

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.

Dien-sheng Chang

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	%
CURRENT ASSETS				
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>
NONCURRENT ASSETS				
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>
TOTAL	<u>\$ 5,470,367</u>	<u>100</u>	<u>\$ 4,731,550</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
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>
NONCURRENT LIABILITIES				
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>
EQUITY (Note 17)				
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>
TOTAL	<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
CASH FLOWS FROM OPERATING ACTIVITIES		
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	883,058	836,313
CASH FLOWS FROM INVESTING ACTIVITIES		
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>
CASH FLOWS FROM FINANCING ACTIVITIES		
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>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	<u>3,001</u>	<u>(3,403)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	124,065	70,897
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>862,520</u>	<u>791,623</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<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)

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

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 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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
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>	
	2021	2020
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>	
	2021	2020
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>	
	2021	2020
<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

	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%-0.31%	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

	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	\$ 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:

	For the Year Ended December 31	
	2021	2020
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

	December 31	
	2021	2020
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:

	December 31	
	2021	2020
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

	December 31	
	2021	2020
<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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<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>
	Proportion of Ownership and Voting Rights	
	<u>December 31</u>	
Name of Subsidiary	2021	2020
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

	Computer Equipment	Telecommuni- cations Equipment	Miscellaneous Equipment	Construction in Progress and Equipment to Be Accepted	Total
<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

	<u>December 31</u>	
	2021	2020
<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>
	<u>For the Year Ended December 31</u>	
	2021	2020
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

	<u>December 31</u>	
	2021	2020
<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:

	<u>December 31</u>	
	2021	2020
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

	<u>For the Year Ended December 31</u>	
	2021	2020
Expenses relating to low-value asset leases	<u>\$ 176</u>	<u>\$ 169</u>
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

	Computer Software	Others	Total
<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

	<u>December 31</u>	
	2021	2020
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:

	<u>December 31</u>	
	2021	2020
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:

	Present Value of Funded Defined Benefit Obligations	Fair Value of Plan Assets	Net Defined Benefit Liabilities
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:

	For the Year Ended December 31	
	2021	2020
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>	
	2021	2020
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>	
	2021	2020
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>	
	2021	2020
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

	December 31	
	2021	2020
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

	December 31	
	2021	2020
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

	December 31	
	2021	2020
Issuance of ordinary shares	\$ 1,333,956	\$ 1,376,190
Employee share options	11,814	2,473
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:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Fiscal Year 2020	For Fiscal Year 2019	For Fiscal Year 2020	For Fiscal Year 2019
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

	<u>For the Year Ended December 31</u>	
	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

	<u>For the Year Ended December 31</u>	
	2021	2020
Net gain on disposal of property, plant and equipment	<u>\$ 34</u>	<u>\$ 1,380</u>

b. Finance costs

	For the Year Ended December 31	
	2021	2020
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

	For the Year Ended December 31	
	2021	2020
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

	For the Year Ended December 31	
	2021	2020
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)

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
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:

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
	<u>Cash</u>	<u>Cash</u>
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:

	For the Year Ended December 31	
	2021	2020
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:

	For the Year Ended December 31	
	2021	2020
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

	For the Year Ended December 31	
	2021	2020
<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

	December 31	
	2021	2020
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

Deferred Tax Assets	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
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	-	297	-	297
	<u>\$ 2,230</u>	<u>\$ (444)</u>	<u>\$ 193</u>	<u>\$ 1,979</u>

For the year ended December 31, 2020

Deferred Tax Assets	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
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	6,317	(6,317)	-	-
	<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

	<u>For the Year Ended December 31</u>	
	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\$)
\$ 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:

	Granted on November 13, 2020	Granted on October 31, 2018	Granted on December 19, 2017	Granted on October 22, 2015
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:

	2021	2020
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:

	<u>For the Year Ended December 31</u>	
	2021	2020
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>	
	2021	2020
<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>	
	2021	2020
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.

	<u>For the Year Ended December 31</u>	
	2021	2020
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:

	<u>December 31</u>	
	2021	2020
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

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years	Total
Non-derivative financial liabilities						
Non-interest bearing	\$ 160,012	\$ -	\$ -	\$ 65,817	\$ -	\$ 225,829
Lease liabilities	<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:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15+ Years	Total
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

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years	Total
Non-derivative financial liabilities						
Non-interest bearing	\$ 157,527	\$ -	\$ -	\$ 60,081	\$ -	\$ 217,608
Lease liabilities	<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:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15+ Years	Total
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

	December 31	
	2021	2020
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

	For the Year Ended December 31	
Related Party Category	2021	2020
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

Related Party Category	For the Year Ended December 31	
	2021	2020
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

Related Party Category	December 31	
	2021	2020
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

Related Party Category	December 31	
	2021	2020
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

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

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

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

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

Related Party Category	December 31	
	2021	2020
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.

	December 31	
	2021	2020
<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>
For the Year Ended December 31		
	2021	2020
<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

	For the Year Ended December 31	
	2021	2020
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

	Foreign Currency	Exchange Rate	Carrying Amount
<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

Liabilities denominated in foreign currencies

Monetary items			
Accounts payable			
USD	995	27.68	27,540

December 31, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
<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

Liabilities denominated in foreign currencies

Monetary items			
Accounts payable			
USD	922	28.48	26,268

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

	<u>For the Year Ended December 31</u>	
	2021	2020
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.	<u>Stocks</u>							
	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.	Parent company	Sales	\$ 259,125	9	60 days	\$ -	-	\$ 7,647	4
	Chunghwa Telecom Co., Ltd.	Parent company	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.

TABLE 5**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 Depositary 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)

Client Name	Amount
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)

Client Name	Amount
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 Accounted for Using Equity Method	Adjustment in Using Equity Method	Balance, December 31, 2021			Net Assets Value	Note
	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount			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	980	-	-	-	-	99	-	200	100	1,079	1,079	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)**

	Balance, January 1, 2021	Additions	Decreases	Balance, December 31, 2021	Note
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)

	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)

Vendor Name	Amount
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)

Vendor Name	Amount
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)

Item	Description	Lease Term	Discount Rate	Balance, End of Year	Note
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)**

Item	Amount
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 Administrative 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	<u>6,238</u>	<u>64,231</u>	<u>70,469</u>	<u>5,331</u>	<u>57,543</u>	<u>62,874</u>
	<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:

- a. 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.
- b. 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.
- c. 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.