,324	1
Total noncurrent liabilities	<u>1,798,020</u>	<u>33</u>	<u>1,191,431</u>	<u>25</u>
Total liabilities	<u>2,401,382</u>	<u>44</u>	<u>1,763,477</u>	<u>37</u>
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT (Note 17)</b>				
Capital stock	704,701	13	702,459	15
Capital surplus	1,346,535	24	1,379,217	29
Retained earnings				
Legal reserve	343,336	6	282,535	6
Special reserve	6,991	-	5,216	-
Unappropriated earnings	687,687	13	614,050	13
Total retained earnings	1,038,014	19	901,801	19
Other equity	(10,926)	-	(6,991)	-
Equity attributable to shareholders of the parent	3,078,324	56	2,976,486	63
<b>NONCONTROLLING INTERESTS</b>	14,394	-	14,115	-
Total equity	<u>3,092,718</u>	<u>56</u>	<u>2,990,601</u>	<u>63</u>
<b>TOTAL</b>	<u>\$ 5,494,100</u>	<u>100</u>	<u>\$ 4,754,078</u>	<u>100</u>

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

## CHIEF TELECOM INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
NET REVENUE (Notes 4, 18 and 26)	\$ 2,801,046	100	\$ 2,564,649	100
OPERATING COSTS (Notes 16, 19 and 26)	<u>1,545,260</u>	<u>55</u>	<u>1,443,102</u>	<u>56</u>
GROSS PROFIT	<u>1,255,786</u>	<u>45</u>	<u>1,121,547</u>	<u>44</u>
OPERATING EXPENSES (Notes 16, 19 and 26)				
Marketing	277,290	10	254,372	10
General and administrative	105,753	4	91,748	4
Expected credit loss (reversal of credit loss) (Notes 4 and 8)	<u>2,040</u>	<u>-</u>	<u>(437)</u>	<u>-</u>
Total operating expenses	<u>385,083</u>	<u>14</u>	<u>345,683</u>	<u>14</u>
OTHER INCOME AND EXPENSES	<u>34</u>	<u>-</u>	<u>1,380</u>	<u>-</u>
OPERATING INCOME	<u>870,737</u>	<u>31</u>	<u>777,244</u>	<u>30</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	11,003	-	14,590	1
Other income	4,703	-	3,194	-
Other gains and losses (Note 19)	(3,686)	-	(13,474)	-
Interest expense (Notes 4, 19 and 26)	<u>(27,377)</u>	<u>(1)</u>	<u>(21,620)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>(15,357)</u>	<u>(1)</u>	<u>(17,310)</u>	<u>-</u>
INCOME BEFORE INCOME TAX	855,380	30	759,934	30
INCOME TAX (Notes 4 and 20)	<u>168,428</u>	<u>6</u>	<u>149,581</u>	<u>6</u>
NET INCOME	<u>686,952</u>	<u>24</u>	<u>610,353</u>	<u>24</u>
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit pension plans (Note 16)	(962)	-	283	-
Unrealized gain or loss on investments in equity instruments at fair value through other comprehensive income	(1,536)	-	1,997	-
Income tax relating to items that will not be reclassified to profit or loss (Note 20)	193	-	(57)	-

(Continued)

# CHIEF TELECOM INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising from the translation of the foreign operations	\$ (2,505)	-	\$ (3,526)	-
Total comprehensive income (loss), net of income tax	(4,810)	-	(1,303)	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<u>\$ 682,142</u>	<u>24</u>	<u>\$ 609,050</u>	<u>24</u>
<b>NET INCOME ATTRIBUTABLE TO</b>				
Shareholders of the parent	\$ 686,567	24	\$ 607,779	24
Noncontrolling interests	385	-	2,574	-
	<u>\$ 686,952</u>	<u>24</u>	<u>\$ 610,353</u>	<u>24</u>
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO</b>				
Shareholders of the parent	\$ 681,863	24	\$ 606,230	24
Noncontrolling interests	279	-	2,820	-
	<u>\$ 682,142</u>	<u>24</u>	<u>\$ 609,050</u>	<u>24</u>
<b>EARNINGS PER SHARE (Note 21)</b>				
Basic	<u>\$ 9.75</u>		<u>\$ 8.67</u>	
Diluted	<u>\$ 9.68</u>		<u>\$ 8.60</u>	

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

(Concluded)

## CHIEF TELECOM INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Equity Attributable to Shareholders of the Parent (Note 17)							Other Equity			Total Equity
	Capital Stock		Capital Surplus	Legal Reserve	Retained Earnings		Total	Exchange Differences Arising from the Translation of Foreign Operations	Unrealized Gain or Loss on Financial Assets at Fair Value Through Other Comprehensive Income	Noncontrolling Interests	
	Shares (In Thousands)	Amount			Special Reserve	Unappropriated Earnings					
BALANCE, JANUARY 1, 2020	69,462	\$ 694,621	\$ 1,380,763	\$ 228,285	\$ 2,946	\$ 554,139	\$ 785,370	\$ (2,716)	\$ (2,500)	\$ 11,295	\$2,866,833
Appropriation of 2019 earnings											
Legal reserve	-	-	-	54,250	-	(54,250)	-	-	-	-	-
Special reserve	-	-	-	-	2,270	(2,270)	-	-	-	-	-
Cash dividends - \$7.00 per share	-	-	-	-	-	(491,574)	(491,574)	-	-	-	(491,574)
Donations from shareholders	-	-	142	-	-	-	-	-	-	-	142
Issuance of cash dividends from capital surplus	-	-	(70,225)	-	-	-	-	-	-	-	(70,225)
Net income for the year ended December 31, 2020	-	-	-	-	-	607,779	607,779	-	-	2,574	610,353
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	-	226	226	(3,772)	1,997	246	(1,303)
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	-	608,005	608,005	(3,772)	1,997	2,820	609,050
Issuance of ordinary shares under employee share options	784	7,838	66,702	-	-	-	-	-	-	-	74,540
Share-based payment transactions (Note 22)	-	-	1,835	-	-	-	-	-	-	-	1,835
BALANCE, DECEMBER 31, 2020	70,246	702,459	1,379,217	282,535	5,216	614,050	901,801	(6,488)	(503)	14,115	2,990,601
Appropriation of 2020 earnings											
Legal reserve	-	-	-	60,801	-	(60,801)	-	-	-	-	-
Special reserve	-	-	-	-	1,775	(1,775)	-	-	-	-	-
Cash dividends - \$7.80 per share	-	-	-	-	-	(549,585)	(549,585)	-	-	-	(549,585)
Donations from shareholders	-	-	211	-	-	-	-	-	-	-	211
Issuance of cash dividends from capital surplus	-	-	(70,460)	-	-	-	-	-	-	-	(70,460)
Net income for the year ended December 31, 2021	-	-	-	-	-	686,567	686,567	-	-	385	686,952
Other comprehensive income for the year ended December 31, 2021	-	-	-	-	-	(769)	(769)	(2,399)	(1,536)	(106)	(4,810)
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	-	685,798	685,798	(2,399)	(1,536)	279	682,142
Issuance of ordinary shares under employee share options	224	2,242	27,533	-	-	-	-	-	-	-	29,775
Share-based payment transactions (Note 22)	-	-	10,034	-	-	-	-	-	-	-	10,034
BALANCE, DECEMBER 31, 2021	70,470	\$ 704,701	\$ 1,346,535	\$ 343,336	\$ 6,991	\$ 687,687	\$ 1,038,014	\$ (8,887)	\$ (2,039)	\$ 14,394	\$3,092,718

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

# CHIEF TELECOM INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 855,380	\$ 759,934
Adjustments for:		
Depreciation expense	176,532	171,260
Amortization expense	8,465	6,632
Expected credit loss recognized (reversed)	2,040	(437)
Net (gain) loss on fair value changes of financial assets at fair value through profit or loss	(714)	561
Finance costs	27,377	21,620
Interest income	(11,003)	(14,590)
Dividend income	(4,089)	(1,306)
Compensation cost of employee share options	10,034	1,835
Gain on disposal of property, plant and equipment	(34)	(1,380)
Net gain (loss) on disposal of financial assets	(353)	1,788
Provision for impairment loss and obsolescence of inventory	371	600
Unrealized gain on foreign currency exchange	(3,205)	(303)
Changes in operating assets and liabilities:		
Notes receivable	692	(795)
Trade receivables	(16,169)	8,455
Trade receivables from related parties	25,611	(23,362)
Inventories	(746)	218
Prepayments	(16,763)	34,750
Other current assets	(7,054)	29,262
Contract liabilities	11,109	1,322
Notes payable	1,867	4,534
Notes payable to related parties	-	(276)
Accounts payable	3,960	(2,526)
Accounts payable to related parties	(8,782)	7,807
Other payables	25,577	21,327
Other current liabilities	(5,227)	1,547
Net defined benefit plans	(735)	(696)
Cash generated from operations	1,074,141	1,027,781
Interest paid	(27,377)	(21,620)
Income tax paid	(159,536)	(131,303)
Net cash provided by operating activities	<u>887,228</u>	<u>874,858</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	(32,171)	(85,247)
Purchase of financial assets at fair value through profit or loss	(14,072)	(39,253)
Proceeds from sale of financial assets at fair value through profit or loss	20,199	29,741
Acquisition of property, plant and equipment	(357,822)	(51,597)
Proceeds from disposal of property, plant and equipment	34	1,410

(Continued)

# CHIEF TELECOM INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
Acquisition of intangible assets	\$ (1,634)	\$ (29,917)
Acquisition of time deposits with maturities of more than three months	(2,556,600)	(3,526,044)
Proceeds from disposal of time deposits with maturities of more than three months and repurchase agreements collateralized by bonds	2,828,160	3,435,780
(Increase) decrease in noncurrent assets	(5,940)	7,837
Interest received	10,357	16,403
Dividends received	<u>4,089</u>	<u>1,306</u>
Net cash used in investing activities	<u>(105,400)</u>	<u>(239,581)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in guarantee deposits	5,751	5,069
Repayment of the principal portion of lease liabilities	(89,708)	(84,209)
Cash dividends paid	(620,045)	(561,799)
Employee share options exercised	29,775	74,540
Donations from shareholders	<u>211</u>	<u>142</u>
Net cash used in financing activities	<u>(674,016)</u>	<u>(566,257)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>484</u>	<u>(6,937)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	108,296	62,083
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>911,640</u>	<u>849,557</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 1,019,936</u>	<u>\$ 911,640</u>

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

# CHIEF TELECOM INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL

Chief Telecom Inc. (hereinafter referred to as “Chief” or the “Company”) was incorporated in January 1991, mainly offering network integration, internet data center (“IDC”), communications integration, and cloud application services. Chief and its subsidiaries are hereinafter referred to collectively as the “Group”.

On June 5, 2018, the common shares of Chief were listed and traded on the Taipei Exchange (the “TPEX”).

Chunghwa Telecom Co., Ltd., the parent company of the Group, and its subsidiaries were holding 58.89% and 59.08% of the shares of the Group as of December 31, 2021 and 2020, respectively.

The consolidated financial statements are presented in Chief’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by Chief’s board of directors on February 17, 2022.

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

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

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have 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
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

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

IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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

c. IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to 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 Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: 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 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of above standards and interpretations will have on the Group’s financial position and operating results 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 certain financial instruments that are measured at fair values and net defined benefit liabilities which are measured at the present value of the defined benefit obligations 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 an 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 an asset or liability.

##### **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 twelve 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 twelve months after the reporting period.

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within twelve months after the reporting period; and
- c. Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve 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 the Company and the entities controlled by the Company (i.e., its subsidiaries). When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group. 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 the Company and to the non-controlling interests even if this results in the

non-controlling interests having a deficit balance.

See Note 11, and Table 3 and Table 4 for detailed information on subsidiaries, percentages of ownership and main businesses.

### **Foreign Currencies**

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

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

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the financial statements of the Group's foreign operations are translated into the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income, attributed to the owners of the Company and non-controlling interests as appropriate.

### **Inventories**

Inventories are stated at the lower of cost or net realizable. 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 of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost.

### **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.

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 methods are reviewed at the end of each reporting period, with the effects of any changes in the 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.

### **Intangible Assets**

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

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.

## **Impairment of Tangible and Intangible Assets**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, 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.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit 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 or cash-generating unit 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 fair value through profit or loss) 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 fair value through profit or loss 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 fair value through profit or loss (FVTPL), financial assets at amortized cost, and investments in equity instruments at fair value through other comprehensive income (FVTOCI).

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

Financial assets at FVTPL are subsequently measured at fair value, and any dividends earned on such financial assets are recognized in other income and interest income; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 25.

b) Financial assets at amortized cost

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

- i. The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii. The contractual terms of the financial assets 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, notes and trade receivables at amortized cost, other financial assets and refundable deposits, 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 such financial assets.

Cash equivalents include time deposits and commercial papers 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 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

As of balance sheet dates, the Group evaluates the impairment losses for expected credit losses (ECLs) on financial assets at amortized cost (i.e., notes and trade receivables).

The Group always recognizes lifetime expected credit losses for notes and trade receivables. 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.

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 entity.

On derecognition of a financial asset measured 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 difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and 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. Financial liabilities

##### 1) Subsequent measurement

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 and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

### **Revenue Recognition**

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

Sales of products are recognized as revenue when the following criteria have been satisfied:

- a. The risks and rewards of ownership have transferred.
- b. The seller does not retain managerial involvement to the extent normally associated with ownership nor retain effective control.
- c. The amount of revenue can be reliably measured.
- d. It is probable that the economic benefit will flow to the Group.
- e. The costs incurred can be measured reliably.

Revenue from the rendering of services comes from providing IDC and other services, with related revenue recognized when all of the related performance obligations are satisfied according to the contracts.

The Group has established fixed rate charges for IDC services. However, for network integration, communications integration, and cloud application services, customers can select from a fixed rate or usage-based pricing, which is calculated based on actual consumption or minutes used. The Group recognized contract liabilities for monthly subscription charges and usage charges received in advance, which is recognized as revenue when subsequent usage occurs.

Since the four types of revenue from contracts with customers are not sold as bundled sales, and

the contract duration between the transfer of products and services and consideration received is one year at maximum, transaction prices are not adjusted based on significant financing components.

## **Leasing**

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

### **a. The Group as lessor**

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

### **b. The Group as lessee**

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for low-value asset leases accounted for by 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 and lease payments made at or before the commencement date. Right-of-use assets are subsequently measured at cost less accumulated depreciation and accumulated impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented separately on the consolidated balance sheets.

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

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If such rate cannot be readily determined, the lessee's incremental borrowing rate is used.

Lease liabilities are subsequently 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 or a change in future lease payments resulting from a change in an index or a rate used to determine those 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. The Group accounts for the remeasurement of the lease liability as a result of the decrease of lease scope by decreasing the carrying amount of the right-of-use assets and recognizing in profit or loss any gain or loss on the partial or full termination of the lease. Lease liabilities are presented separately on the consolidated balance sheets.

Variable lease payments not depending on an index or a rate are recognized as expenses in the periods in which they are incurred.

## **Retirement Benefits**

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

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur.

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 represent the actual deficit in the Group's defined benefit plans.

### **Share-based Payment Arrangements - Employee Share Options**

The fair value determined 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 estimate 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. The grant date of issued ordinary shares for cash which are reserved for employees is the date on which the number of shares that the employees purchase is confirmed.

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, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

### **Income Tax**

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

#### **a. Current tax**

According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

#### **b. Deferred tax**

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements 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, to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset 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 assets and liabilities 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, in which case, the current and deferred taxes are also recognized in other comprehensive income.

**5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION  
UNCERTAINTY AND ASSUMPTION**

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

The estimates and underlying assumptions are reviewed by management 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.

**6. CASH AND CASH EQUIVALENTS**

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Cash on hand	\$ 150	\$ 150
Bank deposits	407,812	559,580
Cash equivalents (investments with maturities of less than three months)		
Time deposits	512,000	252,000
Commercial papers	<u>99,974</u>	<u>99,910</u>
	<u>\$ 1,019,936</u>	<u>\$ 911,640</u>

The annual yield rates of bank deposits, time deposits, and commercial papers as of balance sheet dates were as follows:

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Bank deposits	0.001%-0.30%	0.001%-0.30%
Time deposits	0.05%-0.40%	0.35%
Commercial papers	0.17%	0.20%

**7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
<u>Financial assets - current</u>		
Mandatorily measured at FVTPL		
Non-derivatives		
Listed shares - domestic	<u>\$ 2,566</u>	<u>\$ 7,626</u>

The Group holds its listed shares - domestic for short-term investment purposes.

## 8. NOTES AND TRADE RECEIVABLES, NET

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Notes receivable</u>		
Notes receivable - operating	\$ <u>2,887</u>	\$ <u>3,579</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 180,061	\$ 163,796
Less: Allowance for impairment loss	<u>(3,647)</u>	<u>(2,014)</u>
	<u>\$ 176,414</u>	<u>\$ 161,782</u>

The main credit terms for the Group's sale of products range from 30 to 90 days. The Group adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher. The Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored.

The Group measures the loss allowance for notes and trade receivables at an amount equal to lifetime ECLs. The expected credit losses on notes and trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a note or trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation. For notes or trade receivables 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 following table details the loss allowance of notes and trade receivables based on the Group's provision matrix.

### December 31, 2021

	<b>Not Past Due</b>	<b>1 to 60 Days Past Due</b>	<b>61 to 90 Days Past Due</b>	<b>91 to 120 Days Past Due</b>	<b>Over 120 Days Past Due</b>	<b>Total</b>
Expected credit loss rate	0%-0.31%	1.29%-4.72%	15.02%	33.84%	62.89%-100%	
Gross carrying amount	\$ 130,340	\$ 45,910	\$ 4,376	\$ 559	\$ 1,763	\$ 182,948
Loss allowance (Lifetime ECLs)	<u>(398)</u>	<u>(827)</u>	<u>(657)</u>	<u>(189)</u>	<u>(1,576)</u>	<u>(3,647)</u>
Amortized cost	<u>\$ 129,942</u>	<u>\$ 45,083</u>	<u>\$ 3,719</u>	<u>\$ 370</u>	<u>\$ 187</u>	<u>\$ 179,301</u>

December 31, 2020

	Not Past Due	1 to 60 Days Past Due	61 to 90 Days Past Due	91 to 120 Days Past Due	Over 120 Days Past Due	Total
Expected credit loss rate	0%-0.19%	0.86%-3.86%	12.64%	37.90%	67.91%-100%	
Gross carrying amount	\$ 123,350	\$ 42,173	\$ 657	\$ 331	\$ 864	\$ 167,375
Loss allowance (Lifetime ECLs)	<u>(231)</u>	<u>(787)</u>	<u>(83)</u>	<u>(126)</u>	<u>(787)</u>	<u>(2,014)</u>
Amortized cost	<u>\$ 123,119</u>	<u>\$ 41,386</u>	<u>\$ 574</u>	<u>\$ 205</u>	<u>\$ 77</u>	<u>\$ 165,361</u>

The movements of the loss allowance of notes and trade receivables were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 2,014	\$ 4,155
Add: Provision for (reversal of) credit loss	2,040	(437)
Add: Amounts recovered	-	23
Less: Amounts written off	<u>(407)</u>	<u>(1,727)</u>
Balance at December 31	<u>\$ 3,647</u>	<u>\$ 2,014</u>

**9. OTHER FINANCIAL ASSETS**

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Time deposits with maturities of more than three months	<u>\$ 1,640,192</u>	<u>\$ 1,911,874</u>

The annual yield rates of time deposits with maturities of more than three months at the balance sheet dates were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Time deposits with maturities of more than three months	0.07%-2.70%	0.09%-2.25%

**10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Non-current</u>		
Investments in equity instruments		
Domestic investments - listed shares	\$ 118,545	\$ 86,974
Domestic investments - unlisted shares	<u>284</u>	<u>1,220</u>
	<u>\$ 118,829</u>	<u>\$ 88,194</u>

The Group holds preferred shares of WPG Holdings Limited and WT Microelectronics Co., Ltd., and common shares of 3 Link Information Service Co., Ltd. for long-term strategic purposes. Accordingly, management elected to designate these investments in equity instruments as at FVTOCI as it believes 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.

## 11. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements were as follows:

Investor	Investee	Nature of Activities	Proportion of Ownership (%)	
			2021	2020
Chief Telecom Inc.	Unigate Telecom Inc.	Telecommunications and internet service	100	100
	Chief International Corp.	Telecommunications and internet service	100	100
	Shanghai Chief Telecom Co., Ltd.	Telecommunications and internet service	49	49

According to the mutual agreements among shareholders of Shanghai Chief Telecom Co., Ltd. ("SCT"), since the Company has two of three seats in SCT's board of directors, the Company has control over SCT; therefore, SCT is deemed a subsidiary of the Group. SCT mainly operates in the telecommunications and data service business.

## 12. PROPERTY, PLANT AND EQUIPMENT

	Computer Equipment	Telecommunications Equipment	Miscellaneous Equipment	Construction in Progress and Equipment to be Accepted	Total
<u>Cost</u>					
Balance at January 1, 2020	\$ 17,789	\$1,925,916	\$ 5,576	\$ 2,582	\$1,951,863
Additions	1,036	43,179	-	6,821	51,036
Disposals	(23)	(18,489)	(197)	-	(18,709)
Reclassifications	-	1,220	-	(2,805)	(1,585)
Effect of foreign exchange differences	6	-	-	-	6
Balance at December 31, 2020	<u>\$ 18,808</u>	<u>\$1,951,826</u>	<u>\$ 5,379</u>	<u>\$ 6,598</u>	<u>\$1,982,611</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2020	\$ (14,422)	\$(1,614,617)	\$ (4,542)	\$ -	\$(1,633,581)
Depreciation expense	(2,858)	(76,564)	(397)	-	(79,819)
Disposals	23	18,460	196	-	18,679
Effect of foreign exchange differences	(5)	-	-	-	(5)
Balance at December 31, 2020	<u>\$ (17,262)</u>	<u>\$(1,672,721)</u>	<u>\$ (4,743)</u>	<u>\$ -</u>	<u>\$(1,694,726)</u>
Carrying amount at December 31, 2020	<u>\$ 1,546</u>	<u>\$ 279,105</u>	<u>\$ 636</u>	<u>\$ 6,598</u>	<u>\$ 287,885</u>

(Continued)

	Computer Equipment	Telecommuni- cations Equipment	Miscellaneous Equipment	Construction in Progress and Equipment to be Accepted	Total
<u>Cost</u>					
Balance at January 1, 2021	\$ 18,808	\$1,951,826	\$ 5,379	\$ 6,598	\$1,982,611
Additions	1,299	26,146	-	333,534	360,979
Disposals	(76)	(23,803)	(80)	-	(23,959)
Reclassifications	-	8,774	-	(10,061)	(1,287)
Effect of foreign exchange differences	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1)</u>
Balance at December 31, 2021	<u>\$ 20,030</u>	<u>\$1,962,943</u>	<u>\$ 5,299</u>	<u>\$ 330,071</u>	<u>\$2,318,343</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2021	\$ (17,262)	\$(1,672,721)	\$ (4,743)	\$ -	\$(1,694,726)
Depreciation expense	(1,296)	(74,320)	(303)	-	(75,919)
Disposals	76	23,803	80	-	23,959
Effect of foreign exchange differences	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>
Balance at December 31, 2021	<u>\$ (18,480)</u>	<u>\$(1,723,238)</u>	<u>\$ (4,966)</u>	<u>\$ -</u>	<u>\$(1,746,684)</u>
Carrying amount at December 31, 2021	<u>\$ 1,550</u>	<u>\$ 239,705</u>	<u>\$ 333</u>	<u>\$ 330,071</u>	<u>\$ 571,659</u> (Concluded)

No impairment assessment was performed for the years ended December 31, 2021 and 2020, respectively, as there was no indication of impairment.

The construction of the Company's IDC was resolved in the board of directors' meeting on January 26, 2021. Physical construction has commenced with costs incurred recognized in construction in progress and equipment to be accepted under property, plant and equipment.

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

Computer equipment	
Telecommunications equipment	3-5 years
Telecommunication circuits	2-30 years
Telecommunication machinery and antennas equipment	2-30 years
Miscellaneous equipment	
Mechanical and air conditioner equipment	3-5 years
Others	3-5 years

### 13. LEASE ARRANGEMENTS

#### a. Right-of-use assets

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Carrying amount</u>		
Land	\$ 584,237	\$ -
Buildings	1,173,098	1,175,306
Transportation equipment	<u>1,073</u>	<u>2,359</u>
	<u>\$ 1,758,408</u>	<u>\$ 1,177,665</u>
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Additions to right-of-use assets	<u>\$ 681,358</u>	<u>\$ 765</u>
Depreciation charge for right-of-use assets		
Land	\$ 7,895	\$ -
Buildings	91,432	90,155
Transportation equipment	<u>1,286</u>	<u>1,286</u>
	<u>\$ 100,613</u>	<u>\$ 91,441</u>

Other than additions to and depreciation incurred presented above, right-of-use assets of the Group did not exhibit signs of impairment for the years ended December 31, 2021 and 2020.

#### b. Lease liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Carrying amount</u>		
Current	\$ 92,129	\$ 101,091
Non-current	<u>1,722,427</u>	<u>1,121,816</u>
	<u>\$ 1,814,556</u>	<u>\$ 1,222,907</u>

Range of discount rates for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Land	1.6%	-
Buildings	0.91%-1.7%	1.7%
Transportation equipment	2.5%	2.5%

#### c. Material leasing activities and terms

The Group leases land and buildings with lease terms ranging from 1 to 50 years. These arrangements contain renewal options to extend the lease upon expiration.

Extension options are included in the land and building leases across the Group. Extension options are included to provide greater flexibility to the Group. Since the Group is reasonably certain to use the optional extended lease term, payments associated with the optional period are included within lease liabilities.

d. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Expenses relating to low-value asset leases	<u>\$ 176</u>	<u>\$ 169</u>
Total cash outflow for leases	<u>\$ 117,130</u>	<u>\$ 105,815</u>

The Group's leases of certain office equipment qualify as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

#### 14. INTANGIBLE ASSETS

	<b>Computer Software</b>	<b>Others</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1, 2020	\$ 23,866	\$ 31,533	\$ 55,399
Additions	29,917	-	29,917
Reclassifications	<u>1,585</u>	<u>-</u>	<u>1,585</u>
Balance at December 31, 2020	<u>\$ 55,368</u>	<u>\$ 31,533</u>	<u>\$ 86,901</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2020	\$(17,350)	\$ -	\$(17,350)
Amortization expense	<u>(6,632)</u>	<u>-</u>	<u>(6,632)</u>
Balance at December 31, 2020	<u>\$(23,982)</u>	<u>\$ -</u>	<u>\$(23,982)</u>
Carrying amount at December 31, 2020	<u>\$ 31,386</u>	<u>\$ 31,533</u>	<u>\$ 62,919</u>
<u>Cost</u>			
Balance at January 1, 2021	\$ 55,368	\$ 31,533	\$ 86,901
Additions	1,634	-	1,634
Reclassifications	<u>1,287</u>	<u>-</u>	<u>1,287</u>
Balance at December 31, 2021	<u>\$ 58,289</u>	<u>\$ 31,533</u>	<u>\$ 89,822</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2021	\$(23,982)	\$ -	\$(23,982)
Amortization expense	<u>(8,465)</u>	<u>-</u>	<u>(8,465)</u>
Balance at December 31, 2021	<u>\$(32,447)</u>	<u>\$ -</u>	<u>\$(32,447)</u>
Carrying amount at December 31, 2021	<u>\$ 25,842</u>	<u>\$ 31,533</u>	<u>\$ 57,375</u>

Computer software is amortized using the straight-line method over the estimated useful lives of 3 to 8 years. Other intangible asset is an IP address acquired separately, which is considered to have an indefinite useful life and is not amortized, since only an annual fee is necessary to maintain its usage rights, and there is no foreseeable limit to the period over which the asset is expected to generate net cash flows.

## 15. OTHER PAYABLES

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Payables for salaries and bonuses	\$ 139,003	\$ 122,675
Payables for accrued compensation of employees and remuneration of directors	67,948	60,769
Payables for purchases of equipment	14,547	11,390
Others	<u>31,050</u>	<u>28,980</u>
	<u>\$ 252,548</u>	<u>\$ 223,814</u>

## 16. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

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 salaries and wages.

### b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes an amount equal to 2% of total monthly salaries 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 are as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Present value of defined benefit obligation	\$ 32,564	\$ 31,294
Fair value of plan assets	<u>(23,046)</u>	<u>(22,003)</u>
Net defined benefit liabilities	<u>\$ 9,518</u>	<u>\$ 9,291</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of Funded Defined Benefit Obligations</b>	<b>Fair Value of Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2020	<u>\$ 30,665</u>	<u>\$(20,395)</u>	<u>\$ 10,270</u>
Current service cost			
Net interest expense (income)	<u>230</u>	<u>(156)</u>	<u>74</u>
Amounts recognized in profit or loss	<u>230</u>	<u>(156)</u>	<u>74</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(682)	(682)
Actuarial losses recognized from changes in financial assumptions	761	-	761
Actuarial gains recognized from experience adjustments	<u>(362)</u>	<u>-</u>	<u>(362)</u>
Amounts recognized in other comprehensive income	<u>399</u>	<u>(682)</u>	<u>(283)</u>
Contributions from employer	<u>-</u>	<u>(770)</u>	<u>(770)</u>
Balance at December 31, 2020	<u>\$ 31,294</u>	<u>\$(22,003)</u>	<u>\$ 9,291</u>
Balance at January 1, 2021	<u>\$ 31,294</u>	<u>\$(22,003)</u>	<u>\$ 9,291</u>
Current service cost			
Net interest expense (income)	<u>155</u>	<u>(111)</u>	<u>44</u>
Amounts recognized in profit or loss	<u>155</u>	<u>(111)</u>	<u>44</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(153)	(153)
Actuarial losses recognized from changes in demographic assumptions	808	-	808
Actuarial gains recognized from experience adjustments	<u>307</u>	<u>-</u>	<u>307</u>
Amounts recognized in other comprehensive income	<u>1,115</u>	<u>(153)</u>	<u>962</u>
Contributions from employer	<u>-</u>	<u>(779)</u>	<u>(779)</u>
Balance at December 31, 2021	<u>\$ 32,564</u>	<u>\$(23,046)</u>	<u>\$ 9,518</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Operating costs	\$ 4	\$ 6
Selling and marketing expenses	29	49
General and administrative expenses	<u>11</u>	<u>19</u>
	<u>\$ 44</u>	<u>\$ 74</u>

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

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government/corporate 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 plans' 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 are as follows:

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Discount rate	0.50%	0.50%
Expected rate of salary increase	1.20%	1.20%

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 will increase (decrease) as follows:

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Discount rate		
0.5% increase	<u>\$ (1,465)</u>	<u>\$ (1,495)</u>
0.5% decrease	<u>\$ 1,564</u>	<u>\$ 1,602</u>
Expected rate of salary increase		
0.5% increase	<u>\$ 1,520</u>	<u>\$ 1,557</u>
0.5% decrease	<u>\$ (1,439)</u>	<u>\$ (1,468)</u>

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

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Expected contributions to the plans for the next year	<u>\$ 727</u>	<u>\$ 770</u>
Average duration of the defined benefit obligation	9.2 years	9.8 years

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Maturity analysis of undiscounted pension benefits		
Not later than 1 year	\$ 1,561	\$ 1,641
Later than 1 year and not later than 5 years	4,854	4,643
Later than 5 years	<u>12,561</u>	<u>10,948</u>
	<u>\$ 18,976</u>	<u>\$ 17,232</u>

## 17. EQUITY

### a. Share capital - ordinary shares

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Number of shares authorized (in thousands)	<u>88,000</u>	<u>88,000</u>
Shares authorized	<u>\$ 880,000</u>	<u>\$ 880,000</u>
Number of shares issued and fully paid (in thousands)	<u>70,470</u>	<u>70,246</u>
Shares issued	<u>\$ 704,701</u>	<u>\$ 702,459</u>

Each issued ordinary share with par value of \$10 is entitled the right to vote and receive dividends.

On February 19, 2020, the Company's board of directors resolved to issue 763 thousand shares with par value of \$10, as new shares designated for subscription when the share options of 2020 are exercised, and the subscription base date was determined by the board of directors to be March 16, 2020. On April 7, 2020, the above transaction was approved by the FSC.

On December 15, 2020, the Company's board of directors resolved to issue 21 thousand shares with par value of \$10, as new shares designated for subscription when the share options of 2020 are exercised, and the subscription base date was determined by the board of directors to be December 16, 2020. On January 15, 2021, the above transaction was approved by the FSC.

On February 19, 2021, the Company's board of directors resolved to issue 214 thousand shares with par value of \$10, as new shares designated for subscription when the share options of 2021 are exercised, and the subscription base date was determined by the board of directors to be March 16, 2021. On April 9, 2021, the above transaction was approved by the FSC.

On December 17, 2021, the Company's board of directors resolved to issue 10.5 thousand shares with par value of \$10, as new shares designated for subscription when the share options of 2021 are exercised, and the subscription base date was determined by the board of directors to be December 23, 2021. On January 7, 2022, the above transaction was approved by the FSC.

### b. Capital surplus

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Issuance of ordinary shares	\$ 1,333,956	\$ 1,376,190
Employee share options	11,814	2,473
Donations	<u>765</u>	<u>554</u>

<b>December 31</b>	
<b>2021</b>	<b>2020</b>
<u>\$ 1,346,535</u>	<u>\$ 1,379,217</u>

Capital surplus arising from share premium and donated capital, except due to unclaimed dividends, may be utilized to offset deficit. Furthermore, when the Company has no deficit, it may be distributed in cash or capitalized, which however is limited to a certain percentage of the Company's paid-in capital.

Capital surplus arising from employee share option plans cannot be utilized; however, upon expiration, the capital surplus transferred may be used to offset deficit.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Company's Articles of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors after the amendment, refer to compensation of employees and remuneration of directors in Note 19(e).

Appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2020 and 2019 which were approved in the shareholders meetings on August 17, 2021 and June 29, 2020, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For Fiscal Year 2020</b>	<b>For Fiscal Year 2019</b>	<b>For Fiscal Year 2020</b>	<b>For Fiscal Year 2019</b>
Legal reserve	\$ 60,801	\$ 54,250		
Special reserve	1,775	2,270		
Cash dividends	549,585	491,574	\$ 7.80	\$ 7.00

The Company's shareholders also resolved in the shareholders' meetings on August 17, 2021 and June 29, 2020 to issue cash dividends of \$1 per share, for a total of \$70,460 thousand and \$70,225 thousand respectively, from capital surplus.

The appropriations of earnings for 2021, which were proposed by the Company's board of directors on February 17, 2022, were as follows:

<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
--------------------------------------	---------------------------------------

Legal reserve	\$ 68,580	
Special reserve	3,935	
Cash dividends	614,937	\$ 8.70

The Company proposed, in the board of directors' meeting on February 17, 2022, to issue cash dividends of \$0.6 per share, for a total of \$42,409 thousand, from capital surplus.

The appropriation of earnings for 2021 will be resolved by the shareholders in their meeting to be held on June 7, 2022. Information on the appropriation of the Company's earnings proposed by the board of directors and approved by the shareholders is available at the Market Observation Post System website.

d. Other equity items

Exchange differences arising from the translation of the foreign operations

The exchange differences arising from the translation of the foreign operations from their functional currency to New Taiwan dollars were recognized as exchange differences arising from the translation of the foreign operations in other comprehensive income.

## 18. REVENUE

	<b>For the Year Ended December</b>	
	<b>31</b>	
	<b>2021</b>	<b>2020</b>
Major products and service revenue		
Revenue from data service	\$ 1,308,608	\$ 1,219,840
Revenue from IDC service	823,638	745,665
Revenue from cloud service	429,287	346,981
Revenue from voice service	<u>239,513</u>	<u>252,163</u>
	<u>\$ 2,801,046</u>	<u>\$ 2,564,649</u>
Revenue from contracts with customers		
Revenue from telecommunications service	\$ 2,782,108	\$ 2,561,388
Revenue from rendering of services	18,505	900
Revenue from sale of goods	<u>433</u>	<u>2,361</u>
	<u>\$ 2,801,046</u>	<u>\$ 2,564,649</u>

Contract liabilities at December 31, 2021 and 2020 mainly result from telecommunications services. The changes in the balance of contract liabilities primarily result from the timing difference between the satisfaction of performance obligations and the respective customer's payment.

Revenue that was recognized from the contract liability balance at the beginning of the year for the years ended December 31, 2021 and 2020 was \$16,918 thousand and \$13,342 thousand, respectively.

## 19. NET INCOME

a. Other operating income and expenses

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Net gain on disposal of property, plant and equipment	<u>\$ 34</u>	<u>\$ 1,380</u>
<b>b. Finance costs</b>		
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Interest on lease liabilities	\$ 27,246	\$ 21,436
Other	<u>131</u>	<u>184</u>
	<u>\$ 27,377</u>	<u>\$ 21,620</u>
<b>c. Depreciation and amortization expenses</b>		
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Property, plant and equipment	\$ 75,919	\$ 79,819
Right-of-use assets	100,613	91,441
Intangible assets	<u>8,465</u>	<u>6,632</u>
	<u>\$ 184,997</u>	<u>\$ 177,892</u>
An analysis of depreciation by function		
Operating costs	\$ 166,290	\$ 159,313
Operating expenses	<u>10,242</u>	<u>11,947</u>
	<u>\$ 176,532</u>	<u>\$ 171,260</u>
An analysis of amortization by function		
Operating costs	\$ 6,034	\$ 4,492
Operating expenses	<u>2,431</u>	<u>2,140</u>
	<u>\$ 8,465</u>	<u>\$ 6,632</u>
<b>d. Employee benefits expense</b>		
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Post-employment benefits		
Defined contribution plan	\$ 7,069	\$ 6,866
Defined benefit plans (Note 16)	<u>44</u>	<u>74</u>
	<u>7,113</u>	<u>6,940</u>
Share-based payment		
Employee share options (Note 22)	<u>10,034</u>	<u>1,835</u>
Other employee benefits		
Salaries	266,693	246,716
Insurance	18,640	15,750
Other employee benefits	<u>74,057</u>	<u>66,241</u>
	<u>359,390</u>	<u>328,707</u>

Total employee benefits expense	<u>\$ 376,537</u>	<u>\$ 337,482</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 40,361	\$ 35,560
Operating expenses	<u>336,176</u>	<u>301,922</u>
	<u>\$ 376,537</u>	<u>\$ 337,482</u>

e. Compensation of employees and remuneration of directors

According to the Company's Articles, the Company accrues compensation of employees and remuneration of directors at rates between 3.5% and 6.9% and no higher than 2.3%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and the remuneration of directors for the year ended December 31, 2021, which were approved by the Company's board of directors on February 17, 2022, were \$63,366 thousand and \$3,360 thousand, accrued at rates of 6.9% and 0.4%, respectively, of net profit before income tax.

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

The compensation of employees and the remuneration of directors of for the years ended December 31, 2020 and 2019, which were approved by the Company's board of directors on February 19, 2021 and February 19, 2020, respectively, were as follows:

	<b>For the Year Ended December</b>	
	<b>31</b>	
	<b>2020</b>	<b>2019</b>
	<b>Cash</b>	<b>Cash</b>
Compensation of employees	\$ 56,107	\$ 49,928
Remuneration of directors	3,162	3,360

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

Information on the compensation of employees and remuneration of directors approved by the board of directors is available at the Market Observation Post System website.

## 20. INCOME TAX

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	<b>For the Year Ended December</b>	
	<b>31</b>	
	<b>2021</b>	<b>2020</b>
Current tax		
In respect of the current year	\$ 167,987	\$ 148,922
Adjustments for prior year	-	(6,316)
	<u>167,987</u>	<u>142,606</u>
Deferred tax		
In respect of the current year	441	658

Adjustments for prior year	-	6,317
	<u>441</u>	<u>6,975</u>
Income tax expense recognized in profit or loss	<u>\$ 168,428</u>	<u>\$ 149,581</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Income before income tax	<u>\$ 855,380</u>	<u>\$ 759,934</u>
Income tax expense calculated at the statutory rate	\$ 171,076	\$ 151,987
Nondeductible expenses in determining taxable income	1	1
Tax-exempt income	(2,586)	(2,150)
Unrecognized loss carryforwards	(21)	(20)
Effect of different tax rates of entities operating in other jurisdictions	(42)	(238)
Adjustments to prior years' tax	<u>-</u>	<u>1</u>
Income tax expense recognized in profit or loss	<u>\$ 168,428</u>	<u>\$ 149,581</u>

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement on defined benefit pension plans	<u>\$ (193)</u>	<u>\$ 57</u>

c. Current tax liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Income tax payable	<u>\$ 92,874</u>	<u>\$ 84,423</u>

d. Deferred income tax assets and liabilities

The movements of deferred income tax assets were as follows:

For the year ended December 31, 2021

<b>Deferred Tax Assets</b>	<b>Beginning Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Ending Balance</b>
Temporary differences				
Defined benefit pension plans	\$ 991	\$ (147)	\$ 193	\$ 1,037
Provision for impairment loss and obsolescence of inventory	518	74	-	592
Unrealized net exchange	726	(665)	-	61

losses				
Allowance for doubtful receivables over limit	-	297	-	297
	<u>\$ 2,235</u>	<u>\$ (441)</u>	<u>\$ 193</u>	<u>\$ 1,987</u>

For the year ended December 31, 2020

<b>Deferred Tax Assets</b>	<b>Beginning Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Ending Balance</b>
Temporary differences				
Defined benefit pension plans	\$ 1,187	\$ (139)	\$ (57)	\$ 991
Provision for impairment loss and obsolescence of inventory	398	120	-	518
Unrealized net exchange losses	944	(218)	-	726
Allowance for doubtful receivables over limit	407	(407)	-	-
Impairment loss on assets	14	(14)	-	-
Right-of-use assets	<u>6,317</u>	<u>(6,317)</u>	<u>-</u>	<u>-</u>
	<u>\$ 9,267</u>	<u>\$ (6,975)</u>	<u>\$ (57)</u>	<u>\$ 2,235</u>

- e. Unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Loss carryforwards		
Expire in 2021	\$ -	\$ 79
Expire in 2022	107	135
Expire in 2023	124	124
Expire in 2024	118	118
Expire in 2025	117	117
Expire in 2026	137	137
Expire in 2027	129	129
Expire in 2028	118	118
Expire in 2029	<u>26</u>	<u>26</u>
	<u>\$ 876</u>	<u>\$ 983</u>

- f. Income tax assessments

The income tax returns through 2019 of Chief and Unigate have been examined by the tax authorities.

## 21. EARNINGS PER SHARE (EPS)

Net income and weighted average number of ordinary shares used in the calculation of earnings per share were as follows:

## Net Income

	For the Year Ended December 31	
	2021	2020
Net income used to compute the basic and diluted earnings per share		
Net income attributable to the parent	<u>\$ 686,567</u>	<u>\$ 607,779</u>

## Weighted Average Number of Shares

	(Thousand Shares)	
	For the Year Ended December 31	
	2021	2020
Weighted average number of ordinary shares used in the computation of basic earnings per share	70,417	70,069
Effect of potentially dilutive ordinary shares		
Employee share options	224	440
Compensation of employees	<u>252</u>	<u>189</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>70,893</u>	<u>70,698</u>

Chief may settle the compensation of employees in cash or shares; therefore, the Company assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 22. SHARE-BASED PAYMENT ARRANGEMENTS

Employee share option plan of the Company:

Effective Date for Plan Registration	Resolution Date by the Board of Directors	Units Granted	Exercise Price (NT\$)
2020.09.16	2020.10.26	200.00	\$199.70 (Original price \$206.00)
2017.12.18	2018.10.31	50.00	\$134.50 (Original price \$147.00)
2017.12.18	2017.12.19	950.00	\$128.70 (Original price \$147.00)
2015.11.17	2015.10.22	2,000.00	\$34.40 (Original price \$43.00)

Each option is eligible to subscribe for one thousand ordinary shares of the Company; the options are granted to qualified employees of the Company. For any subsequent changes in the Company's ordinary shares or the distribution of cash dividends, the exercise price is adjusted accordingly. The options granted are valid for 5 years and exercisable at certain percentages after the second anniversary from the grant date.

The board of directors resolved to issue share options on October 26, 2020, and authorized the chairman to decide the grant date, November 13, 2020.

The Company modified the plan terms of share options granted on December 19, 2017 in July 2020 and September 2021; therefore, the exercise price changed from \$135.60 to \$132.70 and from \$132.70 to \$128.70 per share. The modification did not cause any incremental fair value.

The Company modified the plan terms of share options granted on October 31, 2018 in July 2020 and September 2021; therefore, the exercise price changed from \$141.70 to \$138.70 and from \$138.70 to \$134.50 per share. The modification did not cause any incremental fair value.

The Company modified the plan terms of share options granted on October 26, 2020 in September 2021; therefore, the exercise price changed from \$206.00 to \$199.70 per share. The modification did not cause any incremental fair value.

Information on employee share options was as follows:

	For the Year Ended December 31, 2021					
	Granted on November 13, 2020		Granted on October 31, 2018		Granted on December 19, 2017	
	Number of Options	Weighted Average Exercise Price (NT\$)	Number of Options	Weighted Average Exercise Price (NT\$)	Number of Options	Weighted Average Exercise Price (NT\$)
Options outstanding at beginning of the year	200.00	\$ 206.00	21.00	\$ 138.70	427.50	\$ 132.70
Options exercised	-	-	(10.50)	134.50	(213.75)	132.70
Options forfeited	(6.00)	-	-	-	(0.50)	-
Options outstanding at end of the year	<u>194.00</u>	199.70	<u>10.50</u>	134.50	<u>213.25</u>	128.70
Options exercisable at end of the year	<u>-</u>	-	<u>-</u>	-	<u>213.25</u>	128.70

	For the Year Ended December 31, 2020							
	Granted on November 13, 2020		Granted on October 31, 2018		Granted on December 19, 2017		Granted on October 22, 2015	
	Number of Options	Weighted Average Exercise Price (NT\$)	Number of Options	Weighted Average Exercise Price (NT\$)	Number of Options	Weighted Average Exercise Price (NT\$)	Number of Options	Weighted Average Exercise Price (NT\$)
Options outstanding at beginning of the year	-	\$ -	46.00	\$ 141.70	897.00	\$ 135.60	314.25	\$ 34.40
Options granted	200.00	206.00	-	-	-	-	-	-
Options exercised	-	-	(21.00)	138.70	(448.50)	135.60	(314.25)	34.40
Options forfeited	-	-	(4.00)	-	(21.00)	-	-	-
Options outstanding at end of the year	<u>200.00</u>	206.00	<u>21.00</u>	138.70	<u>427.50</u>	132.70	<u>-</u>	-
Options exercisable at end of the year	<u>-</u>	-	<u>-</u>	-	<u>213.75</u>	132.70	<u>-</u>	-

As of December 31, 2021, information on employee share options outstanding was as follows:

Range of Exercise Price (NT\$)	Granted on November 13, 2020			Options Exercisable	
	Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price (NT\$)	Number of Options	Weighted Average Exercise Price (NT\$)
\$ 199.70	194.00	3.87	\$ 199.70	-	\$ -

<b>Granted on October 31, 2018</b>					
<b>Options Outstanding</b>			<b>Options Exercisable</b>		
<b>Range of Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted Average Remaining Contractual Life (Years)</b>	<b>Weighted Average Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted Average Exercise Price (NT\$)</b>
\$ 134.50	10.50	1.83	\$ 134.50	-	\$ -

<b>Granted on December 19, 2017</b>					
<b>Options Outstanding</b>			<b>Options Exercisable</b>		
<b>Range of Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted Average Remaining Contractual Life (Years)</b>	<b>Weighted Average Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted Average Exercise Price (NT\$)</b>
\$ 128.70	213.25	0.96	\$ 128.70	213.25	\$ 128.70

As of December 31, 2021, all the share options granted in 2015 were exercised.

As of December 31, 2020, information on employee share options outstanding was as follows:

<b>Granted on November 13, 2020</b>					
<b>Options Outstanding</b>			<b>Options Exercisable</b>		
<b>Range of Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted Average Remaining Contractual Life (Years)</b>	<b>Weighted Average Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted Average Exercise Price (NT\$)</b>
\$ 206.00	200.00	4.87	\$ 206.00	-	\$ -

<b>Granted on October 31, 2018</b>					
<b>Options Outstanding</b>			<b>Options Exercisable</b>		
<b>Range of Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted Average Remaining Contractual Life (Years)</b>	<b>Weighted Average Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted Average Exercise Price (NT\$)</b>
\$ 138.70	21.00	2.83	\$ 138.70	-	\$ -

<b>Granted on December 19, 2017</b>					
<b>Options Outstanding</b>			<b>Options Exercisable</b>		
<b>Range of Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted Average Remaining Contractual Life (Years)</b>	<b>Weighted Average Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted Average Exercise Price (NT\$)</b>
\$ 132.70	427.50	1.96	\$ 132.70	213.75	\$ 132.70

As of December 31, 2020, all the share options granted in 2015 were exercised.

Chief evaluated the fair value of the options using the Black-Scholes model and binomial option pricing model and the related assumptions and the fair value of the options were as follows:

	<b>Granted on November 13, 2020</b>	<b>Granted on October 31, 2018</b>	<b>Granted on December 19, 2017</b>	<b>Granted on October 22, 2015</b>
Grant-date share price (NT\$)	\$356.00	\$166.00	\$95.92	\$39.55
Dividend yield	-	-	-	-
Risk-free interest rate	0.18%	0.72%	0.62%	0.86%
Expected life	5 years	5 years	5 years	5 years
Expected volatility	34.61%	16.60%	17.35%	21.02%
Weighted average fair value of grants (NT\$)	\$173,893	\$33,540	\$2,318	\$4,863

The expected volatility for the options granted in 2020 was based on Chief's average annualized historical share price volatility from June 5, 2018, Chief's listing date on Taipei Exchange, to the grant date. The expected volatilities for the options granted from 2015 to 2018 were based on the average annualized historical share price volatility of Chief's comparable companies before the grant date.

Compensation costs recognized for the years ended December 31, 2021 and 2020 were as follows:

	<b>2021</b>	<b>2020</b>
Granted on November 13, 2020	\$ 9,729	\$ 1,297
Granted on October 31, 2018	153	312
Granted on December 19, 2017	<u>152</u>	<u>226</u>
	<u>\$ 10,034</u>	<u>\$ 1,835</u>

## 23. NON-CASH TRANSACTIONS

The Group entered into the following non-cash investing activities for the years ended December 31, 2021 and 2020:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Increase in property, plant and equipment	\$ 360,979	\$ 51,036
Changes in payables for equipment	<u>(3,157)</u>	<u>561</u>
	<u>\$ 357,822</u>	<u>\$ 51,597</u>

## 24. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The Group adheres to "The Procedures for Acquisition or Disposal of Assets" for transactions involving shares of listed entities; refer to the Market Observation Post System website for information on related policies.

## 25. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments not measured at fair value

The carrying amounts of financial assets and liabilities of the Group that are not measured at fair value approximate their fair values.

### b. Financial instruments that are measured at fair value on a recurring basis

#### 1) Fair value hierarchy

December 31, 2021

	<b>Fair Value</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<u>Financial assets at FVTPL</u>				
Listed shares	\$ 2,566	\$ -	\$ -	\$ 2,566
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Listed shares	\$ 118,545	\$ -	\$ -	\$ 118,545
Unlisted shares	-	-	284	284
	<u>\$ 118,545</u>	<u>\$ -</u>	<u>\$ 284</u>	<u>\$ 118,829</u>

December 31, 2020

	<b>Fair Value</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<u>Financial assets at FVTPL</u>				
Listed shares	\$ 7,626	\$ -	\$ -	\$ 7,626
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Listed shares	\$ 86,974	\$ -	\$ -	\$ 86,974
Unlisted shares	-	-	1,220	1,220
	<u>\$ 86,974</u>	<u>\$ -</u>	<u>\$ 1,220</u>	<u>\$ 88,194</u>

There were no transfers between Levels 1 and 2 for the years ended December 31, 2021 and 2020.

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

The fair values of unlisted equity securities - ROC were determined using the income approach. In this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees. An increase in long-term revenue growth rates or long-term pre-tax operating margin or a decrease in the WACC or discount for lack of marketability used in isolation would result in an increase in the fair value.

c. Categories of financial instruments

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 2,885,270	\$ 3,058,026
Financial assets at FVTPL	2,566	7,626
Financial assets at FVTOCI		
Equity instruments	118,829	88,194
<u>Financial liabilities</u>		
Amortized cost (2)	226,700	218,511

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, trade receivables from related parties, other financial assets, and refundable deposits (classified as noncurrent assets).

2) The balances include financial liabilities at amortized cost, which comprise notes payable, notes payable to related parties, accounts payable, accounts payable to related parties, partial other payables, and guarantee deposits.

d. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, accounts payable, and lease liabilities. The Group's Finance Department provides services to the business, and monitors and manages the financial risks relating to the operations of the Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

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

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the balance sheet dates were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Assets		
USD	\$ 73,254	\$ 62,227
Liabilities		
USD	27,540	26,268

Sensitivity analysis

The Group is mainly exposed to the fluctuations of the USD.

The following table details the Group's sensitivity to a 5% increase and decrease in the New Taiwan dollar against the U.S. dollar. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 5%. The sensitivity analysis included only outstanding foreign currency denominated monetary items. A positive/negative number below indicates an increase/a decrease in pre-tax profit associated with the New Taiwan dollar weakening 5% against the U.S. dollar.

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Profit or loss		
Monetary assets and liabilities (Note)		
USD	\$ 2,286	\$ 1,798

Note: This is mainly attributable to the exposure on outstanding foreign currency bank deposits and foreign currency denominated receivables and payables of the Group at the balance sheet dates.

For a 5% strengthening of the New Taiwan dollar against the U.S. dollar, there would be an equal and opposite impact on pre-tax profit.

b) Interest rate risk

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Fair value interest rate risk		
Financial assets	\$ 2,252,166	\$ 2,263,784
Financial liabilities	1,814,556	1,222,907
Cash flow interest rate risk		
Financial assets	407,801	559,570

## Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the year. A 25 basis point increase or decrease 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.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2021 and 2020 would have decreased/increased by \$1,020 thousand and \$1,399 thousand, respectively, which was mainly a result of variable-rate interest on the Group's bank deposits.

### 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. At the end of the year, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Group, could be equal to their carrying amounts recognized in the consolidated balance sheet as of the balance sheet date.

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.

#### a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The table has been drawn up based on the undiscounted cash flows of the Group's remaining contractual maturities for its non-derivative financial liabilities from the earliest date on which the Group can be required to pay.

#### December 31, 2021

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>	<b>Total</b>
<u>Non-derivativ e financial liabilities</u>						
Non-interest bearing	\$ 160,626	\$ -	\$ -	\$ 66,074	\$ -	\$ 226,700
Lease liabilities	<u>10,184</u>	<u>20,374</u>	<u>90,946</u>	<u>488,220</u>	<u>1,608,452</u>	<u>2,218,176</u>
	<u>\$ 170,810</u>	<u>\$ 20,374</u>	<u>\$ 90,946</u>	<u>\$ 554,294</u>	<u>\$ 1,608,452</u>	<u>\$ 2,444,876</u>

Further information on the maturity analysis of lease liabilities was as follows:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15+ Years</b>	<b>Total</b>
Lease liabilities	<u>\$ 121,504</u>	<u>\$ 488,220</u>	<u>\$ 611,156</u>	<u>\$ 398,781</u>	<u>\$ 598,515</u>	<u>\$ 2,218,176</u>

December 31, 2020

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>						
Non-interest bearing Lease liabilities	\$ 158,187	\$ -	\$ -	\$ 60,324	\$ -	\$ 218,511
	<u>8,801</u>	<u>17,650</u>	<u>74,649</u>	<u>387,588</u>	<u>885,666</u>	<u>1,374,354</u>
	<u>\$ 166,988</u>	<u>\$ 17,650</u>	<u>\$ 74,649</u>	<u>\$ 447,912</u>	<u>\$ 885,666</u>	<u>\$ 1,592,865</u>

Further information on the maturity analysis of lease liabilities was as follows:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15+ Years</b>	<b>Total</b>
Lease liabilities	<u>\$ 101,100</u>	<u>\$ 387,588</u>	<u>\$ 483,095</u>	<u>\$ 402,571</u>	<u>\$ -</u>	<u>\$ 1,374,354</u>

b) Financing facilities

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Unsecured bank loan facilities:		
Amount used	\$ -	\$ -
Amount unused	<u>350,000</u>	<u>350,000</u>
	<u>\$ 350,000</u>	<u>\$ 350,000</u>

## 26. TRANSACTIONS WITH RELATED PARTIES

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
Chunghwa Telecom Co., Ltd.	Parent company
Chunghwa System Integration Co., Ltd.	Fellow subsidiary
CHYP Multimedia Marketing & Communications Co., Ltd.	Fellow subsidiary
Spring House Entertainment Tech. Inc.	Fellow subsidiary
Light Era Development Co., Ltd.	Fellow subsidiary
Senao International Co., Ltd.	Fellow subsidiary
Honghwa International Co., Ltd.	Fellow subsidiary
Chunghwa Telecom Singapore Pte., Ltd.	Fellow subsidiary
Chunghwa Telecom Global, Inc.	Fellow subsidiary
Donghwa Telecom Co., Ltd.	Fellow subsidiary
Chunghwa Telecom Japan Co., Ltd.	Fellow subsidiary
KingwayTek Technology Co., Ltd.	Associate of the Company's parent
So-net Entertainment Taiwan Limited	Associate of the Company's parent
Shenzhen Century Communication Co., Ltd.	Other related party (significant influence over subsidiary, Shanghai Chief Telecom Co., Ltd.)

- b. Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Transactions with related parties do not contain terms that differ significantly from transactions with non-related parties; in the event where no transaction of similar type can be referenced, transaction terms were negotiated separately by both parties.

1) Operating revenue

<b>Related Party Category</b>	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Parent company	\$ 259,125	\$ 254,402
Fellow subsidiaries	55,692	42,288
Associates	139,287	83,206
Other related parties	<u>24,169</u>	<u>39,697</u>
	<u>\$ 478,273</u>	<u>\$ 419,593</u>

2) Operating costs and expenses

<b>Related Party Category</b>	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Parent company	\$ 480,624	\$ 406,619
Fellow subsidiaries	121,794	132,394
Associates	1,058	759
Other related parties	<u>3,009</u>	<u>3,199</u>
	<u>\$ 606,485</u>	<u>\$ 542,971</u>

3) Receivables from related parties

<b>Related Party Category</b>	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Parent company	\$ 8,094	\$ 34,826
Fellow subsidiaries	3,606	2,327
Associates	<u>23,573</u>	<u>23,730</u>
	<u>\$ 35,273</u>	<u>\$ 60,883</u>

4) Payables to related parties

<b>Related Party Category</b>	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Parent company	\$ 53,590	\$ 59,926
Fellow subsidiaries	<u>2,713</u>	<u>5,159</u>
	<u>\$ 56,303</u>	<u>\$ 65,085</u>

5) Prepayments

<b>Related Party Category</b>	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Parent company	\$ <u>4,031</u>	\$ <u>-</u>

6) Payment on behalf of others (classified as other current assets)

<b>Related Party Category</b>	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Parent company	\$ <u>5,783</u>	\$ <u>3,811</u>

7) Other deferred expenses (classified as other noncurrent assets)

<b>Related Party Category</b>	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Parent company	\$ <u>13,707</u>	\$ <u>-</u>

8) Lease arrangements

The Group leased right-of-use of land and office buildings from its parent company and fellow subsidiaries. The terms of the contracts were negotiated by both parties; lease payments are paid monthly.

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Lease liability</u>		
Parent company	\$ 588,703	\$ -
Fellow subsidiaries	<u>1,161,825</u>	<u>1,217,376</u>
	<u>\$ 1,750,528</u>	<u>\$ 1,217,376</u>

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Interest expense</u>		
Parent company	\$ 6,287	\$ -
Fellow subsidiaries	<u>20,269</u>	<u>21,254</u>
	<u>\$ 26,556</u>	<u>\$ 21,254</u>

c. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term employee benefits	\$ 40,383	\$ 37,856
Post-employment benefits	794	785
Share-based payments	<u>1,648</u>	<u>333</u>
	<u>\$ 42,825</u>	<u>\$ 38,974</u>

The remuneration of directors and key executives, as determined by the remuneration committee, is based on the performance of individuals and market trends.

## 27. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Group and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

### December 31, 2021

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Assets denominated in foreign currencies</u>			
Monetary items			
Cash and cash equivalents			
USD	\$ 816	27.68	\$ 22,587
Trade receivables			
USD	1,830	27.68	50,667
<u>Liabilities denominated in foreign currencies</u>			
Monetary items			
Accounts payable			
USD	995	27.68	27,540

### December 31, 2020

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Assets denominated in foreign currencies</u>			
Monetary items			
Cash and cash equivalents			
USD	\$ 333	28.48	\$ 9,495
Trade receivables			
USD	1,852	28.48	52,732
<u>Liabilities denominated in foreign currencies</u>			
Monetary items			
Accounts payable			
USD	922	28.48	26,268

The significant realized and unrealized foreign exchange gains (losses) were as follows:

	<b>For the Year Ended December</b>	
	<b>31</b>	
	<b>2021</b>	<b>2020</b>
Unrealized exchange gain	\$ 3,205	\$ 303
Realized exchange loss	<u>(7,194)</u>	<u>(11,427)</u>
	<u>\$ (3,989)</u>	<u>\$ (11,124)</u>

It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the functional currencies of the entities in the Group.

## 28. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and b. Information on investees:

- 1) Financing provided to others: None.
- 2) Endorsements/guarantees provided: None.
- 3) Marketable securities held (excluding investments in subsidiaries): Table 1.
- 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: Table 2.
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- 9) Trading in derivative instruments: None.
- 10) Intercompany relationships and significant intercompany transactions: None.
- 11) Information on investees: Table 3.

c. Information on investments in mainland China: Table 4.

d. Information of major shareholders: Table 5.

## 29. SEGMENT INFORMATION

According to information reported periodically to the chief operating decision maker for the purpose of resource allocation and performance assessment, the Group has only one operating segment. The basis of measurement of income from operations is the same as that for the preparation of financial statements under IFRS 8 “Operating Segments” for the years ended December 31, 2021 and 2020.

- a. See Note 18 for detailed information on the Group’s major products and services.
- b. Geographical information

The Group’s revenue from continuing operations from external customers by location of operations and information on its non-current assets by location of assets are detailed below.

	<b>Revenue from External Customers</b>		<b>Non-current Assets</b>	
	<b>For the Year Ended December 31</b>		<b>December 31</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Domestic	\$ 1,917,384	\$ 1,676,046	\$ 2,416,472	\$ 1,550,072
International	<u>883,662</u>	<u>888,603</u>	<u>13,120</u>	<u>14,607</u>
	<u>\$ 2,801,046</u>	<u>\$ 2,564,649</u>	<u>\$ 2,429,592</u>	<u>\$ 1,564,679</u>

Non-current assets exclude financial instruments at fair value through other comprehensive income and deferred tax assets.

- c. Information on major customers

No single customer contributed 10% or more to the Group’s revenue for both 2021 and 2020.

## 30. OTHER MATTERS

The Group has assessed the economic impact of COVID-19 and determined that there were no significant impacts on the Group’s financial statements as of the date the financial statements were authorized for issue. The Group will continue to monitor developments of the pandemic and assess the related impacts.

## CHIEF TELECOM INC. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

(Amounts in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Relationship with the Company	Financial Statement Account	December 31, 2021				Note
				Shares (In Thousands/Thousand Units)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Chief Telecom Inc.	Stocks							
	WPG Holdings Limited	-	Financial assets at FVTOCI	2,102	\$ 104,154	-	\$ 104,154	Note
	WT Microelectronics Co., Ltd.	-	Financial assets at FVTOCI	294	14,391	-	14,391	Note
	3 Link Information Service Co., Ltd.	-	Financial assets at FVTOCI	374	284	10	284	-
	Taichung Commercial Bank Co., Ltd.	-	Financial assets at FVTPL	175	2,122	-	2,122	-
	WPG Holding Limited	-	Financial assets at FVTPL	9	444	-	444	Note

Note: Preferred shares

## CHIEF TELECOM INC. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

YEAR ENDED DECEMBER 31, 2021

(Amounts in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Trade Receivables (Payables)	
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance (Note 1)	% of Total
Chief Telecom Inc.	Chunghwa Telecom Co., Ltd. Chunghwa Telecom Co., Ltd.	Parent company Parent company	Sales	\$ 259,125	9	60 days	\$ -	-	\$ 7,647	4
			Purchases	480,123	32	30 days	-	-	(53,590)	(46)

Note 1: Notes and trade receivables (payables) did not include the amounts collected for others and other receivables (payables).

Note 2: Transaction terms with related parties were determined in accordance with mutual agreements when there were no similar transactions with third parties. Other transactions with related parties were not significantly different from those with third parties.

## CHIEF TELECOM INC. AND SUBSIDIARIES

## NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES IN WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE

YEAR ENDED DECEMBER 31, 2021

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2021			Net Income (Loss) of the Investee	Recognized Gain (Loss) (Notes 1 and 2)	Note
				December 31, 2021	December 31, 2020	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Value			
Chief Telecom Inc.	Unigate Telecom Inc. Chief International Corp.	Taiwan Samoa Islands	Telecommunications and internet service Telecommunications and internet service	\$ 2,000 6,068	\$ 2,000 6,068	200 200	100 100	\$ 1,079 83,782	\$ 99 7,380	\$ 99 7,380	Subsidiary Subsidiary

Note 1: The amount was recognized based on audited financial statements.

Note 2: The amount was eliminated upon consolidation.

## CHIEF TELECOM INC. AND SUBSIDIARIES

## INFORMATION ON INVESTMENTS IN MAINLAND CHINA

YEAR ENDED DECEMBER 31, 2021

(Amounts in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (Note 1)	Investment from Taiwan as of January 1, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of December 31, 2021	Accumulated Inward Remittance of Earnings as of December 31, 2021	Note
					Outflow	Inflow							
Shanghai Chief Telecom Co., Ltd.	Telecommunications and internet service	\$ 10,150	1	\$ 4,973	\$ -	\$ -	\$ 4,973	\$ 755	49	\$ 370	\$ 13,829	\$ -	Note 4

Investee	Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Stipulated by Investment Commission, MOEA (Note 3)
Shanghai Chief Telecom Co., Ltd.	\$ 4,973	\$ 4,973	\$ 1,855,630

Note 1: Investments are divided into three categories as follows:

- a. Direct investment.
- b. Investments through a holding company registered in a third region.
- c. Others.

Note 2: The amount was recognized based on audited financial statements and the Group's share of profits.

Note 3: The amount was calculated based on 60% of the Group's consolidated net asset value.

Note 4: The amount was eliminated upon consolidation.

**CHIEF TELECOM INC.****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Chunghwa Telecom Co., Ltd.	39,425,803	55.95
JPMorgan Chase Bank, N.A., Taipei Branch in Custody for Stichting Depository APG Emerging Markets Equity Pool	3,641,000	5.17

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

**Chief Telecom Inc.**

**Financial Statements for the  
Years Ended December 31, 2021 and 2020 and  
Independent Auditors' Report**

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Chief Telecom Inc.

### **Opinion**

We have audited the accompanying financial statements of Chief Telecom Inc. (the Company), which comprise the balance sheets as of December 31, 2021 and 2020, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the related notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the financial statements for the year ended December 31, 2021 is as follows:

#### Revenue Recognition

The Company's main source of revenue comes from the provision of network integration, internet data center ("IDC"), communications integration, and cloud application services. The Company's bills are normally calculated via an automated process and billed on a regular basis, which may not align with the Company's fiscal year end. Therefore, as a result of different billing cycles of its customers, the amount to be billed for the last period is manually calculated as the amount to be charged from the last billed date of the year according to the original cycle to the Company's fiscal year end. This estimation is identified as a key audit matter since incomplete or incorrect data manually extrapolated may have a direct effect on the accuracy of revenue recorded.

See Note 4 for relevant accounting policies for revenue recognition related to network integration, IDC, communications integration, and cloud application services.

We understood the revenue business process, and evaluated the design and implementation and operating effectiveness of the Company's internal controls.

Our audit procedures related to the Company's systems to recognize estimated revenue from transactions not yet billed included the following:

1. We verified the completeness and accuracy of data captured by IT systems used during the process of manual revenue calculation.
2. We recalculated revenue to be recognized for customers not yet billed with the applicable rate in order to verify the accuracy of revenue recognized.
3. We compared subsequent billings to customers to ensure that no material discrepancy exists.

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2021, 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 Dien Sheng Chang and Cheng Hung Kuo.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 17, 2022

#### Notice to Readers

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

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

# CHIEF TELECOM INC.

## BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 986,585	18	\$ 862,520	18
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	2,566	-	7,626	-
Notes receivable (Notes 4 and 8)	2,887	-	3,579	-
Trade receivables, net (Notes 4 and 8)	174,446	3	160,217	4
Trade receivables from related parties (Notes 4 and 26)	35,273	1	60,883	1
Inventories (Note 4)	2,332	-	1,957	-
Prepayments (Note 26)	36,901	1	20,122	1
Other financial assets (Notes 4 and 9)	1,571,800	29	1,860,400	39
Other current assets (Note 26)	8,998	-	6,305	-
Total current assets	<u>2,821,788</u>	<u>52</u>	<u>2,983,609</u>	<u>63</u>
<b>NONCURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income (Notes 4 and 10)	118,829	2	88,194	2
Investments accounted for using equity method (Notes 4 and 11)	98,690	2	93,240	2
Property, plant and equipment (Notes 4 and 12)	571,498	10	287,854	6
Right-of-use assets (Notes 4 and 13)	1,758,166	32	1,177,405	25
Intangible assets (Notes 4 and 14)	57,375	1	62,919	1
Deferred income tax assets (Notes 4 and 20)	1,979	-	2,230	-
Other noncurrent assets (Note 26)	42,042	1	36,099	1
Total noncurrent assets	<u>2,648,579</u>	<u>48</u>	<u>1,747,941</u>	<u>37</u>
<b>TOTAL</b>	<u>\$ 5,470,367</u>	<u>100</u>	<u>\$ 4,731,550</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Contract liabilities (Notes 4 and 18)	\$ 38,557	1	\$ 27,448	1
Notes payable	7,944	-	6,077	-
Accounts payable	50,249	1	46,075	1
Accounts payable to related parties (Note 26)	57,269	1	65,751	1
Other payables (Note 15)	250,966	4	222,367	5
Current tax liabilities (Notes 4 and 20)	92,874	2	84,403	2
Lease liabilities - current (Notes 4, 13 and 26)	91,886	2	100,829	2
Other current liabilities	4,536	-	10,926	-
Total current liabilities	<u>594,281</u>	<u>11</u>	<u>563,876</u>	<u>12</u>
<b>NONCURRENT LIABILITIES</b>				
Lease liabilities - noncurrent (Notes 4, 13 and 26)	1,722,427	32	1,121,816	24
Net defined benefit liabilities (Notes 4 and 16)	9,518	-	9,291	-
Guarantee deposits	65,817	1	60,081	1
Total noncurrent liabilities	<u>1,797,762</u>	<u>33</u>	<u>1,191,188</u>	<u>25</u>
Total liabilities	<u>2,392,043</u>	<u>44</u>	<u>1,755,064</u>	<u>37</u>
<b>EQUITY (Note 17)</b>				
Capital stock	704,701	13	702,459	15
Capital surplus	1,346,535	24	1,379,217	29
Retained earnings				
Legal reserve	343,336	6	282,535	6
Special reserve	6,991	-	5,216	-
Unappropriated earnings	687,687	13	614,050	13
Total retained earnings	<u>1,038,014</u>	<u>19</u>	<u>901,801</u>	<u>19</u>
Other equity	(10,926)	-	(6,991)	-
Total equity	<u>3,078,324</u>	<u>56</u>	<u>2,976,486</u>	<u>63</u>
<b>TOTAL</b>	<u>\$ 5,470,367</u>	<u>100</u>	<u>\$ 4,731,550</u>	<u>100</u>

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

# CHIEF TELECOM INC.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
NET REVENUE (Notes 4, 18 and 26)	\$ 2,736,517	100	\$ 2,488,252	100
OPERATING COSTS (Notes 16, 19 and 26)	<u>1,496,050</u>	<u>55</u>	<u>1,388,146</u>	<u>56</u>
GROSS PROFIT	<u>1,240,467</u>	<u>45</u>	<u>1,100,106</u>	<u>44</u>
OPERATING EXPENSES (Notes 16, 19 and 26)				
Marketing	270,380	10	247,670	10
General and administrative	105,629	4	91,621	4
Expected credit loss (reversal of credit loss) (Notes 4 and 8)	<u>2,040</u>	<u>-</u>	<u>(437)</u>	<u>-</u>
Total operating expenses	<u>378,049</u>	<u>14</u>	<u>338,854</u>	<u>14</u>
OTHER INCOME AND EXPENSES (Note 19)	<u>34</u>	<u>-</u>	<u>1,380</u>	<u>-</u>
OPERATING INCOME	<u>862,452</u>	<u>31</u>	<u>762,632</u>	<u>30</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	10,468	1	14,179	1
Other income	4,491	-	3,176	-
Other gains and losses (Note 19)	(2,908)	-	(13,241)	(1)
Interest expense (Notes 4, 19 and 26)	(27,374)	(1)	(21,614)	(1)
Share of profits of subsidiaries accounted for using equity method	<u>7,849</u>	<u>-</u>	<u>11,905</u>	<u>1</u>
Total non-operating income and expenses	<u>(7,474)</u>	<u>-</u>	<u>(5,595)</u>	<u>-</u>
INCOME BEFORE INCOME TAX	854,978	31	757,037	30
INCOME TAX (Notes 4 and 20)	<u>168,411</u>	<u>6</u>	<u>149,258</u>	<u>6</u>
NET INCOME	<u>686,567</u>	<u>25</u>	<u>607,779</u>	<u>24</u>

(Continued)

# CHIEF TELECOM INC.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit pension plans (Note 16)	\$ (962)	-	\$ 283	-
Unrealized gain or loss on investments in equity instruments at fair value through other comprehensive income	(1,536)	-	1,997	-
Income tax relating to items that will not be reclassified to profit or loss (Note 20)	193	-	(57)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising from the translation of the foreign operations	<u>(2,399)</u>	<u>-</u>	<u>(3,772)</u>	<u>-</u>
Total other comprehensive income (loss), net of income tax	<u>(4,704)</u>	<u>-</u>	<u>(1,549)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 681,863</u>	<u>25</u>	<u>\$ 606,230</u>	<u>24</u>
EARNINGS PER SHARE (Note 21)				
Basic	<u>\$ 9.75</u>		<u>\$ 8.67</u>	
Diluted	<u>\$ 9.68</u>		<u>\$ 8.60</u>	

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

(Concluded)

**CHIEF TELECOM INC.**

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)**

	Capital Stock (Note 17)		Capital Surplus (Notes 17 and 22)	Retained Earnings (Note 17)			Total	Other Equity (Note 17)		Total Equity
	Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings		Exchange Differences Arising from the Translation of Foreign Operations	Unrealized Gain or Loss on Financial Assets at Fair Value Through Other Comprehensive Income	
BALANCE, JANUARY 1, 2020	69,462	\$ 694,621	\$ 1,380,763	\$ 228,285	\$ 2,946	\$ 554,139	\$ 785,370	\$ (2,716)	\$ (2,500)	\$ 2,855,538
Appropriation of 2019 earnings										
Legal reserve	-	-	-	54,250	-	(54,250)	-	-	-	-
Special reserve	-	-	-	-	2,270	(2,270)	-	-	-	-
Cash dividends - \$7.00 per share	-	-	-	-	-	(491,574)	(491,574)	-	-	(491,574)
Donations from shareholders	-	-	142	-	-	-	-	-	-	142
Issuance of cash dividends from capital surplus	-	-	(70,225)	-	-	-	-	-	-	(70,225)
Net income for the year ended December 31, 2020	-	-	-	-	-	607,779	607,779	-	-	607,779
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	-	226	226	(3,772)	1,997	(1,549)
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	-	608,005	608,005	(3,772)	1,997	606,230
Issuance of ordinary shares under employee share options	784	7,838	66,702	-	-	-	-	-	-	74,540
Share-based payment transactions (Note 22)	-	-	1,835	-	-	-	-	-	-	1,835
BALANCE, DECEMBER 31, 2020	70,246	702,459	1,379,217	282,535	5,216	614,050	901,801	(6,488)	(503)	2,976,486
Appropriation of 2020 earnings										
Legal reserve	-	-	-	60,801	-	(60,801)	-	-	-	-
Special reserve	-	-	-	-	1,775	(1,775)	-	-	-	-
Cash dividends - \$7.80 per share	-	-	-	-	-	(549,585)	(549,585)	-	-	(549,585)
Donations from shareholders	-	-	211	-	-	-	-	-	-	211
Issuance of cash dividends from capital surplus	-	-	(70,460)	-	-	-	-	-	-	(70,460)
Net income for the year ended December 31, 2021	-	-	-	-	-	686,567	686,567	-	-	686,567
Other comprehensive income for the year ended December 31, 2021	-	-	-	-	-	(769)	(769)	(2,399)	(1,536)	(4,704)
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	-	685,798	685,798	(2,399)	(1,536)	681,863
Issuance of ordinary shares under employee share options	224	2,242	27,533	-	-	-	-	-	-	29,775
Share-based payment transactions (Note 22)	-	-	10,034	-	-	-	-	-	-	10,034
BALANCE, DECEMBER 31, 2021	70,470	\$ 704,701	\$ 1,346,535	\$ 343,336	\$ 6,991	\$ 687,687	\$ 1,038,014	\$ (8,887)	\$ (2,039)	\$ 3,078,324

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

# CHIEF TELECOM INC.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 854,978	\$ 757,037
Adjustments for:		
Depreciation	175,759	170,471
Amortization	8,465	6,632
Expected credit loss (reversal of credit loss)	2,040	(437)
Net (gain) loss on fair value changes of financial assets at fair value through profit or loss	(714)	561
Finance costs	27,374	21,614
Interest income	(10,468)	(14,179)
Dividend income	(4,089)	(1,306)
Compensation cost of share-based payment transactions	10,034	1,835
Share of profits of subsidiaries	(7,849)	(11,905)
Gain on disposal of property, plant and equipment	(34)	(1,380)
Net gain (loss) on disposal of financial assets	(353)	1,788
Provision for impairment loss and obsolescence of inventory	371	600
Unrealized gain on foreign currency exchange	(3,338)	(1,098)
Changes in operating assets and liabilities:		
Notes receivable	692	(795)
Trade receivables	(15,766)	8,207
Trade receivables from related parties	25,611	(23,362)
Inventories	(746)	218
Prepayments	(16,779)	34,736
Other current assets	(2,078)	7,313
Contract liabilities	11,109	1,322
Notes payable	1,867	4,534
Notes payable to related parties	-	(276)
Accounts payable	4,007	(2,530)
Accounts payable to related parties	(8,482)	8,280
Other payables	25,443	20,717
Other current liabilities	(6,390)	759
Net defined benefit plans	(735)	(696)
Cash generated from operations	1,069,929	988,660
Interest paid	(27,375)	(21,614)
Income tax paid	(159,496)	(130,733)
Net cash provided by operating activities	<u>883,058</u>	<u>836,313</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	(32,171)	(85,247)
Purchase of financial assets at fair value through profit or loss	(14,072)	(39,253)
Proceeds from sale of financial assets at fair value through profit or loss	20,199	29,741
Acquisition of property, plant and equipment	(357,662)	(51,597)

(Continued)

# CHIEF TELECOM INC.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
Proceeds from disposal of property, plant and equipment	\$ 34	\$ 1,410
Acquisition of intangible assets	(1,634)	(29,917)
Acquisition of time deposits with maturities of more than three months	(2,487,300)	(3,447,900)
Proceeds from disposal of time deposits with maturities of more than three months and repurchase agreements collateralized by bonds	2,775,900	3,401,286
(Increase) decrease in noncurrent assets	(5,943)	7,840
Interest received	9,853	16,054
Dividends received	<u>4,089</u>	<u>1,306</u>
Net cash used in investing activities	<u>(88,707)</u>	<u>(196,277)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in guarantee deposits	5,736	4,826
Repayment of the principal portion of lease liabilities	(88,964)	(83,445)
Cash dividends paid	(620,045)	(561,799)
Employee share options exercised	29,775	74,540
Donations from shareholders	<u>211</u>	<u>142</u>
Net cash used in financing activities	<u>(673,287)</u>	<u>(565,736)</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<u>3,001</u>	<u>(3,403)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	124,065	70,897
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR</b>	<u>862,520</u>	<u>791,623</u>
<b>CASH AND CASH EQUIVALENTS, END OF THE YEAR</b>	<u>\$ 986,585</u>	<u>\$ 862,520</u>

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

(Concluded)

# CHIEF TELECOM INC.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL

Chief Telecom Inc. (hereinafter referred to as “Chief” or the “Company”) was incorporated in January 1991, mainly offering network integration, internet data center (“IDC”), communications integration, and cloud application services.

On June 5, 2018, the common shares of Chief were listed and traded on the Taipei Exchange (the “TPEX”).

Chunghwa Telecom Co., Ltd., the parent company of the Group, and its subsidiaries were holding 58.89% and 59.08% of the shares of Chief as of December 31, 2021 and 2020, respectively.

The financial statements are presented in Chief’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on February 17, 2022.

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

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

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

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

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

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to 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 Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: 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 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Statement of Compliance**

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

##### **Basis of Preparation**

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values and net defined benefit liabilities which are measured at the present value of the defined benefit obligations 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 an 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 an asset or liability.

##### **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 twelve 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 twelve months after the reporting period.

Current liabilities include:

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

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

##### **Foreign Currencies**

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

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

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting financial statements, the financial statements of the Company's foreign operations (including subsidiaries) are translated into the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

### **Inventories**

Inventories are stated at the lower of cost or net realizable. 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 of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost.

### **Investments in Subsidiaries**

The Company uses the equity method to account for its investments in subsidiaries. The Company uses the equity method to account for its investments in subsidiaries. Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization) had no impairment loss been recognized in prior years.

### **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.

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 methods are reviewed at the end of each reporting period, with the effects of any changes in the 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.

### **Intangible Assets**

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

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.

## **Impairment of Tangible and Intangible Assets**

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit 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 or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

## **Financial Instruments**

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) 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 fair value through profit or loss 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 fair value through profit or loss (FVTPL), financial assets at amortized cost, and investments in equity instruments at fair value through other comprehensive income (FVTOCI).

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

Financial assets at FVTPL are subsequently measured at fair value, and any dividends earned on such financial assets are recognized in other income and interest income; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 25.

b) Financial assets at amortized cost

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

- i. The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii. The contractual terms of the financial assets 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, notes and trade receivables at amortized cost, other financial assets and refundable deposits, 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 such financial assets.

Cash equivalents include time deposits and commercial papers 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 Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

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

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

2) Impairment of financial assets

As of balance sheet dates, the Company evaluates the impairment losses for expected credit losses (ECLs) on financial assets at amortized cost (i.e., notes and trade receivables).

The Company always recognizes lifetime expected credit losses for notes and trade receivables. 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.

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

### 3) Derecognition of financial assets

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

On derecognition of a financial asset measured 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 difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and 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. Financial liabilities

##### 1) Subsequent measurement

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 and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

### **Revenue Recognition**

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

Sales of products are recognized as revenue when the following criteria have been satisfied:

- a. The risks and rewards of ownership have transferred.
- b. The seller does not retain managerial involvement to the extent normally associated with ownership nor retain effective control.
- c. The amount of revenue can be reliably measured.
- d. It is probable that the economic benefit will flow to the Company.
- e. The costs incurred can be measured reliably.

Revenue from the rendering of services comes from providing IDC and other services, with related revenue recognized when all of the related performance obligations are satisfied according to the contracts.

The Company has established fixed rate charges for IDC services. However, for network integration, communications integration, and cloud application services, customers can select from a fixed rate or usage-based pricing, which is calculated based on actual consumption or minutes used. The Company recognized contract liabilities for monthly subscription charges and usage charges received in advance, which is recognized as revenue when subsequent usage occurs.

Since the four types of revenue from contracts with customers are not sold as bundled sales, and

the contract duration between the transfer of products and services and consideration received is one year at maximum, transaction prices are not adjusted based on significant financing components.

## **Leasing**

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

### **a. The Company as lessor**

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

### **b. The Company as lessee**

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for low-value asset leases accounted for by 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 and lease payments made at or before the commencement date. Right-of-use assets are subsequently measured at cost less accumulated depreciation and accumulated impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented separately on the balance sheets.

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

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If such rate cannot be readily determined, the lessee's incremental borrowing rate is used.

Lease liabilities are subsequently 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 or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. The Company accounts for the remeasurement of the lease liability as a result of the decrease of lease scope by decreasing the carrying amount of the right-of-use assets and recognizing in profit or loss any gain or loss on the partial or full termination of the lease. Lease liabilities are presented separately on the balance sheets.

Variable lease payments not depending on an index or a rate are recognized as expenses in the periods in which they are incurred.

## **Retirement Benefits**

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

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur.

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 represent the actual deficit in the Company's defined benefit plans.

### **Share-based Payment Arrangements - Employee Share Options**

The fair value determined at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Company's best estimate 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. The grant date of issued ordinary shares for cash which are reserved for employees is the date on which the number of shares that the employees purchase is confirmed.

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

### **Income Tax**

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

#### **a. Current tax**

According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

#### **b. Deferred tax**

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements 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, to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset 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 assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred taxes

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

**5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION  
UNCERTAINTY AND ASSUMPTION**

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions which are based on historical experience and other factors that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed by management 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.

**6. CASH AND CASH EQUIVALENTS**

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Cash on hand	\$ 150	\$ 150
Bank deposits	374,461	510,460
Cash equivalents (investments with maturities of less than three months)		
Time deposits	512,000	252,000
Commercial papers	<u>99,974</u>	<u>99,910</u>
	<u>\$ 986,585</u>	<u>\$ 862,520</u>

The annual yield rates of bank deposits, time deposits, and commercial papers as of balance sheet dates were as follows:

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Bank deposits	0.001%-0.13%	0.001%-0.26%
Time deposits	0.05%-0.40%	0.35%
Commercial papers	0.17%	0.20%

**7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
<u>Financial assets - current</u>		
Mandatorily measured at FVTPL		
Non-derivatives		
Listed shares - domestic	<u>\$ 2,566</u>	<u>\$ 7,626</u>

The Company holds its listed shares - domestic for short-term investment purposes.

## 8. NOTES AND TRADE RECEIVABLES, NET

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Notes receivable</u>		
Notes receivable - operating	\$ <u>2,887</u>	\$ <u>3,579</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 178,093	\$ 162,231
Less: Allowance for impairment loss	<u>(3,647)</u>	<u>(2,014)</u>
	<u>\$ 174,446</u>	<u>\$ 160,217</u>

The main credit terms for the Company's sale of products range from 30 to 90 days. The Company adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher. The Company uses other publicly available financial information or its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored.

The Company measures the loss allowance for notes and trade receivables at an amount equal to lifetime ECLs. The expected credit losses of notes and trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

The Company writes off a note or trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation. For notes or trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of notes and trade receivables based on the Company's provision matrix.

### December 31, 2021

	<b>Not Past Due</b>	<b>1 to 60 Days Past Due</b>	<b>61 to 90 Days Past Due</b>	<b>91 to 120 Days Past Due</b>	<b>Over 120 Days Past Due</b>	<b>Total</b>
Expected credit loss rate	0%-0.31%	1.29%-4.72%	15.02%	33.84%	62.89%-100%	
Gross carrying amount	\$ 128,372	\$ 45,910	\$ 4,376	\$ 559	\$ 1,763	\$ 180,980
Loss allowance (Lifetime ECLs)	<u>(398)</u>	<u>(827)</u>	<u>(657)</u>	<u>(189)</u>	<u>(1,576)</u>	<u>(3,647)</u>
Amortized cost	<u>\$ 127,974</u>	<u>\$ 45,083</u>	<u>\$ 3,719</u>	<u>\$ 370</u>	<u>\$ 187</u>	<u>\$ 177,333</u>

December 31, 2020

	<b>Not Past Due</b>	<b>1 to 60 Days Past Due</b>	<b>61 to 90 Days Past Due</b>	<b>91 to 120 Days Past Due</b>	<b>Over 120 Days Past Due</b>	<b>Total</b>
Expected credit loss rate	0%-0.19%	0.86%-3.86%	12.64%	37.90%	67.91%-100%	
Gross carrying amount	\$ 121,785	\$ 42,173	\$ 657	\$ 331	\$ 864	\$ 165,810
Loss allowance (Lifetime ECLs)	<u>(231)</u>	<u>(787)</u>	<u>(83)</u>	<u>(126)</u>	<u>(787)</u>	<u>(2,014)</u>
Amortized cost	<u>\$ 121,554</u>	<u>\$ 41,386</u>	<u>\$ 574</u>	<u>\$ 205</u>	<u>\$ 77</u>	<u>\$ 163,796</u>

The movements of the loss allowance of notes and trade receivables were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 2,014	\$ 4,155
Add: Provision for (reversal of) credit loss	2,040	(437)
Add: Amounts recovered	-	23
Less: Amounts written off	<u>(407)</u>	<u>(1,727)</u>
Balance at December 31	<u>\$ 3,647</u>	<u>\$ 2,014</u>

**9. OTHER FINANCIAL ASSETS**

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Time deposits with maturities of more than three months	<u>\$ 1,571,800</u>	<u>\$ 1,860,400</u>

The annual yield rates of time deposits with maturities of more than three months at the balance sheet dates were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Time deposits with maturities of more than three months	0.07%-0.785%	0.09%-0.795%

**10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Non-current</u>		
Investments in equity instruments		
Domestic investments - listed shares	\$ 118,545	\$ 86,974
Domestic investments - unlisted shares	<u>284</u>	<u>1,220</u>
	<u>\$ 118,829</u>	<u>\$ 88,194</u>

The Company holds preferred shares of WPG Holdings Limited and WT Microelectronics Co., Ltd., and common shares of 3 Link Information Service Co., Ltd. for long-term strategic purposes. Accordingly, management elected to designate these investments in equity instruments as at FVTOCI as it believes that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

## 11. SUBSIDIARIES

### Investments in Subsidiaries

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Unlisted company</u>		
Chief International Corp.	\$ 83,782	\$ 78,699
Shanghai Chief Telecom Co., Ltd.	13,829	13,561
Unigate Telecom Inc.	<u>1,079</u>	<u>980</u>
	<u>\$ 98,690</u>	<u>\$ 93,240</u>
	<b>Proportion of Ownership and Voting Rights</b>	
	<b>December 31</b>	
<b>Name of Subsidiary</b>	<b>2021</b>	<b>2020</b>
Chief International Corp.	100%	100%
Shanghai Chief Telecom Co., Ltd.	49%	49%
Unigate Telecom Inc.	100%	100%

According to the mutual agreements among shareholders of Shanghai Chief Telecom Co., Ltd. ("SCT"), since the Company has two of three seats in SCT's board of directors, the Company has control over SCT; therefore, SCT is deemed a subsidiary of the Company. SCT mainly operates in the telecommunications and data service business.

## 12. PROPERTY, PLANT AND EQUIPMENT

	<b>Computer Equipment</b>	<b>Telecommuni- cations Equipment</b>	<b>Miscellaneous Equipment</b>	<b>Construction in Progress and Equipment to Be Accepted</b>	<b>Total</b>
<u>Cost</u>					
Balance at January 1, 2020	\$ 17,469	\$1,925,916	\$ 5,576	\$ 2,582	\$1,951,543
Additions	1,036	43,179	-	6,821	51,036
Disposals	(23)	(18,489)	(197)	-	(18,709)
Reclassifications	<u>-</u>	<u>1,220</u>	<u>-</u>	<u>(2,805)</u>	<u>(1,585)</u>
Balance at December 31, 2020	<u>\$ 18,482</u>	<u>\$1,951,826</u>	<u>\$ 5,379</u>	<u>\$ 6,598</u>	<u>\$1,982,285</u> (Continued)

	Computer Equipment	Telecommuni- cations Equipment	Miscellaneous Equipment	Construction in Progress and Equipment to Be Accepted	Total
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2020	\$ (14,157)	\$(1,614,617)	\$ (4,542)	\$ -	\$(1,633,316)
Depreciation expense	(2,833)	(76,564)	(397)	-	(79,794)
Disposals	<u>23</u>	<u>18,460</u>	<u>196</u>	<u>-</u>	<u>18,679</u>
Balance at December 31, 2020	<u>\$ (16,967)</u>	<u>\$(1,672,721)</u>	<u>\$ (4,743)</u>	<u>\$ -</u>	<u>\$(1,694,431)</u>
Carrying amount at December 31, 2020	<u>\$ 1,515</u>	<u>\$ 279,105</u>	<u>\$ 636</u>	<u>\$ 6,598</u>	<u>\$ 287,854</u>
<u>Cost</u>					
Balance at January 1, 2021	\$ 18,482	\$1,951,826	\$ 5,379	\$ 6,598	\$1,982,285
Additions	1,139	26,146	-	333,534	360,819
Disposals	(76)	(23,803)	(80)	-	(23,959)
Reclassifications	<u>-</u>	<u>8,774</u>	<u>-</u>	<u>(10,061)</u>	<u>(1,287)</u>
Balance at December 31, 2021	<u>\$ 19,545</u>	<u>\$1,962,943</u>	<u>\$ 5,299</u>	<u>\$ 330,071</u>	<u>\$2,317,858</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2021	\$ (16,967)	\$(1,672,721)	\$ (4,743)	\$ -	\$(1,694,431)
Depreciation expense	(1,265)	(74,320)	(303)	-	(75,888)
Disposals	<u>76</u>	<u>23,803</u>	<u>80</u>	<u>-</u>	<u>23,959</u>
Balance at December 31, 2021	<u>\$ (18,156)</u>	<u>\$(1,723,238)</u>	<u>\$ (4,966)</u>	<u>\$ -</u>	<u>\$(1,746,360)</u>
Carrying amount at December 31, 2021	<u>\$ 1,389</u>	<u>\$ 239,705</u>	<u>\$ 333</u>	<u>\$ 330,071</u>	<u>\$ 571,498</u>

(Concluded)

No impairment assessment was performed for the years ended December 31, 2021 and 2020, respectively, as there was no indication of impairment.

The construction of the Company's IDC was resolved in the board of directors meeting on January 26, 2021. Physical construction has commenced with costs incurred recognized in construction in progress and equipment to be accepted under property, plant and equipment.

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

Computer equipment	
Telecommunications equipment	3-5 years
Telecommunication circuits	2-30 years
Telecommunication machinery and antennas equipment	2-30 years
Miscellaneous equipment	
Mechanical and air conditioner equipment	3-5 years
Others	3-5 years

### 13. LEASE ARRANGEMENTS

#### a. Right-of-use assets

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Carrying amount</u>		
Land	\$ 584,237	\$ -
Buildings	1,172,856	1,175,046
Transportation equipment	<u>1,073</u>	<u>2,359</u>
	<u>\$ 1,758,166</u>	<u>\$ 1,177,405</u>
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Additions to right-of-use assets	<u>\$ 680,632</u>	<u>\$ -</u>
Depreciation charge for right-of-use assets		
Land	\$ 7,895	\$ -
Buildings	90,690	89,391
Transportation equipment	<u>1,286</u>	<u>1,286</u>
	<u>\$ 99,871</u>	<u>\$ 90,677</u>

Other than additions to and depreciation incurred presented above, right-of-use assets of the Company did not exhibit signs of impairment for the years ended December 31, 2021 and 2020.

#### b. Lease liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Carrying amount</u>		
Current	\$ 91,886	\$ 100,829
Non-current	<u>1,722,427</u>	<u>1,121,816</u>
	<u>\$ 1,814,313</u>	<u>\$ 1,222,645</u>

Range of discount rates for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Land	1.6%	-
Buildings	1.7%	1.7%
Transportation equipment	2.5%	2.5%

#### c. Material leasing activities and terms

The Company leases land and buildings with lease terms ranging from 10 to 50 years. These arrangements contain renewal options to extend the lease upon expiration.

Extension options are included in the land and building leases across the Company. Extension options are included to provide greater flexibility to the Company. Since the Company is reasonably certain to use the optional extended lease term, payments associated with the optional period are included within lease liabilities.

d. Other lease information

	<b>For the Year Ended December</b>	
	<b>2021</b>	<b>2020</b>
Expenses relating to low-value asset leases	\$ 176	\$ 169
Total cash outflow for leases	<u>\$ 116,383</u>	<u>\$ 105,044</u>

The Company's leases of certain office equipment qualify as low-value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

#### 14. INTANGIBLE ASSETS

	<b>Computer Software</b>	<b>Others</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1, 2020	\$ 23,866	\$ 31,533	\$ 55,399
Additions	29,917	-	29,917
Reclassifications	<u>1,585</u>	<u>-</u>	<u>1,585</u>
Balance at December 31, 2020	<u>\$ 55,368</u>	<u>\$ 31,533</u>	<u>\$ 86,901</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2020	\$(17,350)	\$ -	\$(17,350)
Amortization expense	<u>(6,632)</u>	<u>-</u>	<u>(6,632)</u>
Balance at December 31, 2020	<u>\$(23,982)</u>	<u>\$ -</u>	<u>\$(23,982)</u>
Carrying amount at December 31, 2020	<u>\$ 31,386</u>	<u>\$ 31,533</u>	<u>\$ 62,919</u>
<u>Cost</u>			
Balance at January 1, 2021	\$ 55,368	\$ 31,533	\$ 86,901
Additions	1,634	-	1,634
Reclassifications	<u>1,287</u>	<u>-</u>	<u>1,287</u>
Balance at December 31, 2021	<u>\$ 58,289</u>	<u>\$ 31,533</u>	<u>\$ 89,822</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2021	\$(23,982)	\$ -	\$(23,982)
Amortization expense	<u>(8,465)</u>	<u>-</u>	<u>(8,465)</u>
Balance at December 31, 2021	<u>\$(32,447)</u>	<u>\$ -</u>	<u>\$(32,447)</u>
Carrying amount at December 31, 2021	<u>\$ 25,842</u>	<u>\$ 31,533</u>	<u>\$ 57,375</u>

Computer software is amortized using the straight-line method over the estimated useful lives of 3 to 8 years. Other intangible asset is an IP address acquired separately, which is considered to have an indefinite useful life and is not amortized, since only an annual fee is necessary to maintain its usage rights, and there is no foreseeable limit to the period over which the asset is expected to generate net cash flows.

## 15. OTHER PAYABLES

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Payables for salaries and bonuses	\$ 138,468	\$ 121,974
Payables for accrued compensation of employees and remuneration of directors	67,948	60,769
Payables for purchases of equipment	14,547	11,390
Others	<u>30,003</u>	<u>28,234</u>
	<u>\$ 250,966</u>	<u>\$ 222,367</u>

## 16. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

### b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes an amount equal to 2% of total monthly salaries to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans are as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Present value of defined benefit obligation	\$ 32,564	\$ 31,294
Fair value of plan assets	<u>(23,046)</u>	<u>(22,003)</u>
Net defined benefit liabilities	<u>\$ 9,518</u>	<u>\$ 9,291</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of Funded Defined Benefit Obligations</b>	<b>Fair Value of Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2020	<u>\$ 30,665</u>	<u>\$(20,395)</u>	<u>\$ 10,270</u>
Current service cost			
Net interest expense (income)	<u>230</u>	<u>(156)</u>	<u>74</u>
Amounts recognized in profit or loss	<u>230</u>	<u>(156)</u>	<u>74</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(682)	(682)
Actuarial losses recognized from changes in financial assumptions	761	-	761
Actuarial gains recognized from experience adjustments	<u>(362)</u>	<u>-</u>	<u>(362)</u>
Amounts recognized in other comprehensive income	<u>399</u>	<u>(682)</u>	<u>(283)</u>
Contributions from employer	<u>-</u>	<u>(770)</u>	<u>(770)</u>
Balance at December 31, 2020	<u>\$ 31,294</u>	<u>\$(22,003)</u>	<u>\$ 9,291</u>
Balance at January 1, 2021	<u>\$ 31,294</u>	<u>\$(22,003)</u>	<u>\$ 9,291</u>
Current service cost			
Net interest expense (income)	<u>155</u>	<u>(111)</u>	<u>44</u>
Amounts recognized in profit or loss	<u>155</u>	<u>(111)</u>	<u>44</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(153)	(153)
Actuarial losses recognized from changes in demographic assumptions	808	-	808
Actuarial gains recognized from experience adjustments	<u>307</u>	<u>-</u>	<u>307</u>
Amounts recognized in other comprehensive income	<u>1,115</u>	<u>(153)</u>	<u>962</u>
Contributions from employer	<u>-</u>	<u>(779)</u>	<u>(779)</u>
Balance at December 31, 2021	<u>\$ 32,564</u>	<u>\$(23,046)</u>	<u>\$ 9,518</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Operating costs	\$ 4	\$ 6
Selling and marketing expenses	29	49
General and administrative expenses	<u>11</u>	<u>19</u>
	<u>\$ 44</u>	<u>\$ 74</u>

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

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government/corporate 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 plans' 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 are as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rate	0.50%	0.50%
Expected rate of salary increase	1.20%	1.20%

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 will increase (decrease) as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rate		
0.5% increase	<u>\$ (1,465)</u>	<u>\$ (1,495)</u>
0.5% decrease	<u>\$ 1,564</u>	<u>\$ 1,602</u>
Expected rate of salary increase		
0.5% increase	<u>\$ 1,520</u>	<u>\$ 1,557</u>
0.5% decrease	<u>\$ (1,439)</u>	<u>\$ (1,468)</u>

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Expected contributions to the plans for the next year	<u>\$ 727</u>	<u>\$ 770</u>
Average duration of the defined benefit obligation	9.2 years	9.8 years

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Maturity analysis of undiscounted pension benefits		
Not later than 1 year	\$ 1,561	\$ 1,641
Later than 1 year and not later than 5 years	4,854	4,643
Later than 5 years	<u>12,561</u>	<u>10,948</u>
	<u>\$ 18,976</u>	<u>\$ 17,232</u>

## 17. EQUITY

### a. Share capital - ordinary shares

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Number of shares authorized (in thousands)	<u>88,000</u>	<u>88,000</u>
Shares authorized	<u>\$ 880,000</u>	<u>\$ 880,000</u>
Number of shares issued and fully paid (in thousands)	<u>70,470</u>	<u>70,246</u>
Shares issued	<u>\$ 704,701</u>	<u>\$ 702,459</u>

Each issued ordinary share with par value of \$10 is entitled the right to vote and receive dividends.

On February 19, 2020, the Company's board of directors resolved to issue 763 thousand shares with par value of \$10, as new shares designated for subscription when the share options of 2020 are exercised, and the subscription base date was determined by the board of directors to be March 16, 2020. On April 7, 2020, the above transaction was approved by the FSC.

On December 15, 2020, the Company's board of directors resolved to issue 21 thousand shares with par value of \$10, as new shares designated for subscription when the share options of 2020 are exercised, and the subscription base date was determined by the board of directors to be December 16, 2020. On January 15, 2021, the above transaction was approved by the FSC.

On February 19, 2021, the Company's board of directors resolved to issue 214 thousand shares with par value of \$10, as new shares designated for subscription when the share options of 2021 are exercised, and the subscription base date was determined by the board of directors to be March 16, 2021. On April 9, 2021, the above transaction was approved by the FSC.

On December 17, 2021, the Company's board of directors resolved to issue 10.5 thousand shares with par value of \$10, as new shares designated for subscription when the share options of 2021 are exercised, and the subscription base date was determined by the board of directors to be December 23, 2021. On January 7, 2022, the above transaction was approved by the FSC.

### b. Capital surplus

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Issuance of ordinary shares	\$ 1,333,956	\$ 1,376,190
Employee share options	11,814	2,473

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Donations	<u>765</u>	<u>554</u>
	<u>\$ 1,346,535</u>	<u>\$ 1,379,217</u>

Capital surplus arising from share premium and donated capital, except due to unclaimed dividends, may be utilized to offset deficit. Furthermore, when the Company has no deficit, it may be distributed in cash or capitalized, which however is limited to a certain percentage of the Company's paid-in capital.

Capital surplus arising from employee share option plans cannot be utilized; however, upon expiration, the capital surplus transferred may be used to offset deficit.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Company's Articles of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors after the amendment, refer to compensation of employees and remuneration of directors in Note 19(e).

Appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2020 and 2019 which were approved in the shareholders meetings on August 17, 2021 and June 29, 2020, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For Fiscal Year 2020</b>	<b>For Fiscal Year 2019</b>	<b>For Fiscal Year 2020</b>	<b>For Fiscal Year 2019</b>
Legal reserve	\$ 60,801	\$ 54,250		
Special reserve	1,775	2,270		
Cash dividends	549,585	491,574	\$ 7.80	\$ 7.00

The Company's shareholders also resolved in the shareholders' meetings on August 17, 2021 and June 29, 2020 to issue cash dividends of \$1 per share, for a total of \$70,460 thousand and \$70,225 thousand respectively, from capital surplus.

The appropriations of earnings for 2021, which were proposed by the Company's board of directors on February 17, 2022, were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 68,580	
Special reserve	3,935	
Cash dividends	614,937	\$ 8.70

The Company proposed, in the board of directors' meeting on February 17, 2022, to issue cash dividends of \$0.6 per share, for a total of \$42,409 thousand, from capital surplus.

The appropriation of earnings for 2021 will be resolved by the shareholders in their meeting to be held on June 7, 2022. Information on the appropriation of the Company's earnings proposed by the board of directors and approved by the shareholders is available at the Market Observation Post System website.

d. Other equity items

Exchange differences arising from the translation of the foreign operations

The exchange differences arising from the translation of the foreign operations from their functional currency to New Taiwan dollars were recognized as exchange differences arising from the translation of the foreign operations in other comprehensive income.

## 18. REVENUE

	For the Year Ended December 31	
	2021	2020
Major products and service revenue		
Revenue from data service	\$ 1,244,079	\$ 1,143,443
Revenue from IDC service	823,638	745,665
Revenue from cloud service	429,287	346,981
Revenue from voice service	<u>239,513</u>	<u>252,163</u>
	<u>\$ 2,736,517</u>	<u>\$ 2,488,252</u>
Revenue from contracts with customers		
Revenue from telecommunications service	\$ 2,717,579	\$ 2,484,991
Revenue from rendering of services	18,505	900
Revenue from sale of goods	<u>433</u>	<u>2,361</u>
	<u>\$ 2,736,517</u>	<u>\$ 2,488,252</u>

Contract liabilities at December 31, 2021 and 2020 mainly result from telecommunications services. The changes in the balance of contract liabilities primarily result from the timing difference between the satisfaction of performance obligations and the respective customer's payment.

Revenue that was recognized from the contract liability balance at the beginning of the year for the years ended December 31, 2021 and 2020 was \$16,918 thousand and \$13,342 thousand, respectively.

## 19. NET INCOME

### a. Other operating income and expenses

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Net gain on disposal of property, plant and equipment	\$ <u>34</u>	\$ <u>1,380</u>

### b. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Interest on lease liabilities	\$ 27,243	\$ 21,430
Other	<u>131</u>	<u>184</u>
	<u>\$ 27,374</u>	<u>\$ 21,614</u>

### c. Depreciation and amortization expenses

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Property, plant and equipment	\$ 75,888	\$ 79,794
Right-of-use assets	99,871	90,677
Intangible assets	<u>8,465</u>	<u>6,632</u>
	<u>\$ 184,224</u>	<u>\$ 177,103</u>
An analysis of depreciation by function		
Operating costs	\$ 166,291	\$ 159,313
Operating expenses	<u>9,468</u>	<u>11,158</u>
	<u>\$ 175,759</u>	<u>\$ 170,471</u>
An analysis of amortization by function		
Operating costs	\$ 6,034	\$ 4,492
Operating expenses	<u>2,431</u>	<u>2,140</u>
	<u>\$ 8,465</u>	<u>\$ 6,632</u>

### d. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Post-employment benefits		
Defined contribution plan	\$ 7,069	\$ 6,866
Defined benefit plans (Note 16)	<u>44</u>	<u>74</u>
	<u>7,113</u>	<u>6,940</u>
Share-based payment		
Employee share options (Note 22)	<u>10,034</u>	<u>1,835</u>

Other employee benefits		
Salaries	262,137	241,826
Insurance	17,712	15,372
Other employee benefits	<u>73,829</u>	<u>66,036</u>
	<u>353,678</u>	<u>323,234</u>
Total employee benefits expense	<u>\$ 370,825</u>	<u>\$ 332,009</u>

(Continued)

**For the Year Ended December  
31**

	<b>2021</b>	<b>2020</b>
An analysis of employee benefits expense by function		
Operating costs	\$ 40,361	\$ 35,560
Operating expenses	<u>330,464</u>	<u>296,449</u>
	<u>\$ 370,825</u>	<u>\$ 332,009</u>

(Concluded)

e. Compensation of employees and remuneration of directors

According to the Company's Articles, the Company accrues compensation of employees and remuneration of directors at rates between 3.5% and 6.9% and no higher than 2.3%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and the remuneration of directors for the year ended December 31, 2021, which were approved by the Company's board of directors on February 17, 2022, were \$63,366 thousand and \$3,360 thousand, accrued at rates of 6.9% and 0.4%, respectively, of net profit before income tax.

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

The compensation of employees and the remuneration of directors of for the years ended December 31, 2020 and 2019, which were approved by the Company's board of directors on February 19, 2021 and February 19, 2020, respectively, were as follows:

**For the Year Ended December  
31**

	<b>2020</b>	<b>2019</b>
	<b>Cash</b>	<b>Cash</b>
Compensation of employees	\$ 56,107	\$ 49,928
Remuneration of directors	3,162	3,360

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2020 and 2019.

Information on the compensation of employees and remuneration of directors approved by the board of directors is available at the Market Observation Post System website.

## 20. INCOME TAX

### a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax		
In respect of the current year	\$ 167,967	\$ 148,598
Adjustments for prior year	<u>-</u>	<u>(6,317)</u>
	<u>167,967</u>	<u>142,281</u>
Deferred tax		
In respect of the current year	444	660
Adjustments for prior year	<u>-</u>	<u>6,317</u>
	<u>444</u>	<u>6,977</u>
Income tax expense recognized in profit or loss	<u>\$ 168,411</u>	<u>\$ 149,258</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Income before income tax	<u>\$ 854,978</u>	<u>\$ 757,037</u>
Income tax expense calculated at the statutory rate	\$ 170,996	\$ 151,407
Nondeductible expenses in determining taxable income	1	1
Tax-exempt income	<u>(2,586)</u>	<u>(2,150)</u>
Income tax expense recognized in profit or loss	<u>\$ 168,411</u>	<u>\$ 149,258</u>

### b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement on defined benefit pension plans	<u>\$ (193)</u>	<u>\$ 57</u>

### c. Current tax liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Income tax payable	<u>\$ 92,874</u>	<u>\$ 84,403</u>

d. Deferred income tax assets and liabilities

The movements of deferred income tax assets were as follows:

For the year ended December 31, 2021

<b>Deferred Tax Assets</b>	<b>Beginning Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Ending Balance</b>
Temporary differences				
Defined benefit pension plans	\$ 991	\$ (147)	\$ 193	\$ 1,037
Provision for impairment loss and obsolescence of inventory	518	74	-	592
Unrealized net exchange losses	721	(668)	-	53
Allowance for doubtful receivables over limit	<u>-</u>	<u>297</u>	<u>-</u>	<u>297</u>
	<u>\$ 2,230</u>	<u>\$ (444)</u>	<u>\$ 193</u>	<u>\$ 1,979</u>

For the year ended December 31, 2020

<b>Deferred Tax Assets</b>	<b>Beginning Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Ending Balance</b>
Temporary differences				
Defined benefit pension plans	\$ 1,187	\$ (139)	\$ (57)	\$ 991
Provision for impairment loss and obsolescence of inventory	398	120	-	518
Unrealized net exchange losses	941	(220)	-	721
Allowance for doubtful receivables over limit	407	(407)	-	-
Impairment loss on assets	14	(14)	-	-
Right-of-use assets	<u>6,317</u>	<u>(6,317)</u>	<u>-</u>	<u>-</u>
	<u>\$ 9,264</u>	<u>\$ (6,977)</u>	<u>\$ (57)</u>	<u>\$ 2,230</u>

e. Income tax examinations

The income tax returns through 2019 of the Company have been examined by the tax authorities.

## 21. EARNINGS PER SHARE (EPS)

Net income and weighted average number of ordinary shares used in the calculation of earnings per share were as follows:

## Net Income

	For the Year Ended December 31	
	2021	2020
Net income used to compute the basic and diluted earnings per share	<u>\$ 686,567</u>	<u>\$ 607,779</u>

## Weighted Average Number of Shares

	(Thousand Shares)	
	For the Year Ended December 31	
	2021	2020
Weighted average number of ordinary shares used in the computation of basic earnings per share	70,417	70,069
Effect of potentially dilutive ordinary shares		
Employee share options	224	440
Compensation of employees	<u>252</u>	<u>189</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>70,893</u>	<u>70,698</u>

The Company may settle the compensation of employees in cash or shares; therefore, the Company assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 22. SHARE-BASED PAYMENT ARRANGEMENT

Employee share option plan:

Effective Date for Plan Registration	Resolution Date by the Board of Directors	Units Granted	Exercise Price (NT\$)
2020.09.16	2020.10.26	200.00	\$199.70 (Original price \$206.00)
2017.12.18	2018.10.31	50.00	\$134.50 (Original price \$147.00)
2017.12.18	2017.12.19	950.00	\$128.70 (Original price \$147.00)
2015.11.17	2015.10.22	2,000.00	\$34.40 (Original price \$43.00)

Each option is eligible to subscribe for one thousand ordinary shares of the Company; the options are granted to qualified employees of the Company. For any subsequent changes in the Company's ordinary shares or the distribution of cash dividends, the exercise price is adjusted accordingly. The options granted are valid for 5 years and exercisable at certain percentages after the second anniversary from the grant date.

The board of directors resolved to issue share options on October 26, 2020, and authorized the chairman to decide the grant date, November 13, 2020.

The Company modified the plan terms of share options granted on December 19, 2017 in July 2020 and September 2021; therefore, the exercise price changed from \$135.60 to \$132.70 and from \$132.70 to \$128.70 per share. The modification did not cause any incremental fair value.

The Company modified the plan terms of share options granted on October 31, 2018 in July 2020 and September 2021; therefore, the exercise price changed from \$141.70 to \$138.70 and from \$138.70 to \$134.50 per share. The modification did not cause any incremental fair value.

The Company modified the plan terms of share options granted on October 26, 2020 in September 2021; therefore, the exercise price changed from \$206.00 to \$199.70 per share. The modification did not cause any incremental fair value.

Information on employee share options was as follows:

	For the Year Ended December 31, 2021					
	Granted on November 13, 2020		Granted on October 31, 2018		Granted on December 19, 2017	
	Number of Options	Weighted Average Exercise Price (NT\$)	Number of Options	Weighted Average Exercise Price (NT\$)	Number of Options	Weighted Average Exercise Price (NT\$)
Options outstanding at beginning of the year	200.00	\$ 206.00	21.00	\$ 138.70	427.50	\$ 132.70
Options exercised	-	-	(10.50)	134.50	(213.75)	132.70
Options forfeited	(6.00)	-	-	-	(0.50)	-
Options outstanding at end of the year	<u>194.00</u>	199.70	<u>10.50</u>	134.50	<u>213.25</u>	128.70
Options exercisable at end of the year	<u>-</u>	-	<u>-</u>	-	<u>213.25</u>	128.70

	For the Year Ended December 31, 2020							
	Granted on November 13, 2020		Granted on October 31, 2018		Granted on December 19, 2017		Granted on October 22, 2015	
	Number of Options	Weighted Average Exercise Price (NT\$)	Number of Options	Weighted Average Exercise Price (NT\$)	Number of Options	Weighted Average Exercise Price (NT\$)	Number of Options	Weighted Average Exercise Price (NT\$)
Options outstanding at beginning of the year	-	\$ -	46.00	\$ 141.70	897.00	\$ 135.60	314.25	\$ 34.40
Options granted	200.00	206.00	-	-	-	-	-	-
Options exercised	-	-	(21.00)	138.70	(448.50)	135.60	(314.25)	34.40
Options forfeited	-	-	(4.00)	-	(21.00)	-	-	-
Options outstanding at end of the year	<u>200.00</u>	206.00	<u>21.00</u>	138.70	<u>427.50</u>	132.70	<u>-</u>	-
Options exercisable at end of the year	<u>-</u>	-	<u>-</u>	-	<u>213.75</u>	132.70	<u>-</u>	-

As of December 31, 2021, information on employee share options outstanding was as follows:

Granted on November 13, 2020					
Options Outstanding			Options Exercisable		
Range of Exercise Price (NT\$)	Number of Options	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price (NT\$)	Number of Options	Weighted Average Exercise Price (NT\$)
\$ 199.70	194.00	3.87	\$ 199.70	-	\$ -

Granted on October 31, 2018					
Options Outstanding			Options Exercisable		
Range of Exercise Price (NT\$)	Number of Options	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price (NT\$)	Number of Options	Weighted Average Exercise Price (NT\$)

Life (Years)					
\$ 134.50	10.50	1.83	\$ 134.50	-	\$ -
Granted on December 19, 2017					
Options Outstanding			Options Exercisable		
Range of Exercise Price (NT\$)	Number of Options	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price (NT\$)	Number of Options	Weighted Average Exercise Price (NT\$)
\$ 128.70	213.25	0.96	\$ 128.70	213.25	\$ 128.70

As of December 31, 2021, all the share options granted in 2015 were exercised.

As of December 31, 2020, information on employee share options outstanding was as follows:

Granted on November 13, 2020					
Options Outstanding			Options Exercisable		
Range of Exercise Price (NT\$)	Number of Options	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price (NT\$)	Number of Options	Weighted Average Exercise Price (NT\$)
\$ 206.00	200.00	4.87	\$ 206.00	-	\$ -

Granted on October 31, 2018					
Options Outstanding			Options Exercisable		
Range of Exercise Price (NT\$)	Number of Options	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price (NT\$)	Number of Options	Weighted Average Exercise Price (NT\$)
\$ 138.70	21.00	2.83	\$ 138.70	-	\$ -

Granted on December 19, 2017					
Options Outstanding			Options Exercisable		
Range of Exercise Price (NT\$)	Number of Options	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price (NT\$)	Number of Options	Weighted Average Exercise Price (NT\$)
\$ 132.70	427.50	1.96	\$ 132.70	213.75	\$ 132.70

As of December 31, 2020, all the share options granted in 2015 were exercised.

Chief evaluated the fair value of the options using the Black-Scholes model and binomial option pricing model and the related assumptions and the fair value of the options were as follows:

	<b>Granted on November 13, 2020</b>	<b>Granted on October 31, 2018</b>	<b>Granted on December 19, 2017</b>	<b>Granted on October 22, 2015</b>
Grant-date share price (NT\$)	\$356.00	\$166.00	\$95.92	\$39.55
Dividend yield	-	-	-	-
Risk-free interest rate	0.18%	0.72%	0.62%	0.86%
Expected life	5 years	5 years	5 years	5 years
Expected volatility	34.61%	16.60%	17.35%	21.02%
Weighted average fair value of grants (NT\$)	\$173,893	\$33,540	\$2,318	\$4,863

The expected volatility for the options granted in 2020 was based on Chief's average annualized historical share price volatility from June 5, 2018, Chief's listing date on Taipei Exchange, to the grant date. The expected volatilities for the options granted from 2015 to 2018 were based on the average annualized historical share price volatility of Chief's comparable companies before the grant date.

Compensation costs recognized for the years ended December 31, 2021 and 2020 were as follows:

	<b>2021</b>	<b>2020</b>
Granted on November 13, 2020	\$ 9,729	\$ 1,297
Granted on October 31, 2018	153	312
Granted on December 19, 2017	<u>152</u>	<u>226</u>
	<u>\$ 10,034</u>	<u>\$ 1,835</u>

## 23. NON-CASH TRANSACTIONS

The Company entered into the following non-cash investing activities for the years ended December 31, 2021 and 2020:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Increase in property, plant and equipment	\$ 360,819	\$ 51,036
Changes in payables for equipment	<u>(3,157)</u>	<u>561</u>
	<u>\$ 357,662</u>	<u>\$ 51,597</u>

## 24. CAPITAL MANAGEMENT

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The Company adheres to "The Procedures for Acquisition or Disposal of Assets" for transactions involving shares of listed entities; refer to the Market Observation Post System website for information on related policies.

## 25. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments not measured at fair value

The carrying amounts of financial assets and liabilities of the Company that are not measured at fair value approximate their fair values.

### b. Financial instruments that are measured at fair value on a recurring basis

#### 1) Fair value hierarchy

December 31, 2021

	Fair Value			Total
	Level 1	Level 2	Level 3	
<u>Financial assets at FVTPL</u>				
Listed shares	\$ 2,566	\$ -	\$ -	\$ 2,566
<u>Financial assets at FVTOCI</u>				
Listed shares	\$ 118,545	\$ -	\$ -	\$ 118,545
Unlisted shares	-	-	284	284
	<u>\$ 118,545</u>	<u>\$ -</u>	<u>\$ 284</u>	<u>\$ 118,829</u>

December 31, 2020

	Fair Value			Total
	Level 1	Level 2	Level 3	
<u>Financial assets at FVTPL</u>				
Listed shares	\$ 7,626	\$ -	\$ -	\$ 7,626
<u>Financial assets at FVTOCI</u>				
Listed shares	\$ 86,974	\$ -	\$ -	\$ 86,974
Unlisted shares	-	-	1,220	1,220
	<u>\$ 86,974</u>	<u>\$ -</u>	<u>\$ 1,220</u>	<u>\$ 88,194</u>

There were no transfers between Levels 1 and 2 for the years ended December 31, 2021 and 2020.

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

The fair values of unlisted equity securities - ROC were determined using the income approach. In this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees. An increase in long-term revenue growth rates or long-term pre-tax operating margin or a decrease in the WACC or discount for lack of marketability used in isolation would result in an increase in the fair value.

c. Categories of financial instruments

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 2,781,450	\$ 2,955,757
Financial assets at FVTPL	2,566	7,626
Financial assets at FVTOCI		
Equity instruments	118,829	88,194
<u>Financial liabilities</u>		
Measured at amortized cost (2)	225,829	217,608

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, trade receivables from related parties, other financial assets, and refundable deposits (classified as noncurrent assets).

2) The balances include financial liabilities at amortized cost, which comprise notes payable, notes payable to related parties, accounts payable, accounts payable to related parties, partial other payables, and guarantee deposits.

d. Financial risk management objectives and policies

The Company's major financial instruments include trade receivables, accounts payable, and lease liabilities. The Company's Finance Department provides services to the business, and monitors and manages the financial risks relating to the operations of the Company through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

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

There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the balance sheet dates were as follows:

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Assets		
USD	\$ 72,939	\$ 61,918
Liabilities		
USD	27,540	26,268

Sensitivity analysis

The Company is mainly exposed to the fluctuations of the USD.

The following table details the Company's sensitivity to a 5% increase and decrease in the New Taiwan dollar against the U.S. dollar. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 5%. The sensitivity analysis included only outstanding foreign currency denominated monetary items. A positive/negative number below indicates an increase/a decrease in pre-tax profit associated with the New Taiwan dollar weakening 5% against the U.S. dollar.

	<b>For the Year Ended December</b>	
	<b>31</b>	
	<b>2021</b>	<b>2020</b>
Profit or loss		
Monetary assets and liabilities (Note)		
USD	\$ 2,270	\$ 1,783

Note: This is mainly attributable to the exposure on outstanding foreign currency bank deposits and foreign currency denominated receivables and payables of the Company at the balance sheet dates.

For a 5% strengthening of the New Taiwan dollar against the U.S. dollar, there would be an equal and opposite impact on pre-tax profit.

b) Interest rate risk

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Fair value interest rate risk		
Financial assets	\$ 2,183,774	\$ 2,212,310
Financial liabilities	1,814,313	1,222,645
Cash flow interest rate risk		
Financial assets	374,451	510,450

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for non-derivative instruments at the end of the year. A 25 basis point increase or decrease 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.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2021 and 2020 would have decreased/increased by \$936 thousand and \$1,276 thousand, respectively, which was mainly a result of variable-rate interest on the Company's bank deposits.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. At the end of the year, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to

the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Company, could be equal to their carrying amounts recognized in the balance sheet as of the balance sheet date.

As the Company serves a large number of unrelated consumers, the concentration of credit risk was limited.

### 3) Liquidity risk

The Company manages and maintains sufficient cash and cash equivalent position to support the operations and reduce the impact on fluctuation of cash flow.

#### a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The table has been drawn up based on the undiscounted cash flows of the Company's remaining contractual maturities for its non-derivative financial liabilities from the earliest date on which the Company can be required to pay.

##### December 31, 2021

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>						
Non-interest bearing Lease liabilities	\$ 160,012	\$ -	\$ -	\$ 65,817	\$ -	\$ 225,829
	<u>10,123</u>	<u>20,252</u>	<u>90,885</u>	<u>488,220</u>	<u>1,608,452</u>	<u>2,217,932</u>
	<u>\$ 170,135</u>	<u>\$ 20,252</u>	<u>\$ 90,885</u>	<u>\$ 554,037</u>	<u>\$ 1,608,452</u>	<u>\$ 2,443,761</u>

##### Additional information about the maturity analysis for lease liabilities:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15+ Years</b>	<b>Total</b>
Lease liabilities	<u>\$ 121,260</u>	<u>\$ 488,220</u>	<u>\$ 611,156</u>	<u>\$ 398,781</u>	<u>\$ 598,515</u>	<u>\$ 2,217,932</u>

##### December 31, 2020

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>						
Non-interest bearing Lease liabilities	\$ 157,527	\$ -	\$ -	\$ 60,081	\$ -	\$ 217,608
	<u>8,736</u>	<u>17,519</u>	<u>74,582</u>	<u>387,588</u>	<u>885,666</u>	<u>1,374,091</u>
	<u>\$ 166,263</u>	<u>\$ 17,519</u>	<u>\$ 74,582</u>	<u>\$ 447,669</u>	<u>\$ 885,666</u>	<u>\$ 1,591,699</u>

##### Additional information about the maturity analysis for lease liabilities:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15+ Years</b>	<b>Total</b>
Lease liabilities	<u>\$ 100,837</u>	<u>\$ 387,588</u>	<u>\$ 483,095</u>	<u>\$ 402,571</u>	<u>\$ -</u>	<u>\$ 1,374,091</u>

b) Financing facilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Unsecured bank loan facilities:		
Amount used	\$ -	\$ -
Amount unused	<u>350,000</u>	<u>350,000</u>
	<u>\$ 350,000</u>	<u>\$ 350,000</u>

**26. TRANSACTIONS WITH RELATED PARTIES**

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
Chunghwa Telecom Co., Ltd.	Parent company
Unigate Telecom Inc.	Subsidiary
Chunghwa System Integration Co., Ltd.	Fellow subsidiary
CHYP Multimedia Marketing & Communications Co., Ltd.	Fellow subsidiary
Spring House Entertainment Tech. Inc.	Fellow subsidiary
Light Era Development Co., Ltd.	Fellow subsidiary
Senao International Co., Ltd.	Fellow subsidiary
Honghwa International Co., Ltd.	Fellow subsidiary
Chunghwa Telecom Singapore Pte., Ltd.	Fellow subsidiary
Chunghwa Telecom Global, Inc.	Fellow subsidiary
Donghwa Telecom Co., Ltd.	Fellow subsidiary
Chunghwa Telecom Japan Co., Ltd.	Fellow subsidiary
KingwayTek Technology Co., Ltd.	Associate of the Company's parent
So-net Entertainment Taiwan Limited	Associate of the Company's parent

- b. Transactions with related parties do not contain terms that differ significantly from transactions with non-related parties; in the event where no transaction of similar type can be referenced, transaction terms were negotiated separately by both parties.

1) Operating revenue

	<b>For the Year Ended December 31</b>	
<b>Related Party Category</b>	<b>2021</b>	<b>2020</b>
Parent company	\$ 259,125	\$ 254,402
Fellow subsidiaries	55,692	42,288
Associates	<u>139,287</u>	<u>83,206</u>
	<u>\$ 454,104</u>	<u>\$ 379,896</u>

2) Operating costs and expenses

<b>Related Party Category</b>	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Parent company	\$ 480,624	\$ 406,619
Subsidiary	229	229
Fellow subsidiaries	121,794	132,394
Associates	<u>1,058</u>	<u>759</u>
	<u>\$ 603,705</u>	<u>\$ 540,001</u>

3) Receivables from related parties

<b>Related Party Category</b>	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Parent company	\$ 8,094	\$ 34,826
Fellow subsidiaries	3,606	2,327
Associates	<u>23,573</u>	<u>23,730</u>
	<u>\$ 35,273</u>	<u>\$ 60,883</u>

4) Payables to related parties

<b>Related Party Category</b>	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Parent company	\$ 53,590	\$ 59,926
Subsidiary	966	666
Fellow subsidiaries	<u>2,713</u>	<u>5,159</u>
	<u>\$ 57,269</u>	<u>\$ 65,751</u>

5) Prepayments

<b>Related Party Category</b>	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Parent company	\$ <u>4,031</u>	\$ <u>-</u>

6) Payment on behalf of others (classified as other current assets)

<b>Related Party Category</b>	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Parent company	\$ <u>5,783</u>	\$ <u>3,811</u>

7) Other deferred expenses (classified as other noncurrent assets)

<b>Related Party Category</b>	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Parent company	\$ <u>13,707</u>	\$ <u>-</u>

8) Lease arrangements

The Company leased right-of-use of land and office buildings from its parent company and fellow subsidiaries. The terms of the contracts were negotiated by both parties; lease payments are paid monthly.

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Lease liability</u>		
Parent company	\$ 588,703	\$ -
Fellow subsidiaries	<u>1,161,825</u>	<u>1,217,376</u>
	<u>\$ 1,750,528</u>	<u>\$ 1,217,376</u>
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Interest expense</u>		
Parent company	\$ 6,287	\$ -
Fellow subsidiaries	<u>20,269</u>	<u>21,254</u>
	<u>\$ 26,556</u>	<u>\$ 21,254</u>

c. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term employee benefits	\$ 40,383	\$ 37,856
Post-employment benefits	794	785
Share-based payments	<u>1,648</u>	<u>333</u>
	<u>\$ 42,825</u>	<u>\$ 38,974</u>

The remuneration of directors and key executives, as determined by the remuneration committee, is based on the performance of individuals and market trends.

## 27. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Company and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

### December 31, 2021

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Assets denominated in foreign currencies</u>			
Monetary items			
Cash and cash equivalents			
USD	\$ 805	27.68	\$ 22,272
Trade receivables			
USD	1,830	27.68	50,667
Non-monetary items			
Investments in subsidiaries			
USD	3,027	27.68	83,782
RMB	3,184	4.34	13,829
<u>Liabilities denominated in foreign currencies</u>			
Monetary items			
Accounts payable			
USD	995	27.68	27,540

### December 31, 2020

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Assets denominated in foreign currencies</u>			
Monetary items			
Cash and cash equivalents			
USD	\$ 323	28.48	\$ 9,186
Trade receivables			
USD	1,852	28.48	52,732
Non-monetary items			
Investments in subsidiaries			
USD	2,763	28.48	78,699
RMB	3,098	4.38	13,561
<u>Liabilities denominated in foreign currencies</u>			
Monetary items			
Accounts payable			
USD	922	28.48	26,268

The significant realized and unrealized foreign exchange gains (losses) were as follows:

	<b>For the Year Ended December</b>	
	<b>31</b>	
	<b>2021</b>	<b>2020</b>
Unrealized exchange gain	\$ 3,338	\$ 1,098
Realized exchange loss	<u>(6,549)</u>	<u>(11,989)</u>
	<u>\$ (3,211)</u>	<u>\$ (10,891)</u>

It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the functional currencies of the Company.

## 28. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and b. Information on investees:

- 1) Financing provided to others: None.
- 2) Endorsements/guarantees provided: None.
- 3) Marketable securities held (excluding investments in subsidiaries): Table 1.
- 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: Table 2.
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- 9) Trading in derivative instruments: None.
- 10) Information on investees: Table 3.

c. Information on investments in mainland China: Table 4.

d. Information of major shareholders: Table 5.

## 29. SEGMENT INFORMATION

According to information reported periodically to the chief operating decision maker for the purpose of resource allocation and performance assessment, the Company has only one operating segment. The basis of measurement of income from operations is the same as that for the preparation of financial statements under IFRS 8 "Operating Segments" for the years ended December 31, 2021 and 2020.

### **30. OTHER MATTERS**

The Company has assessed the economic impact of COVID-19 and determined that there were no significant impacts on the Company's financial statements as of the date the financial statements were authorized for issue. The Company will continue to monitor developments of the pandemic and assess the related impacts.

## CHIEF TELECOM INC.

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

(Amounts in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Relationship with the Company	Financial Statement Account	December 31, 2021				Note
				Shares (In Thousands/Thousand Units)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Chief Telecom Inc.	Stocks							
	WPG Holdings Limited	-	Financial assets at FVTOCI	2,102	\$ 104,154	-	\$ 104,154	Note
	WT Microelectronics Co., Ltd.	-	Financial assets at FVTOCI	294	14,391	-	14,391	Note
	3 Link Information Service Co., Ltd.	-	Financial assets at FVTOCI	374	284	10	284	-
	Taichung Commercial Bank Co., Ltd.	-	Financial assets at FVTPL	175	2,122	-	2,122	-
	WPG Holding Limited	-	Financial assets at FVTPL	9	444	-	444	Note

Note: Preferred shares

## CHIEF TELECOM INC.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

YEAR ENDED DECEMBER 31, 2021

(Amounts in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Trade Receivables (Payables)	
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance (Note 1)	% of Total
Chief Telecom Inc.	Chunghwa Telecom Co., Ltd. Chunghwa Telecom Co., Ltd.	Parent company Parent company	Sales	\$ 259,125	9	60 days	\$ -	-	\$ 7,647	4
			Purchases	480,123	32	30 days	-	-	(53,590)	(46)

Note 1: Notes and trade receivables (payables) did not include the amounts collected for others and other receivables (payables).

Note 2: Transaction terms with related parties were determined in accordance with mutual agreements when there were no similar transactions with third parties. Other transactions with related parties were not significantly different from those with third parties.

## CHIEF TELECOM INC.

## NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES IN WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE

YEAR ENDED DECEMBER 31, 2021

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2021			Net Income (Loss) of the Investee	Recognized Gain (Loss) (Note)	Note
				December 31, 2021	December 31, 2020	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Value			
Chief Telecom Inc.	Unigate Telecom Inc.	Taiwan	Telecommunications and internet service	\$ 2,000	\$ 2,000	200	100	\$ 1,079	\$ 99	\$ 99	Subsidiary
Chief Telecom Inc.	Chief International Corp.	Samoa Islands	Telecommunications and internet service	6,068	6,068	200	100	83,782	7,380	7,380	Subsidiary

Note: The amount was recognized based on audited financial statements.

## CHIEF TELECOM INC.

## INFORMATION ON INVESTMENTS IN MAINLAND CHINA

YEAR ENDED DECEMBER 31, 2021

(Amounts in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (Note 1)	Investment from Taiwan as of January 1, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of December 31, 2021	Accumulated Inward Remittance of Earnings as of December 31, 2021	Note
					Outflow	Inflow							
Shanghai Chief Telecom Co., Ltd.	Telecommunications and internet service	\$ 10,150	1	\$ 4,973	\$ -	\$ -	\$ 4,973	\$ 755	49	\$ 370	\$ 13,829	\$ -	-

Investee	Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Stipulated by Investment Commission, MOEA (Note 3)
Shanghai Chief Telecom Co., Ltd.	\$ 4,973	\$ 4,973	\$ 1,855,630

Note 1: Investments are divided into three categories as follows:

- a. Direct investment.
- b. Investments through a holding company registered in a third region.
- c. Others.

Note 2: The amount was recognized based on audited financial statements and the Company's share of profits.

Note 3: The amount was calculated based on 60% of the Group's consolidated net asset value.

**CHIEF TELECOM INC.****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Chunghwa Telecom Co., Ltd.	39,425,803	55.95
JPMorgan Chase Bank, N.A., Taipei Branch in Custody for Stichting Depository APG Emerging Markets Equity Pool	3,641,000	5.17

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration by the Company as of the last business day for the current quarter. The share capital in the financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

# CHIEF TELECOM INC.

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**CHIEF TELECOM INC.****STATEMENT OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

Item	Term	Annual Interest Rate/Rate of Return	Amount
Cash			
Cash on hand			\$ 150
Bank deposits			
Checking deposits			10
Demand deposits		0.01%-0.13%	342,390
Foreign currency deposits			
USD		0.03%	22,272
EUR		0.001%	8,394
HKD		0.02%	<u>1,395</u>
			<u>374,611</u>
Cash equivalents (investments with maturities of less than three months)			
Time deposits			
Bank of Taiwan	2021.12.21-2022.03.22	0.35%	252,000
Bank of Panshin	2021.10.01-2022.03.09	0.40%	160,000
Mega International Commercial Bank	2021.12.01-2022.01.10	0.05%-0.34%	100,000
Commercial papers			
Mega Bills Finance	2021.12.30-2022.01.10	0.17%	<u>99,974</u>
			<u>611,974</u>
			<u>\$ 986,585</u>

**CHIEF TELECOM INC.**

**STATEMENT OF NOTES RECEIVABLE**

**DECEMBER 31, 2021**

**(In Thousands of New Taiwan Dollars)**

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<b>Client Name</b>	<b>Amount</b>
Client A	\$ 826
Client B	824
Client C	327
Client D	223
Client E	180
Others (Note)	<u>507</u>
	<u>\$ 2,887</u>

Note: The amount of each individual client included in others does not exceed 5% of the account balance.

**CHIEF TELECOM INC.****STATEMENT OF TRADE RECEIVABLES  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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<b>Client Name</b>	<b>Amount</b>
Client A	\$ 20,896
Client B	18,860
Client C	10,333
Others (Note)	<u>128,004</u>
	178,093
Less: Allowance for impairment loss	<u>(3,647)</u>
	<u>\$ 174,446</u>

Note: The amount of each individual client included in others does not exceed 5% of the account balance.

## CHIEF TELECOM INC.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD  
 FOR THE YEAR ENDED DECEMBER 31, 2021  
 (In Thousands of New Taiwan Dollars)

Investees	Balance, January 1, 2021		Additions in Investment		Decrease in Investment		Gain or (Loss) on Investment		Balance, December 31, 2021			Net Assets Value	Note
	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Accounted for Using Equity Method	Adjustment in Using Equity Method	Shares (In Thousands)	Proportion of Ownership %	Amount		
Investments accounted for using equity method													
Unlisted shares													
Chief International Corp.	200	\$ 78,699	-	\$ -	-	\$ -	\$ 7,380	\$ (2,297)	200	100	\$ 83,782	\$ 83,782	Note
Shanghai Chief Telecom Co., Ltd.	-	13,561	-	-	-	-	370	(102)	-	49	13,829	13,829	Note
Unigate Telecom Inc.	200	<u>980</u>	-	<u>-</u>	-	<u>-</u>	<u>99</u>	<u>-</u>	200	100	<u>1,079</u>	<u>1,079</u>	Note
		<u>\$ 93,240</u>		<u>\$ -</u>		<u>\$ -</u>	<u>\$ 7,849</u>	<u>\$ (2,399)</u>			<u>\$ 98,690</u>	<u>\$ 98,690</u>	

Note: The amounts were based on audited financial statements.

**CHIEF TELECOM INC.****STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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	<b>Balance, January 1, 2021</b>	<b>Additions</b>	<b>Decreases</b>	<b>Balance, December 31, 2021</b>	<b>Note</b>
Land	\$ -	\$ 592,132	\$ -	\$ 592,132	
Buildings	1,354,768	88,500	(16,050)	1,427,218	
Transportation equipment	<u>3,860</u>	<u>-</u>	<u>-</u>	<u>3,860</u>	
	<u>\$ 1,358,628</u>	<u>\$ 680,632</u>	<u>\$ (16,050)</u>	<u>\$ 2,023,210</u>	

## CHIEF TELECOM INC.

STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF RIGHT-OF-USE ASSETS  
 FOR THE YEAR ENDED DECEMBER 31, 2021  
 (In Thousands of New Taiwan Dollars)

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	Balance, January 1, 2021	Additions	Decreases	Balance, December 31, 2021	Note
Land	\$ -	\$ 7,895	\$ -	\$ 7,895	
Buildings	179,722	90,690	(16,050)	254,362	
Transportation equipment	<u>1,501</u>	<u>1,286</u>	<u>-</u>	<u>2,787</u>	
	<u>\$ 181,223</u>	<u>\$ 99,871</u>	<u>\$ (16,050)</u>	<u>\$ 265,044</u>	

**CHIEF TELECOM INC.**

**STATEMENT OF NOTES PAYABLE  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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<b>Vendor Name</b>	<b>Amount</b>
Vendor A	\$ 3,850
Vendor B	1,728
Vendor C	1,375
Vendor D	425
Others (Note)	<u>566</u>
	<u>\$ 7,944</u>

Note: The amount of each individual vendor in others does not exceed 5% of the account balance.

**CHIEF TELECOM INC.**

**STATEMENT OF ACCOUNTS PAYABLE  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

---

<b>Vendor Name</b>	<b>Amount</b>
Vendor A	\$ 14,402
Vendor B	7,497
Vendor C	4,843
Vendor D	3,504
Vendor E	3,108
Vendor F	2,581
Others (Note)	<u>14,314</u>
	<u>\$ 50,249</u>

Note: The amount of each individual vendor in others does not exceed 5% of the account balance.

**CHIEF TELECOM INC.****STATEMENT OF LEASE LIABILITIES  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Description</b>	<b>Lease Term</b>	<b>Discount Rate</b>	<b>Balance, End of Year</b>	<b>Note</b>
Land	Land	50 years	1.6%	\$ 588,703	
Buildings	Office buildings	10-20 years	1.7%	1,224,509	
Transportation equipment	Company vehicles	3 years	2.5%	<u>1,101</u>	
				<u>\$ 1,814,313</u>	

**CHIEF TELECOM INC.**

**STATEMENT OF OPERATING COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Resale cost	\$ 594,941
Backbone cost	352,192
Depreciation expense	166,290
Others (Note)	<u>382,627</u>
	<u>\$ 1,946,050</u>

Note: The amount of each individual item in others does not exceed 5% of the amount balance.

## CHIEF TELECOM INC.

STATEMENT OF OPERATING EXPENSES  
 FOR THE YEAR ENDED DECEMBER 31, 2021  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Selling and Marketing Expenses	General and Administrativ e Expenses	Allowance for Impairment Loss	Total
Payroll expense	\$ 175,506	\$ 64,719	\$ -	\$ 240,225
Accrued compensation to employees	41,482	16,373	-	57,855
Allowance for impairment loss	-	-	2,040	2,040
Others (Note)	<u>53,392</u>	<u>24,537</u>	<u>-</u>	<u>77,929</u>
	<u>\$ 270,380</u>	<u>\$ 105,629</u>	<u>\$ 2,040</u>	<u>\$ 378,049</u>

Note: The amount of each individual item in others does not exceed 5% of the amount balance.

## CHIEF TELECOM INC.

STATEMENT OF EMPLOYEE BENEFIT, DEPRECIATION AND AMORTIZATION BY FUNCTION  
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
 (In Thousands of New Taiwan Dollars)

	Year Ended December 31					
	2021			2020		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits expense						
Payroll	\$ 31,946	\$ 240,225	\$ 272,171	\$ 28,386	\$ 215,275	\$ 243,661
Labor and health insurance	1,558	16,154	17,712	1,268	14,104	15,372
Pension	619	6,494	7,113	575	6,365	6,940
Remuneration of directors	-	3,360	3,360	-	3,162	3,162
Others	6,238	64,231	70,469	5,331	57,543	62,874
	<u>\$ 40,361</u>	<u>\$ 330,464</u>	<u>\$ 370,825</u>	<u>\$ 35,560</u>	<u>\$ 296,449</u>	<u>\$ 332,009</u>
Depreciation	<u>\$ 166,291</u>	<u>\$ 9,468</u>	<u>\$ 175,759</u>	<u>\$ 159,313</u>	<u>\$ 11,158</u>	<u>\$ 170,471</u>
Amortization	<u>\$ 6,034</u>	<u>\$ 2,431</u>	<u>\$ 8,465</u>	<u>\$ 4,492</u>	<u>\$ 2,140</u>	<u>\$ 6,632</u>

Note 1: As of December 31, 2021 and 2020, the Company had an average of 158 and 155 employees, respectively, including 6 non-employee directors.

Note 2: For the years ended December 31, 2021 and 2020, the average employee benefit expense were \$2,418 thousand and \$2,207 thousand, respectively. (The average employee benefit expense equals the total remuneration of directors divided by the number of non-employee directors).

Note 3: For the years ended December 31, 2021 and 2020, the average payroll expense were \$1,791 thousand and \$1,635 thousand, respectively (The average payroll expense equals the payroll divided by the number of non-employee directors).

Note 4: The average payroll expense adjustment rate was 9.54%. (The average payroll expense of the current year less the average payroll expense for the prior year, divided by the average payroll expense for the prior year).

Note 5: For both years ended December 31, 2021 and 2020, the remuneration of independent directors was \$2,520 thousand.

Note 6: The Company did not have supervisors for the years ended December 31, 2021 and 2020, therefore, there was no remuneration of supervisors.

Note 7: The remuneration policy for directors, independent directors, management personnel and employees:

- Directors are paid fixed remuneration in accordance with the resolutions of the board of directors and distributed floating remuneration based on the Company's annual earnings and distributions according to the Company's Articles of Incorporation. Independent directors are excluded from participating in the aforementioned distribution of floating remuneration.
- Remuneration of management personnel, including the chief executive officer, general manager and vice general manager, includes a salary, year-end bonus, and employee remuneration, determined in accordance with the positions held and contributions to the Company, by reference to industry standards.
- The salary of employees is divided into a fixed salary and variable salary, which includes a base salary, meal allowance, year-end bonus, performance appraisal bonus and sales performance bonus, determined based on employee experience, education attainments, and annual performance appraisals.



CHIEF | 是方

Our mission is to  
develop sustainable business



Environmental



Social



Governance

