

Chief Telecom Inc. and Subsidiaries

**Consolidated Financial Statements for the
Six Months Ended June 30, 2022 and 2021 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Chief Telecom Inc.

Introduction

We have reviewed the accompanying consolidated balance sheets of Chief Telecom Inc. and its subsidiaries (collectively, the "Group") as of June 30, 2022 and 2021, the related consolidated statements of comprehensive income for the three months ended June 30, 2022 and 2021 and for the six months ended June 30, 2022 and 2021, the consolidated statements of changes in equity and cash flows for the six months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statement"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2022 and 2021, its consolidated financial performance for the three months ended June 30, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the six months ended June 30, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the audits resulting in this independent auditors' report are Dien Sheng Chang and Cheng Hung Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

July 26, 2022

Notice to Readers

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

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

CHIEF TELECOM INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	June 30, 2022 (Reviewed)		December 31, 2021 (Audited)		June 30, 2021 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents (Notes 6 and 25)	\$ 1,804,482	30	\$ 1,019,936	19	\$ 1,455,625	25
Financial assets at fair value through profit or loss (Notes 7 and 25)	447	-	2,566	-	2,326	-
Notes receivable (Notes 8 and 25)	3,000	-	2,887	-	1,759	-
Trade receivables, net (Notes 8 and 25)	204,306	3	176,414	3	189,044	3
Trade receivables from related parties (Notes 25 and 26)	35,817	1	35,273	1	97,384	2
Inventories	2,497	-	2,332	-	3,518	-
Prepayments (Note 26)	34,130	1	36,944	1	22,089	-
Other financial assets (Notes 9 and 25)	1,077,757	18	1,640,192	30	1,698,638	30
Other current assets (Note 26)	<u>32,252</u>	<u>1</u>	<u>27,148</u>	<u>-</u>	<u>38,892</u>	<u>1</u>
Total current assets	<u>3,194,688</u>	<u>54</u>	<u>2,943,692</u>	<u>54</u>	<u>3,509,275</u>	<u>61</u>
NONCURRENT ASSETS						
Financial assets at fair value through other comprehensive income (Notes 10 and 25)	122,523	2	118,829	2	96,766	2
Property, plant and equipment (Note 12)	806,727	13	571,659	10	268,276	5
Right-of-use assets (Note 13)	1,707,565	29	1,758,408	32	1,810,799	31
Intangible assets (Note 14)	54,323	1	57,375	1	60,121	1
Deferred income tax assets (Note 4)	1,994	-	1,987	-	1,456	-
Other noncurrent assets (Notes 25 and 26)	<u>38,365</u>	<u>1</u>	<u>42,150</u>	<u>1</u>	<u>33,056</u>	<u>-</u>
Total noncurrent assets	<u>2,731,497</u>	<u>46</u>	<u>2,550,408</u>	<u>46</u>	<u>2,270,474</u>	<u>39</u>
TOTAL	<u>\$ 5,926,185</u>	<u>100</u>	<u>\$ 5,494,100</u>	<u>100</u>	<u>\$ 5,779,749</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Contract liabilities (Note 18)	\$ 32,368	-	\$ 38,557	1	\$ 39,457	1
Notes payable (Note 25)	106	-	7,944	-	6,857	-
Accounts payable (Note 25)	55,480	1	50,781	1	61,437	1
Accounts payable to related parties (Notes 25 and 26)	60,686	1	56,303	1	65,064	1
Other payables (Notes 15 and 25)	927,151	16	252,548	4	226,626	4
Current tax liabilities (Note 4)	97,479	2	92,874	2	78,660	1
Lease liabilities - current (Notes 13, 25 and 26)	92,895	2	92,129	2	92,228	2
Other current liabilities	<u>19,777</u>	<u>-</u>	<u>12,226</u>	<u>-</u>	<u>20,995</u>	<u>-</u>
Total current liabilities	<u>1,285,942</u>	<u>22</u>	<u>603,362</u>	<u>11</u>	<u>591,324</u>	<u>10</u>
NONCURRENT LIABILITIES						
Deferred tax liabilities (Note 4)	518	-	-	-	183	-
Lease liabilities - noncurrent (Notes 13, 25 and 26)	1,676,989	28	1,722,427	32	1,768,452	31
Net defined benefit liabilities (Notes 4, 16 and 19)	9,173	-	9,518	-	8,927	-
Guarantee deposits (Note 25)	<u>79,789</u>	<u>2</u>	<u>66,075</u>	<u>1</u>	<u>63,623</u>	<u>1</u>
Total noncurrent liabilities	<u>1,766,469</u>	<u>30</u>	<u>1,798,020</u>	<u>33</u>	<u>1,841,185</u>	<u>32</u>
Total liabilities	<u>3,052,411</u>	<u>52</u>	<u>2,401,382</u>	<u>44</u>	<u>2,432,509</u>	<u>42</u>
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT (Note 17)						
Capital stock	706,824	12	704,701	13	704,596	12
Capital surplus	1,334,218	22	1,346,535	24	1,410,479	25
Retained earnings						
Legal reserve	411,916	7	343,336	6	282,535	5
Special reserve	10,926	-	6,991	-	5,216	-
Unappropriated earnings	398,920	7	687,687	13	938,440	16
Total retained earnings	<u>821,762</u>	<u>14</u>	<u>1,038,014</u>	<u>19</u>	<u>1,226,191</u>	<u>21</u>
Other equity	<u>(3,927)</u>	<u>-</u>	<u>(10,926)</u>	<u>-</u>	<u>(8,153)</u>	<u>-</u>
Equity attributable to shareholders of the parent	2,858,877	48	3,078,324	56	3,333,113	58
NONCONTROLLING INTERESTS						
	<u>14,897</u>	<u>-</u>	<u>14,394</u>	<u>-</u>	<u>14,127</u>	<u>-</u>
Total equity	<u>2,873,774</u>	<u>48</u>	<u>3,092,718</u>	<u>56</u>	<u>3,347,240</u>	<u>58</u>
TOTAL	<u>\$ 5,926,185</u>	<u>100</u>	<u>\$ 5,494,100</u>	<u>100</u>	<u>\$ 5,779,749</u>	<u>100</u>

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

CHIEF TELECOM INC. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
NET REVENUE (Notes 18 and 26)	\$ 765,700	100	\$ 681,345	100	\$ 1,515,452	100	\$ 1,371,036	100
OPERATING COSTS (Notes 16, 19 and 26)	<u>406,465</u>	<u>53</u>	<u>385,654</u>	<u>56</u>	<u>804,842</u>	<u>53</u>	<u>763,473</u>	<u>56</u>
GROSS PROFIT	<u>359,235</u>	<u>47</u>	<u>295,691</u>	<u>44</u>	<u>710,610</u>	<u>47</u>	<u>607,563</u>	<u>44</u>
OPERATING EXPENSES (Notes 16, 19 and 26)								
Marketing	74,361	10	68,203	10	148,628	10	139,918	10
General and administrative	29,067	4	25,877	4	59,821	4	54,193	4
Research and development	4,174	-	-	-	7,165	-	-	-
Expected credit loss (gain) (Note 8)	<u>532</u>	<u>-</u>	<u>(25)</u>	<u>-</u>	<u>(1,906)</u>	<u>-</u>	<u>(274)</u>	<u>-</u>
Total operating expenses	<u>108,134</u>	<u>14</u>	<u>94,055</u>	<u>14</u>	<u>213,708</u>	<u>14</u>	<u>193,837</u>	<u>14</u>
OTHER INCOME AND EXPENSES (Note 19)	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18</u>	<u>-</u>	<u>2</u>	<u>-</u>
OPERATING INCOME	<u>251,104</u>	<u>33</u>	<u>201,636</u>	<u>30</u>	<u>496,920</u>	<u>33</u>	<u>413,728</u>	<u>30</u>
NON-OPERATING INCOME AND EXPENSES								
Interest income	2,924	-	2,509	-	5,220	-	5,449	1
Other income	755	-	30	-	979	-	183	-
Other gains and losses	4,866	1	(1,186)	-	9,043	1	(2,775)	-
Interest expense (Notes 19 and 26)	<u>(7,426)</u>	<u>(1)</u>	<u>(6,839)</u>	<u>(1)</u>	<u>(14,950)</u>	<u>(1)</u>	<u>(12,037)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>1,119</u>	<u>-</u>	<u>(5,486)</u>	<u>(1)</u>	<u>292</u>	<u>-</u>	<u>(9,180)</u>	<u>-</u>
INCOME BEFORE INCOME TAX	252,223	33	196,150	29	497,212	33	404,548	30
INCOME TAX (Notes 4 and 20)	<u>49,868</u>	<u>6</u>	<u>38,797</u>	<u>6</u>	<u>98,339</u>	<u>7</u>	<u>79,924</u>	<u>6</u>
NET INCOME	<u>202,355</u>	<u>27</u>	<u>157,353</u>	<u>23</u>	<u>398,873</u>	<u>26</u>	<u>324,624</u>	<u>24</u>

(Continued)

CHIEF TELECOM INC. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified to profit or loss:								
Unrealized gain or loss on investments in equity instruments at fair value through other comprehensive income	\$ (1,624)	-	\$ (141)	-	\$ 391	-	\$ 805	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences arising from the translation of the foreign operations	2,967	-	(2,142)	-	6,923	1	(2,189)	-
Total comprehensive income (loss), net of income tax	1,343	-	(2,283)	-	7,314	1	(1,384)	-
TOTAL COMPREHENSIVE INCOME	<u>\$ 203,698</u>	<u>27</u>	<u>\$ 155,070</u>	<u>23</u>	<u>\$ 406,187</u>	<u>27</u>	<u>\$ 323,240</u>	<u>24</u>
NET INCOME ATTRIBUTABLE TO								
Shareholders of the parent	\$ 202,225	26	\$ 157,275	23	\$ 398,685	26	\$ 324,390	24
Noncontrolling interests	130	-	78	-	188	-	234	-
	<u>\$ 202,355</u>	<u>26</u>	<u>\$ 157,353</u>	<u>23</u>	<u>\$ 398,873</u>	<u>26</u>	<u>\$ 324,624</u>	<u>24</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO								
Shareholders of the parent	\$ 203,791	27	\$ 155,107	23	\$ 405,684	27	\$ 323,228	24
Noncontrolling interests	(93)	-	(37)	-	503	-	12	-
	<u>\$ 203,698</u>	<u>27</u>	<u>\$ 155,070</u>	<u>23</u>	<u>\$ 406,187</u>	<u>27</u>	<u>\$ 323,240</u>	<u>24</u>
EARNINGS PER SHARE (Note 21)								
Basic	<u>\$ 2.86</u>		<u>\$ 2.23</u>		<u>\$ 5.65</u>		<u>\$ 4.61</u>	
Diluted	<u>\$ 2.85</u>		<u>\$ 2.22</u>		<u>\$ 5.62</u>		<u>\$ 4.59</u>	

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

(Concluded)

CHIEF TELECOM INC. AND SUBSIDIARIES

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

	Equity Attributable to Shareholders of the Parent (Note 17)							Other Equity		Noncontrolling Interests	Total Equity
	Capital Stock		Capital Surplus	Retained Earnings				Exchange Differences Arising from the Translation of Foreign Operations	Unrealized Gain or Loss on Financial Assets at Fair Value Through Other Comprehensive Income		
	Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Total				
BALANCE, JANUARY 1, 2021	70,246	\$ 702,459	\$ 1,379,217	\$ 282,535	\$ 5,216	\$ 614,050	\$ 901,801	\$ (6,488)	\$ (503)	\$ 14,115	\$ 2,990,601
Net income for the six months ended June 30, 2021	-	-	-	-	-	324,390	324,390	-	-	234	324,624
Other comprehensive income for the six months ended June 30, 2021	-	-	-	-	-	-	-	(1,967)	805	(222)	(1,384)
Total comprehensive income for the six months ended June 30, 2021	-	-	-	-	-	324,390	324,390	(1,967)	805	12	323,240
Issuance of ordinary shares under employee share options	214	2,137	26,227	-	-	-	-	-	-	-	28,364
Share-based payment transactions (Note 22)	-	-	5,035	-	-	-	-	-	-	-	5,035
BALANCE, JUNE 30, 2021	70,460	\$ 704,596	\$ 1,410,479	\$ 282,535	\$ 5,216	\$ 938,440	\$ 1,226,191	\$ (8,455)	\$ 302	\$ 14,127	\$ 3,347,240
BALANCE, JANUARY 1, 2022	70,470	\$ 704,701	\$ 1,346,535	\$ 343,336	\$ 6,991	\$ 687,687	\$ 1,038,014	\$ (8,887)	\$ (2,039)	\$ 14,394	\$ 3,092,718
Appropriation of 2021 earnings											
Legal reserve	-	-	-	68,580	-	(68,580)	-	-	-	-	-
Special reserve	-	-	-	-	3,935	(3,935)	-	-	-	-	-
Cash dividends distributed by the Company - \$8.70 per share	-	-	-	-	-	(614,937)	(614,937)	-	-	-	(614,937)
Issuance of cash dividends from capital surplus	-	-	(42,409)	-	-	-	-	-	-	-	(42,409)
Net income for the six months ended June 30, 2022	-	-	-	-	-	398,685	398,685	-	-	188	398,873
Other comprehensive income for the six months ended June 30, 2022	-	-	-	-	-	-	-	6,608	391	315	7,314
Total comprehensive income for the six months ended June 30, 2022	-	-	-	-	-	398,685	398,685	6,608	391	503	406,187
Issuance of ordinary shares under employee share options	212	2,123	25,194	-	-	-	-	-	-	-	27,317
Share-based payment transactions (Note 22)	-	-	4,898	-	-	-	-	-	-	-	4,898
BALANCE, JUNE 30, 2022	70,682	\$ 706,824	\$ 1,334,218	\$ 411,916	\$ 10,926	\$ 398,920	\$ 821,762	\$ (2,279)	\$ (1,648)	\$ 14,897	\$ 2,873,774

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

CHIEF TELECOM INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 497,212	\$ 404,548
Adjustments for:		
Depreciation expense	87,007	87,055
Amortization expense	4,524	4,217
Expected credit loss reversed	(1,906)	(274)
Net loss (gain) on fair value changes of financial assets at fair value through profit or loss	169	(539)
Finance costs	14,950	12,037
Interest income	(5,220)	(5,449)
Dividend income	(722)	-
Compensation cost of employee share options	4,898	5,035
Gain on disposal of property, plant and equipment	(18)	(2)
Gain on disposal of financial assets	(717)	(300)
Provision for impairment loss and obsolescence of inventory	504	62
Unrealized gain on foreign currency exchange	(7,157)	(3,390)
Changes in operating assets and liabilities:		
Notes receivable	(113)	1,820
Trade receivables	(24,581)	(26,027)
Trade receivables from related parties	(534)	(36,499)
Inventories	(669)	(1,623)
Prepayments	2,814	(1,908)
Other current assets	(3,733)	(17,887)
Contract liabilities	(6,189)	12,009
Notes payable	(7,838)	780
Accounts payable	3,739	14,717
Accounts payable to related parties	4,383	(21)
Other payables	25,013	11,541
Other current liabilities	7,551	3,542
Net defined benefit plans	(345)	(363)
Cash generated from operations	593,022	463,081
Interest paid	(14,950)	(12,036)
Income tax paid	(93,223)	(84,726)
Net cash generated from operating activities	<u>484,849</u>	<u>366,319</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(3,302)	(7,767)
Purchase of financial assets at fair value through profit or loss	(6,461)	(6,868)
Proceeds from sale of financial assets at fair value through profit or loss	9,128	13,007

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CHIEF TELECOM INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2022	2021
Acquisition of property, plant and equipment	\$ (277,664)	\$ (28,711)
Proceeds from disposal of property, plant and equipment	18	2
Acquisition of intangible assets	(1,172)	(666)
Acquisition of time deposits with maturities of more than three months	(383,625)	(1,062,835)
Proceeds from disposal of time deposits with maturities of more than three months	950,335	1,274,950
Decrease in noncurrent assets	3,785	3,154
Interest received	<u>4,571</u>	<u>3,892</u>
Net cash generated from investing activities	<u>295,613</u>	<u>188,158</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in guarantee deposits	13,714	3,299
Repayment of the principal portion of lease liabilities	(46,299)	(43,582)
Employee share options exercised	<u>27,317</u>	<u>28,364</u>
Net cash used in financing activities	<u>(5,268)</u>	<u>(11,919)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	<u>9,352</u>	<u>1,427</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	784,546	543,985
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>1,019,936</u>	<u>911,640</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 1,804,482</u>	<u>\$ 1,455,625</u>

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

(Concluded)

CHIEF TELECOM INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL

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

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

Chunghwa Telecom Co., Ltd., the parent company of the Group, and its subsidiaries were holding 58.72%, 58.89% and 58.90% of the shares of the Group as of June 30, 2022, December 31 and June 30, 2021, respectively.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by Chief’s board of directors on July 26, 2022.

3. APPLICATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

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

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

- b. Amendments to IFRSs endorsed by the FSC for application starting from January 1, 2023

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

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

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

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

As of the date the consolidated financial statements were authorized for issue, the 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 result and will disclose the relevant impact when the assessment is completed.

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The accompanying consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34, "Interim Financial Reporting," endorsed and issued into effect by the FSC. The consolidated financial statements do not present all the disclosures required for a complete set of annual consolidated financial statements prepared under the IFRSs endorsed and issued into effect by the FSC.

Basis of Preparation

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

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

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

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries). When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

Other Significant Accounting Policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2021.

a. Defined benefit retirement benefits

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

b. Taxation

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

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

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

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

Refer to the statements of critical accounting judgments and key sources of estimation uncertainty to the consolidated financial statements for the year ended December 31, 2021.

6. CASH AND CASH EQUIVALENTS

	June 30, 2022	December 31, 2021	June 30, 2021
Cash on hand	\$ 150	\$ 150	\$ 150
Bank deposits	464,397	407,812	855,475
Cash equivalents (investments with maturities of less than three months)			
Time deposits	1,160,000	512,000	600,000
Commercial papers	<u>179,935</u>	<u>99,974</u>	<u>-</u>
	<u>\$ 1,804,482</u>	<u>\$ 1,019,936</u>	<u>\$ 1,455,625</u>

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

	June 30, 2022	December 31, 2021	June 30, 2021
Bank deposits	0.001%-0.35%	0.001%-0.30%	0.001%-0.30%
Time deposits	0.19%-0.78%	0.05%-0.40%	0.06%-0.37%
Commercial papers	0.35%	0.17%	-

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2022	December 31, 2021	June 30, 2021
<u>Financial assets - current</u>			
Mandatorily measured at FVTPL			
Non-derivatives			
Listed shares - domestic	<u>\$ 447</u>	<u>\$ 2,566</u>	<u>\$ 2,326</u>

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

8. NOTES AND TRADE RECEIVABLES, NET

	June 30, 2022	December 31, 2021	June 30, 2021
<u>Notes receivable</u>			
Notes receivable - operating	<u>\$ 3,000</u>	<u>\$ 2,887</u>	<u>\$ 1,759</u>
<u>Trade receivables</u>			
At amortized cost			
Gross carrying amount	\$ 205,985	\$ 180,061	\$ 190,707
Less: Allowance for impairment loss	<u>(1,679)</u>	<u>(3,647)</u>	<u>(1,663)</u>
	<u>\$ 204,306</u>	<u>\$ 176,414</u>	<u>\$ 189,044</u>

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

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

The Group writes off a note or trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation. For notes or trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of notes and trade receivables based on the Group's provision matrix.

June 30, 2022

	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%-0.24%	0.62%-2.39%	12.53%	37.84%	71.49%-100%	
Gross carrying amount	\$ 145,910	\$ 61,842	\$ 347	\$ 26	\$ 860	\$ 208,985
Loss allowance (Lifetime ECLs)	<u>(344)</u>	<u>(434)</u>	<u>(44)</u>	<u>(10)</u>	<u>(847)</u>	<u>(1,679)</u>
Amortized cost	<u>\$ 145,566</u>	<u>\$ 61,408</u>	<u>\$ 303</u>	<u>\$ 16</u>	<u>\$ 13</u>	<u>\$ 207,306</u>

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	\$ 130,340	\$ 45,910	\$ 4,376	\$ 559	\$ 1,763	\$ 182,948
Loss allowance (Lifetime ECLs)	<u>(398)</u>	<u>(827)</u>	<u>(657)</u>	<u>(189)</u>	<u>(1,576)</u>	<u>(3,647)</u>
Amortized cost	<u>\$ 129,942</u>	<u>\$ 45,083</u>	<u>\$ 3,719</u>	<u>\$ 370</u>	<u>\$ 187</u>	<u>\$ 179,301</u>

June 30, 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	\$ 144,864	\$ 46,752	\$ 178	\$ 287	\$ 385	\$ 192,466
Loss allowance (Lifetime ECLs)	<u>(445)</u>	<u>(712)</u>	<u>(27)</u>	<u>(97)</u>	<u>(382)</u>	<u>(1,663)</u>
Amortized cost	<u>\$ 144,419</u>	<u>\$ 46,040</u>	<u>\$ 151</u>	<u>\$ 190</u>	<u>\$ 3</u>	<u>\$ 190,803</u>

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

	For the Six Months Ended June 30	
	2022	2021
Balance at January 1	\$ 3,647	\$ 2,014
Less: Reversal of credit loss	(1,906)	(274)
Less: Amounts written off	<u>(62)</u>	<u>(77)</u>
Balance at June 30	<u>\$ 1,679</u>	<u>\$ 1,663</u>

9. OTHER FINANCIAL ASSETS

	June 30, 2022	December 31, 2021	June 30, 2021
Time deposits with maturities of more than three months	<u>\$ 1,077,757</u>	<u>\$ 1,640,192</u>	<u>\$ 1,698,638</u>

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

	June 30, 2022	December 31, 2021	June 30, 2021
Time deposits with maturities of more than three months	0.08%-2.70%	0.07%-2.70%	0.07%-2.25%

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 30, 2022	December 31, 2021	June 30, 2021
<u>Non-current</u>			
Investments in equity instruments			
Listed shares - domestic	\$ 122,239	\$ 118,545	\$ 95,546
Unlisted shares - domestic	<u>284</u>	<u>284</u>	<u>1,220</u>
	<u>\$ 122,523</u>	<u>\$ 118,829</u>	<u>\$ 96,766</u>

The Group holds preferred shares of WPG Holdings Limited and WT Microelectronics Co., Ltd., and common shares of 3 Link Information Service Co., Ltd. for long-term strategic purposes. Accordingly, management elected to designate these investments in equity instruments as at FVTOCI as it believes that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

11. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements were as follows:

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		
			June 30, 2022	December 31, 2021	June 30, 2021
Chief Telecom Inc.	Unigate Telecom Inc.	Telecommunications and internet service	100	100	100
	Chief International Corp.	Telecommunications and internet service	100	100	100
	Shanghai Chief Telecom Co., Ltd.	Telecommunications and internet service	49	49	49

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

12. PROPERTY, PLANT AND EQUIPMENT

	Computer Equipment	Telecommunications Equipment	Miscellaneous Equipment	Construction in Progress and Equipment to be Accepted	Total
<u>Cost</u>					
Balance at January 1, 2021	\$ 18,808	\$ 1,951,826	\$ 5,379	\$ 6,598	\$ 1,982,611
Additions	711	9,878	-	9,392	19,981
Disposals	(75)	(420)	(81)	-	(576)
Reclassifications	-	-	-	(753)	(753)
Effect of foreign exchange differences	(6)	-	-	-	(6)
Balance at June 30, 2021	<u>\$ 19,438</u>	<u>\$ 1,961,284</u>	<u>\$ 5,298</u>	<u>\$ 15,237</u>	<u>\$ 2,001,257</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2021	\$ (17,262)	\$ (1,672,721)	\$ (4,743)	\$ -	\$ (1,694,726)
Depreciation expense	(813)	(37,871)	(152)	-	(38,836)
Disposals	75	420	81	-	576
Effect of foreign exchange differences	5	-	-	-	5
Balance at June 30, 2021	<u>\$ (17,995)</u>	<u>\$ (1,710,172)</u>	<u>\$ (4,814)</u>	<u>\$ -</u>	<u>\$ (1,732,981)</u>
Carrying amount at January 1, 2021	<u>\$ 1,546</u>	<u>\$ 279,105</u>	<u>\$ 636</u>	<u>\$ 6,598</u>	<u>\$ 287,885</u>
Carrying amount at June 30, 2021	<u>\$ 1,443</u>	<u>\$ 251,112</u>	<u>\$ 484</u>	<u>\$ 15,237</u>	<u>\$ 268,276</u>

(Continued)

	Computer Equipment	Telecommuni- cations Equipment	Miscellaneous Equipment	Construction in Progress and Equipment to be Accepted	Total
<u>Cost</u>					
Balance at January 1, 2022	\$ 20,030	\$ 1,962,943	\$ 5,299	\$ 330,071	\$ 2,318,343
Additions	131	10,939	-	258,832	269,902
Disposals	(27)	(2,606)	(3)	-	(2,636)
Reclassifications	-	3,255	-	(3,555)	(300)
Effect of foreign exchange differences	<u>11</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11</u>
Balance at June 30, 2022	<u>\$ 20,145</u>	<u>\$ 1,974,531</u>	<u>\$ 5,296</u>	<u>\$ 585,348</u>	<u>\$ 2,585,320</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2022	\$ (18,480)	\$ (1,723,238)	\$ (4,966)	\$ -	\$ (1,746,684)
Depreciation expense	(262)	(34,130)	(145)	-	(34,537)
Disposals	27	2,606	3	-	2,636
Effect of foreign exchange differences	<u>(8)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8)</u>
Balance at June 30, 2022	<u>\$ (18,723)</u>	<u>\$ (1,754,762)</u>	<u>\$ (5,108)</u>	<u>\$ -</u>	<u>\$ (1,778,593)</u>
Carrying amount at January 1, 2022	<u>\$ 1,550</u>	<u>\$ 239,705</u>	<u>\$ 333</u>	<u>\$ 330,071</u>	<u>\$ 571,659</u>
Carrying amount at June 30, 2022	<u>\$ 1,422</u>	<u>\$ 219,769</u>	<u>\$ 188</u>	<u>\$ 585,348</u>	<u>\$ 806,727</u> (Concluded)

No impairment assessment was performed for the six months ended June 30, 2022 and 2021, respectively, as there was no indication of impairment.

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

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

Computer equipment	3-5 years
Telecommunications equipment	
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

	June 30, 2022		December 31, 2021	
			June 30, 2021	
<u>Carrying amount</u>				
Land	\$	578,316	\$	584,237
Buildings		1,128,008		1,173,098
Transportation equipment		<u>1,241</u>		<u>1,073</u>
	\$	<u>1,707,565</u>	\$	<u>1,758,408</u>
				<u>1,810,799</u>
	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2022	2021	2022	2021
Additions to right-of-use assets			\$	<u>1,516</u>
				<u>\$681,361</u>
Depreciation charge for right-of-use assets				
Land	\$	2,960	\$	1,974
Buildings		22,858		45,776
Transportation equipment		<u>372</u>		<u>773</u>
	\$	<u>26,190</u>	\$	<u>52,470</u>
		<u>25,222</u>		<u>48,219</u>

Except for the aforementioned addition and recognized depreciation, the Group did not have significant impairment of right-of-use assets during the six months ended June 30, 2022 and 2021.

b. Lease liabilities

	June 30, 2022		December 31, 2021	
			June 30, 2021	
<u>Carrying amount</u>				
Current	\$	<u>92,895</u>	\$	<u>92,129</u>
Non-current	\$	<u>1,676,989</u>	\$	<u>1,722,427</u>
				<u>\$ 1,768,452</u>

Range of discount rates for lease liabilities was as follows:

	June 30, 2022		December 31, 2021	
			June 30, 2021	
Land	1.6%		1.6%	
Buildings	1.19%-1.7%		0.91%-1.7%	
Transportation equipment	1.19%-2.5%		2.5%	

c. Material leasing activities and terms

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

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

d. Other lease information

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Expenses relating to low-value asset leases	<u>\$ 45</u>	<u>\$ 44</u>	<u>\$ 89</u>	<u>\$ 87</u>
Total cash outflow for leases			<u>\$ 61,273</u>	<u>\$ 55,641</u>

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

14. INTANGIBLE ASSETS

	Computer Software	Others	Total
<u>Cost</u>			
Balance at January 1, 2021	\$ 55,368	\$ 31,533	\$ 86,901
Additions	666	-	666
Reclassifications	<u>753</u>	<u>-</u>	<u>753</u>
Balance at June 30, 2021	<u>\$ 56,787</u>	<u>\$ 31,533</u>	<u>\$ 88,320</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2021	\$ (23,982)	\$ -	\$ (23,982)
Amortization expense	<u>(4,217)</u>	<u>-</u>	<u>(4,217)</u>
Balance at June 30, 2021	<u>\$ (28,199)</u>	<u>\$ -</u>	<u>\$ (28,199)</u>
Carrying amount at January 1, 2021	<u>\$ 31,386</u>	<u>\$ 31,533</u>	<u>\$ 62,919</u>
Carrying amount at June 30, 2021	<u>\$ 28,588</u>	<u>\$ 31,533</u>	<u>\$ 60,121</u>
<u>Cost</u>			
Balance at January 1, 2022	\$ 58,289	\$ 31,533	\$ 89,822
Additions	1,172	-	1,172
Reclassifications	<u>300</u>	<u>-</u>	<u>300</u>
Balance at June 30, 2022	<u>\$ 59,761</u>	<u>\$ 31,533</u>	<u>\$ 91,294</u>

(Continued)

	Computer Software	Others	Total
<u>Accumulated amortization</u>			
Balance at January 1, 2022	\$ (32,447)	\$ -	\$ (32,447)
Amortization expense	<u>(4,524)</u>	<u>-</u>	<u>(4,524)</u>
Balance at June 30, 2022	<u>\$ (36,971)</u>	<u>\$ -</u>	<u>\$ (36,971)</u>
Carrying amount at January 1, 2022	<u>\$ 25,842</u>	<u>\$ 31,533</u>	<u>\$ 57,375</u>
Carrying amount at June 30, 2022	<u>\$ 22,790</u>	<u>\$ 31,533</u>	<u>\$ 54,323</u>

(Concluded)

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

	June 30, 2022	December 31, 2021	June 30, 2021
Payables for dividends	\$ 614,937	\$ -	\$ -
Payables for salaries and bonuses	124,355	139,003	100,671
Payables for accrued compensation of employees and remuneration of directors	105,241	67,948	90,914
Payables for cash dividends from capital surplus	42,409	-	-
Payables for purchases of equipment	6,786	14,547	2,660
Others	<u>33,423</u>	<u>31,050</u>	<u>32,381</u>
	<u>\$ 927,151</u>	<u>\$ 252,548</u>	<u>\$ 226,626</u>

16. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Group adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Group makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

For the three months and six months ended June 30, 2022 and 2021, the pension expenses of defined benefit plans were \$12 thousand, \$11 thousand, \$23 thousand and \$22 thousand, respectively, and these were calculated based on the pension cost rate determined by the actuarial calculation on December 31, 2021 and 2020, respectively.

17. EQUITY

a. Share capital - ordinary shares

	June 30, 2022	December 31, 2021	June 30, 2021
Number of shares authorized (in thousands)	<u>88,000</u>	<u>88,000</u>	<u>88,000</u>
Shares authorized	<u>\$ 880,000</u>	<u>\$ 880,000</u>	<u>\$ 880,000</u>
Number of shares issued and fully paid (in thousands)	<u>70,682</u>	<u>70,470</u>	<u>70,460</u>
Shares issued	<u>\$ 706,824</u>	<u>\$ 704,701</u>	<u>\$ 704,596</u>

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

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.

On February 17, 2022, the Company's board of directors resolved to issue 212.25 thousand shares with par value of \$10, as new shares designated for subscription when the share options of 2022 are exercised, and the subscription base date was determined by the board of directors to be March 16, 2022. On April 11, 2022, the above transaction was approved by the FSC.

b. Capital surplus

	June 30, 2022	December 31, 2021	June 30, 2021
Issuance of ordinary shares	\$ 1,317,299	\$ 1,333,956	\$ 1,402,818
Employee share options	16,154	11,814	7,107
Donations	<u>765</u>	<u>765</u>	<u>554</u>
	<u>\$ 1,334,218</u>	<u>\$ 1,346,535</u>	<u>\$ 1,410,479</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.

The Company should appropriate a special reserve when the net amount of other equity items is negative at the end of reporting period upon the earnings distribution. Distributions can be made out of any subsequent reversal of the debit to other equity items.

The appropriations of earnings for 2021 for 2020 that had been resolved by the shareholders in their meeting on June 7, 2022 and August 17, 2021, respectively, were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>For Fiscal Year 2021</u>	<u>For Fiscal Year 2020</u>	<u>For Fiscal Year 2021</u>	<u>For Fiscal Year 2020</u>
Legal reserve	\$ 68,580	\$ 60,801		
Special reserve	3,935	1,775		
Cash dividends	614,937	549,585	\$ 8.70	\$ 7.80

The distribution of cash dividends from capital surplus of \$0.6 and \$1 per share, for a total of \$42,409 thousand and \$70,460 thousand respectively for 2021 and 2020, was resolved by the shareholders in their meeting on June 7, 2022 and August 17, 2021, respectively.

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.

18. REVENUE

	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Major products and service revenue				
Revenue from data service	\$ 339,557	\$ 327,434	\$ 677,559	\$ 646,657
Revenue from IDC service	241,096	189,708	480,178	400,168
Revenue from cloud service	123,398	104,614	240,893	203,456
Revenue from voice service	<u>61,649</u>	<u>59,589</u>	<u>116,822</u>	<u>120,755</u>
	<u>\$ 765,700</u>	<u>\$ 681,345</u>	<u>\$ 1,515,452</u>	<u>\$ 1,371,036</u>
Revenue from contracts with customers				
Revenue from telecommunications service	\$ 742,353	\$ 678,194	\$ 1,468,277	\$ 1,366,381
Revenue from rendering of services	23,276	3,000	46,951	4,244
Revenue from sale of goods	<u>71</u>	<u>151</u>	<u>224</u>	<u>411</u>
	<u>\$ 765,700</u>	<u>\$ 681,345</u>	<u>\$ 1,515,452</u>	<u>\$ 1,371,036</u>

	June 30, 2022	December 31, 2021	June 30, 2021	January 1, 2021
<u>Contract liabilities</u>				
Telecommunications business	<u>\$ 32,368</u>	<u>\$ 38,557</u>	<u>\$ 39,457</u>	<u>\$ 27,448</u>

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 three months and six months ended June 30, 2022 and 2021 was \$3,371 thousand, \$2,838 thousand, \$25,301 thousand and \$14,502 thousand, respectively.

19. NET INCOME

a. Other operating income and expenses

	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
	2022	2021	2022	2021
Gain on disposal of property, plant and equipment	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 18</u>	<u>\$ 2</u>

b. Finance costs

	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
	2022	2021	2022	2021
Interest on lease liabilities	\$ 7,394	\$ 6,806	\$ 14,885	\$ 11,972
Other	<u>32</u>	<u>33</u>	<u>65</u>	<u>65</u>
	<u>\$ 7,426</u>	<u>\$ 6,839</u>	<u>\$ 14,950</u>	<u>\$ 12,037</u>

c. Depreciation and amortization expenses

	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
	2022	2021	2022	2021
Property, plant and equipment	\$ 17,027	\$ 19,096	\$ 34,537	\$ 38,836
Right-of-use assets	26,190	25,222	52,470	48,219
Intangible assets	<u>2,278</u>	<u>2,122</u>	<u>4,524</u>	<u>4,217</u>
	<u>\$ 45,495</u>	<u>\$ 46,440</u>	<u>\$ 91,531</u>	<u>\$ 91,272</u>

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
An analysis of depreciation by function				
Operating costs	\$ 40,870	\$ 41,795	\$ 82,222	\$ 81,750
Operating expenses	<u>2,347</u>	<u>2,523</u>	<u>4,785</u>	<u>5,305</u>
	<u>\$ 43,217</u>	<u>\$ 44,318</u>	<u>\$ 87,007</u>	<u>\$ 87,055</u>
An analysis of amortization by function				
Operating costs	\$ 1,661	\$ 1,514	\$ 3,292	\$ 3,017
Operating expenses	<u>617</u>	<u>608</u>	<u>1,232</u>	<u>1,200</u>
	<u>\$ 2,278</u>	<u>\$ 2,122</u>	<u>\$ 4,524</u>	<u>\$ 4,217</u>

(Concluded)

d. Employee benefits expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Post-employment benefits				
Defined contribution plan	\$ 1,799	\$ 1,742	\$ 3,590	\$ 3,485
Defined benefit plans (Note 16)	<u>12</u>	<u>11</u>	<u>23</u>	<u>22</u>
	<u>1,811</u>	<u>1,753</u>	<u>3,613</u>	<u>3,507</u>
Share-based payment				
Employee share options (Note 22)	<u>2,450</u>	<u>2,509</u>	<u>4,898</u>	<u>5,035</u>
Other employee benefits				
Salaries	77,813	66,194	155,602	136,265
Insurance	4,695	4,892	9,367	9,406
Other employee benefits	<u>21,434</u>	<u>17,185</u>	<u>42,308</u>	<u>35,279</u>
	<u>103,942</u>	<u>88,271</u>	<u>207,277</u>	<u>180,950</u>
Total employee benefits expense	<u>\$ 108,203</u>	<u>\$ 92,533</u>	<u>\$ 215,788</u>	<u>\$ 189,492</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 10,881	\$ 9,775	\$ 21,597	\$ 19,891
Operating expenses	<u>97,322</u>	<u>82,758</u>	<u>194,191</u>	<u>169,601</u>
	<u>\$ 108,203</u>	<u>\$ 92,533</u>	<u>\$ 215,788</u>	<u>\$ 189,492</u>

e. Compensation of employees and remuneration of directors

According to the Company's Articles, the Company accrues compensation of employees and remuneration of directors at rates between 3.5% and 6.9% and no higher than 2.3%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and the remuneration of directors for the three months and six months ended June 30, 2022 and 2021 were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Compensation of employees	<u>\$ 18,683</u>	<u>\$ 14,533</u>	<u>\$ 36,835</u>	<u>\$ 29,965</u>
Remuneration of directors	<u>\$ 840</u>	<u>\$ 840</u>	<u>\$ 1,680</u>	<u>\$ 1,680</u>

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

The compensation of employees and the remuneration of directors of for the years ended December 31, 2021 and 2020, which were approved by the Company's board of directors on February 17, 2022 and February 19, 2021, respectively, were as follows:

	For the Year Ended December 31	
	2021	2020
	Cash	Cash
Compensation of employees	<u>\$ 63,366</u>	<u>\$ 56,107</u>
Remuneration of directors	<u>\$ 3,360</u>	<u>\$ 3,162</u>

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

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 Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Current tax				
In respect of the current period	\$ 49,790	\$ 38,616	\$ 97,828	\$ 78,962
Deferred tax				
In respect of the current period	<u>78</u>	<u>181</u>	<u>511</u>	<u>962</u>
Income tax expense recognized in profit or loss	<u>\$ 49,868</u>	<u>\$ 38,797</u>	<u>\$ 98,339</u>	<u>\$ 79,924</u>

b. Income tax assessments

The income tax returns through 2020 of Chief and Unigate have been examined by the tax authorities.

21. EARNINGS PER SHARE (EPS)

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

Net Income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Net income used to compute the basic and diluted earnings per share				
Net income attributable to the parent	<u>\$ 202,225</u>	<u>\$ 157,275</u>	<u>\$ 398,685</u>	<u>\$ 324,390</u>

Weighted Average Number of Shares

(Thousand Shares)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Weighted average number of ordinary shares used in the computation of basic earnings per share	70,682	70,460	70,596	70,372
Effect of potentially dilutive ordinary shares				
Employee share options	10	132	96	220
Compensation of employees	<u>127</u>	<u>100</u>	<u>190</u>	<u>151</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>70,819</u>	<u>70,692</u>	<u>70,882</u>	<u>70,743</u>

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

22. SHARE-BASED PAYMENT ARRANGEMENTS

Employee share option plan of the Company:

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

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 compensation costs recognized for the three months and six months ended June 30, 2022 and 2021 were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Granted on November 13, 2020	\$ 2,432	\$ 2,433	\$ 4,863	\$ 4,865
Granted on October 31, 2018	18	42	35	84
Granted on December 19, 2017	<u>-</u>	<u>34</u>	<u>-</u>	<u>86</u>
	<u>\$ 2,450</u>	<u>\$ 2,509</u>	<u>\$ 4,898</u>	<u>\$ 5,035</u>

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.

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 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.

Information on employee share options was as follows:

For the Six Months Ended June 30, 2022						
	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 period	194.00	\$ 199.70	10.50	\$ 134.50	213.25	\$ 128.70
Options exercised	-	-	-	-	(212.25)	128.70
Options forfeited	-	-	-	-	-	-
Options outstanding at end of the period	<u>194.00</u>	199.70	<u>10.50</u>	134.50	<u>1.00</u>	128.70
Options exercisable at end of the period	<u>-</u>	-	<u>-</u>	-	<u>1.00</u>	128.70
Weighted average remaining contractual life (years)	3.37		1.33		0.46	

For the Six Months Ended June 30, 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 period	200.00	\$ 206.00	21.00	\$ 138.70	427.50	\$ 132.70
Options exercised	-	-	-	-	(213.75)	132.70
Options forfeited	(6.00)	-	-	-	(0.50)	-
Options outstanding at end of the period	<u>194.00</u>	206.00	<u>21.00</u>	138.70	<u>213.25</u>	132.70
Options exercisable at end of the period	<u>-</u>	-	<u>-</u>	-	<u>-</u>	-
Weighted average remaining contractual life (years)	4.37		2.33		1.46	

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
Grant-date share price (NT\$)	\$356.00	\$166.00	\$95.92
Dividend yield	-	-	-
Risk-free interest rate	0.18%	0.72%	0.62%
Expected life	5 years	5 years	5 years
Expected volatility	34.61%	16.60%	17.35%
Weighted average fair value of grants (NT\$)	\$173,893	\$33,540	\$2,318

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 in 2017 and 2018 were based on the average annualized historical share price volatility of Chief's comparable companies before the grant date.

23. NON-CASH TRANSACTIONS

The Group entered into the following non-cash investing activities for the six months ended June 30, 2022 and 2021:

	For the Six Months Ended June 30	
	2022	2021
Increase in property, plant and equipment	\$ 269,903	\$ 19,981
Changes in payables for equipment	<u>7,761</u>	<u>8,730</u>
	<u>\$ 277,664</u>	<u>\$ 28,711</u>

24. CAPITAL MANAGEMENT

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

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

25. FINANCIAL INSTRUMENTS

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

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

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

1) Fair value hierarchy

June 30, 2022

	Fair Value			Total
	Level 1	Level 2	Level 3	
<u>Financial assets at FVTPL</u>				
Listed shares - domestic	<u>\$ 447</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 447</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Listed shares - domestic	\$ 122,239	\$ -	\$ -	\$ 122,239
Unlisted shares - domestic	<u>-</u>	<u>-</u>	<u>284</u>	<u>284</u>
	<u>\$ 122,239</u>	<u>\$ -</u>	<u>\$ 284</u>	<u>\$ 122,523</u>

December 31, 2021

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

June 30, 2021

	Fair Value			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Listed shares - domestic	<u>\$ 2,326</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,326</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Listed shares - domestic	\$ 95,546	\$ -	\$ -	\$ 95,546
Unlisted shares - domestic	-	-	1,220	1,220
	<u>\$ 95,546</u>	<u>\$ -</u>	<u>\$ 1,220</u>	<u>\$ 96,766</u>

There were no transfers between Levels 1 and 2 for the six months ended June 30, 2022 and 2021.

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

The fair values of unlisted equity securities - domestic 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

	June 30, 2022	December 31, 2021	June 30, 2021
<u>Financial assets</u>			
Financial assets at amortized cost (Note 1)	\$ 3,135,393	\$ 2,885,270	\$ 3,452,981
Financial assets at FVTPL	447	2,566	2,326
Financial assets at FVTOCI			
Equity instruments	122,523	118,829	96,766
<u>Financial liabilities</u>			
Amortized cost (Note 2)	893,616	226,700	232,022

Note 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).

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

d. Financial risk management objectives and policies

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

1) Market risk

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

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

a) Foreign currency risk

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

	June 30, 2022	December 31, 2021	June 30, 2021
Assets			
USD	\$ 109,269	\$ 73,254	\$ 87,302
Liabilities			
USD	34,484	27,540	39,803

Sensitivity analysis

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

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

	For the Six Months Ended	
	June 30	
	2022	2021
Profit or loss		
Monetary assets and liabilities (Note)		
USD	\$ 3,739	\$ 2,375

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

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

b) Interest rate risk

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

	June 30, 2022	December 31, 2021	June 30, 2021
Fair value interest rate risk			
Financial assets	\$ 2,417,692	\$ 2,252,166	\$ 2,298,638
Financial liabilities	1,769,884	1,814,556	1,860,680
Cash flow interest rate risk			
Financial assets	464,387	407,801	855,465

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. A 25 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the six months ended June 30, 2022 and 2021 would have decreased/increased by \$580 thousand and \$1,069 thousand, respectively, which was mainly a result of variable-rate interest on the Group's bank deposits.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. At the end of the period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Group, could be equal to their carrying amounts recognized in the consolidated balance sheet as of the balance sheet date.

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

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

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

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

June 30, 2022

	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 Lease liabilities	\$ 156,481 10,209	\$ 657,346 20,418	\$ - 90,872	\$ 79,789 490,193	\$ - 1,546,944	\$ 893,616 2,158,636
	<u>\$ 166,690</u>	<u>\$ 677,764</u>	<u>\$ 90,872</u>	<u>\$ 569,982</u>	<u>\$ 1,546,944</u>	<u>\$ 3,052,252</u>

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

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15+ Years	Total
Lease liabilities	<u>\$ 121,499</u>	<u>\$ 490,193</u>	<u>\$ 607,571</u>	<u>\$ 349,575</u>	<u>\$ 589,798</u>	<u>\$ 2,158,636</u>

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 Lease liabilities	\$ 160,626 10,184	\$ - 20,374	\$ - 90,946	\$ 66,074 488,220	\$ - 1,608,452	\$ 226,700 2,218,176
	<u>\$ 170,810</u>	<u>\$ 20,374</u>	<u>\$ 90,946</u>	<u>\$ 554,294</u>	<u>\$ 1,608,452</u>	<u>\$ 2,444,876</u>

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

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

June 30, 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 Lease liabilities	\$ 168,399 <u>10,482</u>	\$ - <u>20,367</u>	\$ - <u>91,536</u>	\$ 63,623 <u>487,235</u>	\$ - <u>1,669,952</u>	\$ 232,022 <u>2,279,572</u>
	\$ <u>178,881</u>	\$ <u>20,367</u>	\$ <u>91,536</u>	\$ <u>550,858</u>	\$ <u>1,669,952</u>	\$ <u>2,511,594</u>

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

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15+ Years	Total
Lease liabilities	\$ <u>122,385</u>	\$ <u>487,235</u>	\$ <u>614,740</u>	\$ <u>447,981</u>	\$ <u>607,231</u>	\$ <u>2,279,572</u>

b) Financing facilities

	June 30, 2022	December 31, 2021	June 30, 2021
Unsecured bank loan facilities:			
Amount used	\$ -	\$ -	\$ -
Amount unused	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>
	\$ <u>350,000</u>	\$ <u>350,000</u>	\$ <u>350,000</u>

26. TRANSACTIONS WITH RELATED PARTIES

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
Chunghwa Telecom Co., Ltd.	Parent company
Chunghwa System Integration Co., Ltd.	Fellow subsidiary
CHYP Multimedia Marketing & Communications Co., Ltd.	Fellow subsidiary
Spring House Entertainment Tech. Inc.	Fellow subsidiary
Light Era Development Co., Ltd.	Fellow subsidiary
Senao International Co., Ltd.	Fellow subsidiary
Honghwa International Co., Ltd.	Fellow subsidiary
Chunghwa Telecom Singapore Pte., Ltd.	Fellow subsidiary
Chunghwa Telecom Global, Inc.	Fellow subsidiary

(Continued)

<u>Related Party Name</u>	<u>Related Party Category</u>
Donghwa Telecom Co., Ltd.	Fellow subsidiary
Chunghwa Telecom Japan Co., Ltd.	Fellow subsidiary
KingwayTek Technology Co., Ltd.	Associate of the Company's parent
So-net Entertainment Taiwan Limited	Associate of the Company's parent
Shenzhen Century Communication Co., Ltd.	Other related party (significant influence over subsidiary, Shanghai Chief Telecom Co., Ltd.) (Concluded)

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

1) Operating revenue

	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Parent company	\$ 57,950	\$ 52,749	\$ 122,228	\$ 130,213
Fellow subsidiaries	16,204	10,364	28,611	27,655
Associates	34,881	34,556	69,459	69,304
Other related parties	<u>6,417</u>	<u>6,008</u>	<u>13,107</u>	<u>12,339</u>
	<u>\$ 115,452</u>	<u>\$ 103,677</u>	<u>\$ 233,405</u>	<u>\$ 239,511</u>

2) Operating costs and expenses

	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Parent company	\$ 120,866	\$ 120,391	\$ 240,264	\$ 238,427
Fellow subsidiaries	31,816	34,620	65,545	62,696
Associates	437	164	586	335
Other related parties	<u>735</u>	<u>767</u>	<u>1,461</u>	<u>1,516</u>
	<u>\$ 153,854</u>	<u>\$ 155,942</u>	<u>\$ 307,856</u>	<u>\$ 302,974</u>

3) Receivables from related parties

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Parent company	\$ 8,633	\$ 8,094	\$ 70,567
Fellow subsidiaries	3,417	3,606	3,096
Associates	<u>23,767</u>	<u>23,573</u>	<u>23,721</u>
	<u>\$ 35,817</u>	<u>\$ 35,273</u>	<u>\$ 97,384</u>

4) Payables to related parties

	June 30, 2022	December 31, 2021	June 30, 2021
Parent company	\$ 58,391	\$ 53,590	\$ 60,284
Fellow subsidiaries	<u>2,295</u>	<u>2,713</u>	<u>4,780</u>
	<u>\$ 60,686</u>	<u>\$ 56,303</u>	<u>\$ 65,064</u>

5) Prepayments

	June 30, 2022	December 31, 2021	June 30, 2021
Parent company	<u>\$ 4,012</u>	<u>\$ 4,031</u>	<u>\$ -</u>

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

	June 30, 2022	December 31, 2021	June 30, 2021
Parent company	<u>\$ 2,254</u>	<u>\$ 5,783</u>	<u>\$ 9,912</u>

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

	June 30, 2022	December 31, 2021	June 30, 2021
Parent company	<u>\$ 11,701</u>	<u>\$ 13,707</u>	<u>\$ -</u>

8) Lease arrangements

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

	June 30, 2022	December 31, 2021	June 30, 2021
<u>Lease liability</u>			
Parent company	\$ 586,108	\$ 588,703	\$ 591,278
Fellow subsidiaries	<u>1,122,284</u>	<u>1,161,825</u>	<u>1,201,024</u>
	<u>\$ 1,708,392</u>	<u>\$ 1,750,528</u>	<u>\$ 1,792,302</u>

**For the Three Months Ended
June 30**

**For the Six Months Ended
June 30**

2022

2021

2022

2021

Interest expense

Parent company	\$ 2,343	\$ 1,575	\$ 4,691	\$ 1,575
Fellow subsidiaries	<u>4,791</u>	<u>5,125</u>	<u>9,666</u>	<u>10,269</u>
	<u>\$ 7,134</u>	<u>\$ 6,700</u>	<u>\$ 14,357</u>	<u>\$ 11,844</u>

c. Compensation of key management personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Short-term employee benefits	\$ 6,322	\$ 6,168	\$ 23,528	\$ 22,698
Post-employment benefits	199	172	398	370
Share-based payments	<u>401</u>	<u>423</u>	<u>802</u>	<u>827</u>
	<u>\$ 6,922</u>	<u>\$ 6,763</u>	<u>\$ 24,728</u>	<u>\$ 23,895</u>

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

27. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

June 30, 2022

	Foreign Currency (Thousands)	Exchange Rate	New Taiwan Dollar (Thousands)
<u>Assets denominated in foreign currencies</u>			
Monetary items			
Cash and cash equivalents			
USD	\$ 1,147	29.72	\$ 34,075
Trade receivables			
USD	2,530	29.72	75,194
<u>Liabilities denominated in foreign currencies</u>			
Monetary items			
Accounts payable			
USD	1,160	29.72	34,484

December 31, 2021

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

June 30, 2021

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Assets denominated in foreign currencies</u>			
Monetary items			
Cash and cash equivalents			
USD	\$ 1,164	27.860	\$ 32,427
Trade receivables			
USD	1,970	27.860	54,875
<u>Liabilities denominated in foreign currencies</u>			
Monetary items			
Accounts payable			
USD	1,429	27.860	39,803

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Unrealized exchange gain (loss)	\$ 2,541	\$ (631)	\$ 7,157	\$ 3,390
Realized exchange gain (loss)	<u>2,343</u>	<u>(774)</u>	<u>1,342</u>	<u>(6,241)</u>
	<u>\$ 4,884</u>	<u>\$ (1,405)</u>	<u>\$ 8,499</u>	<u>\$ (2,851)</u>

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

28. SEPARATELY DISCLOSED ITEMS

- a. Information on significant transactions and b. Information on investees:
- 1) Financing provided to others: None.
 - 2) Endorsements/guarantees provided: None.
 - 3) Marketable securities held (excluding investments in subsidiaries): Table 1.
 - 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None.
 - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 2.
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
 - 9) Trading in derivative instruments: None.
 - 10) Intercompany relationships and significant intercompany transactions: None.
 - 11) Information on investees: Table 3.
- c. Information on investments in mainland China: Table 4.
- d. Information of major shareholders: Table 5.

29. SEGMENT INFORMATION

According to information reported periodically to the chief operating decision maker for the purpose of resource allocation and performance assessment, the Group has only one operating segment. The basis of measurement of income from operations is the same as that for the preparation of financial statements under IFRS 8 “Operating Segments” for the six months ended June 30, 2022 and 2021.

30. OTHER MATTERS

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

CHIEF TELECOM INC. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

JUNE 30, 2022

(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	June 30, 2022				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	\$ 104,785	-	\$ 104,785	Note
	WT Microelectronics Co., Ltd.	-	Financial assets at FVTOCI	361	17,454	-	17,454	Note
	3 Link Information Service Co., Ltd.	-	Financial assets at FVTOCI	374	284	10	284	-
	WPG Holding Limited	-	Financial assets at FVTPL	9	447	-	447	Note

Note: Preferred shares.

CHIEF TELECOM INC. AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
SIX MONTHS ENDED JUNE 30, 2022
(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	\$ 122,228	8	60 days	\$ -	-	\$ 8,040	3
	Chunghwa Telecom Co., Ltd.	Parent company	Purchases	240,003	31	30 days	-	-	(58,391)	(50)

Note 1: Notes and trade receivables (payables) did not include the amounts collected for others and other receivables (payables).

Note 2: Transaction terms with related parties were determined in accordance with mutual agreements when there were no similar transactions with third parties. Other transactions with related parties were not significantly different from those with third parties.

CHIEF TELECOM INC. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES IN WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE

SIX MONTHS ENDED JUNE 30, 2022

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2022			Net Income (Loss) of the Investee	Recognized Gain (Loss) (Notes 1 and 2)	Note
				June 30, 2022	December 31, 2021	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	\$ 1,145	\$ 66	\$ 66	Subsidiary
	Chief International Corp.	Samoa Islands	Telecommunications and internet service	6,068	6,068	200	100	93,841	3,754	3,754	Subsidiary

Note 1: The amount was recognized based on audited financial statements.

Note 2: The amount was eliminated upon consolidation.

CHIEF TELECOM INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
SIX MONTHS ENDED JUNE 30, 2022

(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, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of June 30, 2022	Accumulated Inward Remittance of Earnings as of June 30, 2022	Note
					Outflow	Inflow							
Shanghai Chief Telecom Co., Ltd.	Telecommunications and internet service	\$ 10,150	a.	\$ 4,973	\$ -	\$ -	\$ 4,973	\$ 369	49	\$ 181	\$ 14,313	\$ -	Note 4

Investee	Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Stipulated by Investment Commission, MOEA (Note 3)
Shanghai Chief Telecom Co., Ltd.	\$ 4,973	\$ 4,973	\$ 1,724,264

Note 1: Investments are divided into three categories as follows:

- a. Direct investment.
- b. Investments through a holding company registered in a third region.
- c. Others.

Note 2: The amount was recognized based on audited financial statements and the Group's share of profits.

Note 3: The amount was calculated based on 60% of the Group's consolidated net asset value.

Note 4: The amount was eliminated upon consolidation.

TABLE 5**CHIEF TELECOM INC.****INFORMATION OF MAJOR SHAREHOLDERS
JUNE 30, 2022**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Chunghwa Telecom Co., Ltd.	39,425,803	55.78
JPMorgan Chase Bank, N.A., Taipei Branch in Custody for Stichting Depository APG Emerging Markets Equity Pool	3,852,000	5.45

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.