

Chief Telecom Inc. and Subsidiaries

**Consolidated Financial Statements for the
Three Months Ended March 31, 2023 and 2022 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 March 31, 2023 and 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three 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 the Standards on Review Engagements of the Republic of China 2410 “Review of Interim 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 March 31, 2023 and 2022, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Yih-Shin Kao and Mei Yen Chiang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

April 27, 2023

Notice to Readers

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

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

CHIEF TELECOM INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	March 31, 2023 (Reviewed)		December 31, 2022 (Audited)		March 31, 2022 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents (Notes 6 and 25)	\$ 2,541,789	43	\$ 2,361,816	41	\$ 1,280,884	22
Financial assets at fair value through profit or loss (Notes 7 and 25)	442	-	439	-	452	-
Notes receivable (Notes 8 and 25)	3,983	-	3,991	-	6,280	-
Trade receivables, net (Notes 8 and 25)	204,600	3	184,704	3	182,162	3
Trade receivables from related parties (Notes 8, 25 and 26)	33,396	1	40,832	1	34,838	1
Inventories	3,261	-	3,561	-	2,653	-
Prepayments (Note 26)	49,659	1	53,012	1	33,933	1
Other financial assets (Notes 9 and 25)	133,293	2	113,224	2	1,635,768	29
Other current assets (Note 26)	20,055	-	22,678	-	28,634	-
Total current assets	2,990,478	50	2,784,257	48	3,205,604	56
NONCURRENT ASSETS						
Financial assets at fair value through other comprehensive income (Notes 10 and 25)	122,699	2	121,440	2	123,800	2
Property, plant and equipment (Note 12)	1,141,089	19	1,099,243	19	560,080	10
Right-of-use assets (Note 13)	1,645,621	27	1,656,028	29	1,732,240	30
Intangible assets (Note 14)	52,247	1	53,185	1	56,053	1
Deferred income tax assets (Notes 4 and 20)	2,050	-	2,118	-	1,963	-
Other noncurrent assets (Notes 25 and 26)	31,892	1	35,069	1	42,866	1
Total noncurrent assets	2,995,598	50	2,967,083	52	2,517,002	44
TOTAL	\$ 5,986,076	100	\$ 5,751,340	100	\$ 5,722,606	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Contract liabilities (Notes 18 and 26)	\$ 42,826	1	\$ 52,978	1	\$ 26,922	1
Notes payable (Note 25)	28	-	75	-	42	-
Accounts payable (Note 25)	46,554	1	42,089	1	56,302	1
Accounts payable to related parties (Notes 25 and 26)	56,894	1	67,055	1	62,386	1
Other payables (Notes 15 and 25)	919,745	15	305,725	5	228,399	4
Current tax liabilities (Notes 4 and 20)	175,841	3	119,718	2	140,781	2
Lease liabilities - current (Notes 13, 25 and 26)	95,144	2	93,653	2	92,033	2
Other current liabilities	21,402	-	18,651	-	13,468	-
Total current liabilities	1,358,434	23	699,944	12	620,333	11
NONCURRENT LIABILITIES						
Deferred tax liabilities (Notes 4 and 20)	929	-	552	-	409	-
Lease liabilities - noncurrent (Notes 13, 25 and 26)	1,621,461	27	1,630,490	28	1,699,484	30
Net defined benefit liabilities (Notes 4, 16 and 19)	10,799	-	10,959	-	9,344	-
Guarantee deposits (Notes 25 and 26)	82,660	1	81,583	2	68,064	1
Total noncurrent liabilities	1,715,849	28	1,723,584	30	1,777,301	31
Total liabilities	3,074,283	51	2,423,528	42	2,397,634	42
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT (Note 17)						
Capital stock	707,449	12	707,449	12	706,824	12
Capital surplus	1,350,536	23	1,349,141	24	1,374,177	24
Retained earnings						
Legal reserve	411,916	7	411,916	7	343,336	6
Special reserve	10,926	-	10,926	-	6,991	-
Unappropriated earnings	422,992	7	835,320	15	884,147	16
Total retained earnings	845,834	14	1,258,162	22	1,234,474	22
Other equity	(1,522)	-	(1,990)	-	(5,493)	-
Equity attributable to shareholders of the parent	2,902,297	49	3,312,762	58	3,309,982	58
NONCONTROLLING INTERESTS						
Total equity	2,911,793	49	3,327,812	58	3,324,972	58
TOTAL	\$ 5,986,076	100	\$ 5,751,340	100	\$ 5,722,606	100

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 March 31			
	2023		2022	
	Amount	%	Amount	%
NET REVENUE (Notes 18 and 26)	\$ 804,139	100	\$ 749,752	100
OPERATING COSTS (Notes 16, 19 and 26)	<u>405,864</u>	<u>50</u>	<u>398,377</u>	<u>53</u>
GROSS PROFIT	<u>398,275</u>	<u>50</u>	<u>351,375</u>	<u>47</u>
OPERATING EXPENSES (Notes 16, 19 and 26)				
Marketing	81,551	10	74,267	10
General and administrative	31,177	4	30,754	4
Research and development	4,552	1	2,991	-
Expected credit gain (Note 8)	<u>(420)</u>	<u>-</u>	<u>(2,438)</u>	<u>-</u>
Total operating expenses	<u>116,860</u>	<u>15</u>	<u>105,574</u>	<u>14</u>
OTHER OPERATING INCOME AND EXPENSES (Note 19)	<u>82</u>	<u>-</u>	<u>15</u>	<u>-</u>
OPERATING INCOME	<u>281,497</u>	<u>35</u>	<u>245,816</u>	<u>33</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	7,739	1	2,296	-
Other income	118	-	224	-
Other gains and losses	(187)	-	4,177	1
Interest expense (Notes 19 and 26)	<u>(7,294)</u>	<u>(1)</u>	<u>(7,524)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>376</u>	<u>-</u>	<u>(827)</u>	<u>-</u>
INCOME BEFORE INCOME TAX	281,873	35	244,989	33
INCOME TAX (Notes 4 and 20)	<u>57,480</u>	<u>7</u>	<u>48,471</u>	<u>7</u>
NET INCOME	<u>224,393</u>	<u>28</u>	<u>196,518</u>	<u>26</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 March 31			
	2023		2022	
	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	\$ 1,259	-	\$ 2,015	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising from the translation of the foreign operations	(723)	-	3,956	1
Total comprehensive income, net of income tax	536	-	5,971	1
TOTAL COMPREHENSIVE INCOME	<u>\$ 224,929</u>	<u>28</u>	<u>\$ 202,489</u>	<u>27</u>
NET INCOME ATTRIBUTABLE TO				
Shareholders of the parent	\$ 224,376	28	\$ 196,460	26
Noncontrolling interests	17	-	58	-
	<u>\$ 224,393</u>	<u>28</u>	<u>\$ 196,518</u>	<u>26</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO				
Shareholders of the parent	\$ 224,844	28	\$ 201,893	27
Noncontrolling interests	85	-	596	-
	<u>\$ 224,929</u>	<u>28</u>	<u>\$ 202,489</u>	<u>27</u>
EARNINGS PER SHARE (Note 21)				
Basic	<u>\$ 3.17</u>		<u>\$ 2.79</u>	
Diluted	<u>\$ 3.16</u>		<u>\$ 2.77</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, 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
Net income for the three months ended March 31, 2022	-	-	-	-	-	196,460	196,460	-	-	58	196,518
Other comprehensive income for the three months ended March 31, 2022	-	-	-	-	-	-	-	3,418	2,015	538	5,971
Total comprehensive income for the three months ended March 31, 2022	-	-	-	-	-	196,460	196,460	3,418	2,015	596	202,489
Issuance of ordinary shares under employee share options	212	2,123	25,194	-	-	-	-	-	-	-	27,317
Share-based payment transactions (Note 22)	-	-	2,448	-	-	-	-	-	-	-	2,448
BALANCE, MARCH 31, 2022	<u>70,682</u>	<u>\$ 706,824</u>	<u>\$ 1,374,177</u>	<u>\$ 343,336</u>	<u>\$ 6,991</u>	<u>\$ 884,147</u>	<u>\$ 1,234,474</u>	<u>\$ (5,469)</u>	<u>\$ (24)</u>	<u>\$ 14,990</u>	<u>\$ 3,324,972</u>
BALANCE, JANUARY 1, 2023	70,745	\$ 707,449	\$ 1,349,141	\$ 411,916	\$ 10,926	\$ 835,320	\$ 1,258,162	\$ 743	\$ (2,733)	\$ 15,050	\$ 3,327,812
Appropriation of 2022 earnings	-	-	-	-	-	-	-	-	-	-	-
Cash dividends - \$9.0 per share	-	-	-	-	-	(636,704)	(636,704)	-	-	-	(636,704)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(5,639)	(5,639)
Net income for the three months ended March 31, 2023	-	-	-	-	-	224,376	224,376	-	-	17	224,393
Other comprehensive income for the three months ended March 31, 2023	-	-	-	-	-	-	-	(791)	1,259	68	536
Total comprehensive income for the three months ended March 31, 2023	-	-	-	-	-	224,376	224,376	(791)	1,259	85	224,929
Share-based payment transactions (Note 22)	-	-	1,395	-	-	-	-	-	-	-	1,395
BALANCE, MARCH 31, 2023	<u>70,745</u>	<u>\$ 707,449</u>	<u>\$ 1,350,536</u>	<u>\$ 411,916</u>	<u>\$ 10,926</u>	<u>\$ 422,992</u>	<u>\$ 845,834</u>	<u>\$ (48)</u>	<u>\$ (1,474)</u>	<u>\$ 9,496</u>	<u>\$ 2,911,793</u>

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 Three Months Ended March 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 281,873	\$ 244,989
Adjustments for:		
Depreciation expense	43,004	43,790
Amortization expense	1,645	2,246
Expected credit gain	(420)	(2,438)
Net (gain) loss on fair value changes of financial assets at fair value through profit or loss	(3)	164
Finance costs	7,294	7,524
Interest income	(7,739)	(2,296)
Compensation cost of employee share options	1,395	2,448
Gain on disposal of property, plant and equipment	(82)	(15)
Gain on disposal of financial assets	-	(728)
(Reversal of) provision for impairment loss and obsolescence of inventory	(11)	178
Unrealized gain on foreign currency exchange	(1,950)	(4,616)
Changes in operating assets and liabilities:		
Notes receivable	8	(3,393)
Trade receivables	(17,978)	(1,865)
Trade receivables from related parties	7,481	435
Inventories	311	(499)
Prepayments	3,353	3,011
Other current assets	4,183	(1,060)
Contract liabilities	(10,152)	(11,635)
Notes payable	(47)	(7,902)
Accounts payable	4,487	5,018
Accounts payable to related parties	(10,161)	6,083
Other payables	(31,245)	(14,710)
Other current liabilities	2,751	1,242
Net defined benefit plans	(160)	(174)
Cash generated from operations	277,837	265,797
Interest paid	(7,294)	(7,524)
Income tax paid	(912)	(131)
Net cash generated from operating activities	<u>269,631</u>	<u>258,142</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	-	(2,956)
Purchase of financial assets at fair value through profit or loss	-	(6,002)
Proceeds from sale of financial assets at fair value through profit or loss	-	8,680

(Continued)

CHIEF TELECOM INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2023	2022
Acquisition of property, plant and equipment (Note 23)	\$ (50,410)	\$ (15,668)
Proceeds from disposal of property, plant and equipment	82	15
Acquisition of intangible assets	(267)	(624)
Acquisition of time deposits with maturities of more than three months	(120,000)	(383,625)
Proceeds from disposal of time deposits with maturities of more than three months	100,000	390,335
Decrease (increase) in noncurrent assets	3,177	(716)
Interest received	<u>6,179</u>	<u>1,870</u>
Net cash used in investing activities	<u>(61,239)</u>	<u>(8,691)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in guarantee deposits	1,077	1,989
Repayment of the principal portion of lease liabilities	(23,446)	(23,150)
Employee share options exercised	-	27,317
Dividends paid to non-controlling interests	<u>(5,639)</u>	<u>-</u>
Net cash (used in) generated from financing activities	<u>(28,008)</u>	<u>6,156</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(411)</u>	<u>5,341</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	179,973	260,948
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>2,361,816</u>	<u>1,019,936</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 2,541,789</u>	<u>\$ 1,280,884</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 THREE MONTHS ENDED MARCH 31, 2023 AND 2022 (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 58.67%, 58.67% and 58.72% of the shares of the Group as of March 31, 2023, December 31, 2022 and March 31, 2022, 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 April 27, 2023.

3. APPLICATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

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

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

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

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

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

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the amendments to the 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 MATERIAL ACCOUNTING POLICY INFORMATION

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 Material Accounting Policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2022.

- 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. Income tax expense

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

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations 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.

When developing material accounting estimates, the Group considers the possible impact of the estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Refer to the statements of material accounting judgments and key sources of estimation uncertainty to the consolidated financial statements for the year ended December 31, 2022.

6. CASH AND CASH EQUIVALENTS

	March 31, 2023	December 31, 2022	March 31, 2022
Cash on hand	\$ 156	\$ 150	\$ 150
Bank deposits	170,919	280,246	428,836
Cash equivalents (investments with maturities of less than three months)			
Time deposits	2,230,900	2,081,420	652,000
Commercial papers	<u>139,814</u>	<u>-</u>	<u>199,898</u>
	<u>\$ 2,541,789</u>	<u>\$ 2,361,816</u>	<u>\$ 1,280,884</u>

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

	March 31, 2023	December 31, 2022	March 31, 2022
Bank deposits	0.05%-1.25%	0.15%-1.05%	0.001%-0.30%
Time deposits	1.03%-4.40%	0.31%-4.30%	0.10%-0.65%
Commercial papers	0.65%	-	0.24%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2023	December 31, 2022	March 31, 2022
<u>Financial assets - current</u>			
Mandatorily measured at FVTPL			
Non-derivatives			
Listed shares - domestic	\$ <u>442</u>	\$ <u>439</u>	\$ <u>452</u>

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

8. NOTES AND TRADE RECEIVABLES, NET (INCLUDING RELATED PARTIES)

	March 31, 2023	December 31, 2022	March 31, 2022
<u>Notes receivable</u>			
Notes receivable - operating	\$ <u>3,983</u>	\$ <u>3,991</u>	\$ <u>6,280</u>
<u>Trade receivables</u>			
At amortized cost			
Gross carrying amount	\$ 240,137	\$ 228,100	\$ 218,147
Less: Allowance for impairment loss	<u>(2,141)</u>	<u>(2,564)</u>	<u>(1,147)</u>
	<u>\$ 237,996</u>	<u>\$ 225,536</u>	<u>\$ 217,000</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 expected credit losses (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.

March 31, 2023

	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%	0.64%-2.31%	21.53%	42.70%	60.48%-100%	
Gross carrying amount	\$ 204,995	\$ 37,503	\$ 364	\$ 46	\$ 1,212	\$ 244,120
Loss allowance (Lifetime ECLs)	<u>(425)</u>	<u>(421)</u>	<u>(78)</u>	<u>(20)</u>	<u>(1,197)</u>	<u>(2,141)</u>
Amortized cost	<u>\$ 204,570</u>	<u>\$ 37,082</u>	<u>\$ 286</u>	<u>\$ 26</u>	<u>\$ 15</u>	<u>\$ 241,979</u>

December 31, 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%-0.29%	0.67%-2.44%	12.58%	37.89%	71.54%-100%	
Gross carrying amount	\$ 180,664	\$ 49,649	\$ 91	\$ 45	\$ 1,642	\$ 232,091
Loss allowance (Lifetime ECLs)	<u>(462)</u>	<u>(466)</u>	<u>(11)</u>	<u>(17)</u>	<u>(1,608)</u>	<u>(2,564)</u>
Amortized cost	<u>\$ 180,202</u>	<u>\$ 49,183</u>	<u>\$ 80</u>	<u>\$ 28</u>	<u>\$ 34</u>	<u>\$ 229,527</u>

March 31, 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	\$ 186,969	\$ 36,326	\$ 336	\$ 595	\$ 201	\$ 224,427
Loss allowance (Lifetime ECLs)	<u>(361)</u>	<u>(372)</u>	<u>(42)</u>	<u>(225)</u>	<u>(147)</u>	<u>(1,147)</u>
Amortized cost	<u>\$ 186,608</u>	<u>\$ 35,954</u>	<u>\$ 294</u>	<u>\$ 370</u>	<u>\$ 54</u>	<u>\$ 223,280</u>

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

	For the Three Months Ended March 31	
	2023	2022
Balance at January 1	\$ 2,564	\$ 3,647
Less: Reversal of credit loss	(420)	(2,438)
Less: Amounts written off	<u>(3)</u>	<u>(62)</u>
Balance at March 31	<u>\$ 2,141</u>	<u>\$ 1,147</u>

9. OTHER FINANCIAL ASSETS

	March 31, 2023	December 31, 2022	March 31, 2022
Time deposits with maturities of more than three months	\$ <u>133,293</u>	\$ <u>113,224</u>	\$ <u>1,635,768</u>

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

	March 31, 2023	December 31, 2022	March 31, 2022
Time deposits with maturities of more than three months	1.45%-2.70%	0.95%-2.70%	0.06%-2.70%

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	March 31, 2023	December 31, 2022	March 31, 2022
<u>Non-current</u>			
Investments in equity instruments			
Listed shares - domestic	\$ 121,495	\$ 120,236	\$ 123,516
Unlisted shares - domestic	<u>1,204</u>	<u>1,204</u>	<u>284</u>
	<u>\$ 122,699</u>	<u>\$ 121,440</u>	<u>\$ 123,800</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 (%)		
			March 31, 2023	December 31, 2022	March 31, 2022
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	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	5,449	-	645	6,225
Disposals	(3)	(339)	(3)	-	(345)
Reclassifications	-	-	-	(300)	(300)
Effect of foreign exchange differences	18	-	-	-	18
Balance at March 31, 2022	<u>\$ 20,176</u>	<u>\$ 1,968,053</u>	<u>\$ 5,296</u>	<u>\$ 330,416</u>	<u>\$ 2,323,941</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2022	\$ (18,480)	\$ (1,723,238)	\$ (4,966)	\$ -	\$ (1,746,684)
Depreciation expense	(129)	(17,306)	(75)	-	(17,510)
Disposals	3	339	3	-	345
Effect of foreign exchange differences	(12)	-	-	-	(12)
Balance at March 31, 2022	<u>\$ (18,618)</u>	<u>\$ (1,740,205)</u>	<u>\$ (5,038)</u>	<u>\$ -</u>	<u>\$ (1,763,861)</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 March 31, 2022	<u>\$ 1,558</u>	<u>\$ 227,848</u>	<u>\$ 258</u>	<u>\$ 330,416</u>	<u>\$ 560,080</u>
<u>Cost</u>					
Balance at January 1, 2023	\$ 22,789	\$ 1,982,312	\$ 5,296	\$ 893,762	\$ 2,904,159
Additions	-	5,938	-	53,034	58,972
Disposals	(16)	(5,434)	(3)	-	(5,453)
Reclassifications	-	30,426	-	(30,866)	(440)
Effect of foreign exchange differences	3	-	-	-	3
Balance at March 31, 2023	<u>\$ 22,776</u>	<u>\$ 2,013,242</u>	<u>\$ 5,293</u>	<u>\$ 915,930</u>	<u>\$ 2,957,241</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2023	\$ (19,033)	\$ (1,780,694)	\$ (5,189)	\$ -	\$ (1,804,916)
Depreciation expense	(247)	(16,409)	(31)	-	(16,687)
Disposals	16	5,434	3	-	5,453
Effect of foreign exchange differences	(2)	-	-	-	(2)
Balance at March 31, 2023	<u>\$ (19,266)</u>	<u>\$ (1,791,669)</u>	<u>\$ (5,217)</u>	<u>\$ -</u>	<u>\$ (1,816,152)</u>
Carrying amount at January 1, 2023	<u>\$ 3,756</u>	<u>\$ 201,618</u>	<u>\$ 107</u>	<u>\$ 893,762</u>	<u>\$ 1,099,243</u>
Carrying amount at March 31, 2023	<u>\$ 3,510</u>	<u>\$ 221,573</u>	<u>\$ 76</u>	<u>\$ 915,930</u>	<u>\$ 1,141,089</u>

No impairment assessment was performed for the three months ended March 31, 2023 and 2022, respectively, as there was no indication of impairment.

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

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

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

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	March 31, 2023	December 31, 2022	March 31, 2022
<u>Carrying amount</u>			
Land	\$ 569,434	\$ 572,394	\$ 581,276
Buildings	1,075,252	1,082,168	1,150,187
Transportation equipment	<u>935</u>	<u>1,466</u>	<u>777</u>
	<u>\$ 1,645,621</u>	<u>\$ 1,656,028</u>	<u>\$ 1,732,240</u>
		For the Three Months Ended March 31	
		2023	2022
Additions to right-of-use assets		<u>\$ 16,195</u>	<u>\$ 106</u>
Depreciation charge for right-of-use assets			
Land		\$ 2,961	\$ 2,961
Buildings		23,112	22,918
Transportation equipment		<u>244</u>	<u>401</u>
		<u>\$ 26,317</u>	<u>\$ 26,280</u>

Except for the aforementioned addition and recognized depreciation, the Group did not have significant impairment of right-of-use assets during the three months ended March 31, 2023 and 2022.

b. Lease liabilities

	March 31, 2023	December 31, 2022	March 31, 2022
<u>Carrying amount</u>			
Current	\$ 95,144	\$ 93,653	\$ 92,033
Non-current	<u>1,621,461</u>	<u>1,630,490</u>	<u>1,699,484</u>
	<u>\$ 1,716,605</u>	<u>\$ 1,724,143</u>	<u>\$ 1,791,517</u>

Range of discount rates for lease liabilities was as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Land	1.60%	1.60%	1.60%
Buildings	1.19%-1.80%	1.19%-1.70%	0.91%-1.70%
Transportation equipment	1.19%-1.44%	1.19%-1.44%	1.60%-2.50%

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 March 31	
	2023	2022
Expenses relating to low-value asset leases	<u>\$ 44</u>	<u>\$ 44</u>
Total cash outflow for leases	<u>\$ 30,706</u>	<u>\$ 30,685</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, 2022	\$ 58,289	\$ 31,533	\$ 89,822
Additions	624	-	624
Reclassifications	<u>300</u>	<u>-</u>	<u>300</u>
Balance at March 31, 2022	<u>\$ 59,213</u>	<u>\$ 31,533</u>	<u>\$ 90,746</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2022	\$ (32,447)	\$ -	\$ (32,447)
Amortization expense	<u>(2,246)</u>	<u>-</u>	<u>(2,246)</u>
Balance at March 31, 2022	<u>\$ (34,693)</u>	<u>\$ -</u>	<u>\$ (34,693)</u>
Carrying amount at January 1, 2022	<u>\$ 25,842</u>	<u>\$ 31,533</u>	<u>\$ 57,375</u>
Carrying amount at March 31, 2022	<u>\$ 24,520</u>	<u>\$ 31,533</u>	<u>\$ 56,053</u>

(Continued)

	Computer Software	Others	Total
<u>Cost</u>			
Balance at January 1, 2023	\$ 63,530	\$ 31,533	\$ 95,063
Additions	267	-	267
Reclassifications	<u>440</u>	<u>-</u>	<u>440</u>
Balance at March 31, 2023	<u>\$ 64,237</u>	<u>\$ 31,533</u>	<u>\$ 95,770</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2023	\$ (41,878)	\$ -	\$ (41,878)
Amortization expense	<u>(1,645)</u>	<u>-</u>	<u>(1,645)</u>
Balance at March 31, 2023	<u>\$ (43,523)</u>	<u>\$ -</u>	<u>\$ (43,523)</u>
Carrying amount at January 1, 2023	<u>\$ 21,652</u>	<u>\$ 31,533</u>	<u>\$ 53,185</u>
Carrying amount at March 31, 2023	<u>\$ 20,714</u>	<u>\$ 31,533</u>	<u>\$ 52,247</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

	March 31, 2023	December 31, 2022	March 31, 2022
Payables for dividends (Note 17)	\$ 636,704	\$ -	\$ -
Payables for salaries and bonuses	124,328	172,159	102,461
Payables for accrued compensation of employees and remuneration of directors	102,342	80,613	85,718
Payables for purchases of equipment	24,513	15,951	5,104
Others	<u>31,858</u>	<u>37,002</u>	<u>35,116</u>
	<u>\$ 919,745</u>	<u>\$ 305,725</u>	<u>\$ 228,399</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 ended March 31, 2023 and 2022, the pension expenses of defined benefit plans were \$33 thousand and \$11 thousand, respectively, and these were calculated based on the pension cost rate determined by the actuarial calculation on December 31, 2022 and 2021, respectively.

17. EQUITY

a. Share capital - ordinary shares

	March 31, 2023	December 31, 2022	March 31, 2022
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>70,745</u>	<u>70,745</u>	<u>70,682</u>
Shares issued	<u>\$ 707,449</u>	<u>\$ 707,449</u>	<u>\$ 706,824</u>

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

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 Department of Commerce, MOEA.

On December 15, 2022, the Company's board of directors resolved to issue 62.5 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 December 16, 2022. On January 4, 2023, the above transaction was approved by Department of Commerce, MOEA.

b. Capital surplus

	March 31, 2023	December 31, 2022	March 31, 2022
Issuance of ordinary shares	\$ 1,335,782	\$ 1,335,782	\$ 1,359,708
Employee share options	13,741	12,346	13,704
Donations	<u>1,013</u>	<u>1,013</u>	<u>765</u>
	<u>\$ 1,350,536</u>	<u>\$ 1,349,141</u>	<u>\$ 1,374,177</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 distribution or offset of deficit can be made after the end of each fiscal year. When 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 distribution in cash, the board of directors shall be authorized to distribute the profit in cash upon resolution by a majority vote at a board meeting attended by two-thirds or more of the directors, to distribute all or part of dividends and bonuses in cash, and a report of such distribution shall be submitted in the shareholders' meeting. Such distribution does not apply the preceding shareholders' approval requirement.

For the policies on the distribution of compensation of employees and remuneration of directors, refer to compensation of employees and remuneration of directors in Note 19(e).

An 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 for cumulative net debit balance of other equity items from prior period. Distributions can be made out of any subsequent reversal of the cumulative net debit balance of other equity items.

The appropriations of earnings for 2022 and 2021 were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Fiscal Year 2022	For Fiscal Year 2021	For Fiscal Year 2022	For Fiscal Year 2021
Legal reserve	\$ 83,508	\$ 68,580		
Special reserve	(8,938)	3,935		
Cash dividends	636,704	614,937	\$ 9.00	\$ 8.70
Share dividends	70,745			

The above 2022 and 2021 appropriations for cash dividends were resolved by the board of directors on February 16, 2023 and were resolved by the shareholders in their meeting on June 7, 2022, respectively.

The appropriation for share dividends of \$1 per share, for a total of \$70,745 thousand for 2022, was proposed by the board of directors on February 16, 2023. The proposed appropriation for share dividends is subject to the resolution of the shareholders in their meeting to be held on June 29, 2023. The appropriation for cash dividends from capital surplus of \$0.6 per share, for a total of \$42,409 thousand for 2021, was resolved by the shareholders in their meeting on June 7, 2022.

The other appropriations for 2021 had been resolved by the shareholders in their meeting on June 7, 2022. The other proposed appropriations for 2022 will be resolved by the shareholders in their meeting to be held on June 29, 2023.

Information on the appropriation of the Company's earnings proposed by the board of directors and resolved by the shareholders is available at the Market Observation Post System website.

18. REVENUE

	For the Three Months Ended March 31			
	2023	2022		
Major products and service revenue				
Revenue from data service	\$ 351,228	\$ 338,002		
Revenue from IDC service	268,218	239,082		
Revenue from cloud service	127,283	117,495		
Revenue from voice service	<u>57,410</u>	<u>55,173</u>		
	<u>\$ 804,139</u>	<u>\$ 749,752</u>		
Revenue from contracts with customers				
Revenue from telecommunications service	\$ 772,554	\$ 725,924		
Revenue from rendering of services	30,602	23,675		
Revenue from sale of goods	<u>983</u>	<u>153</u>		
	<u>\$ 804,139</u>	<u>\$ 749,752</u>		
	March 31, 2023	December 31, 2022	March 31, 2022	January 1, 2022

Contract liabilities

Telecommunications business	<u>\$ 42,826</u>	<u>\$ 52,978</u>	<u>\$ 26,922</u>	<u>\$ 38,557</u>
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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 ended March 31, 2023 and 2022 was \$22,021 thousand and \$21,930 thousand, respectively.

19. NET INCOME

a. Other operating income and expenses

	For the Three Months Ended March 31	
	2023	2022
Gain on disposal of property, plant and equipment	<u>\$ 82</u>	<u>\$ 15</u>

b. Finance costs

	For the Three Months Ended March 31	
	2023	2022
Interest on lease liabilities	\$ 7,216	\$ 7,491
Other	<u>78</u>	<u>33</u>
	<u>\$ 7,294</u>	<u>\$ 7,524</u>

c. Depreciation and amortization expenses

	For the Three Months Ended March 31	
	2023	2022
Property, plant and equipment	\$ 16,687	\$ 17,510
Right-of-use assets	26,317	26,280
Intangible assets	<u>1,645</u>	<u>2,246</u>
	<u>\$ 44,649</u>	<u>\$ 46,036</u>
 An analysis of depreciation by function		
Operating costs	\$ 40,560	\$ 41,352
Operating expenses	<u>2,444</u>	<u>2,438</u>
	<u>\$ 43,004</u>	<u>\$ 43,790</u>
 An analysis of amortization by function		
Operating costs	\$ 1,355	\$ 1,631
Operating expenses	<u>290</u>	<u>615</u>
	<u>\$ 1,645</u>	<u>\$ 2,246</u>

d. Employee benefits expense

	For the Three Months Ended March 31	
	2023	2022
Post-employment benefits		
Defined contribution plan	\$ 1,987	\$ 1,791
Defined benefit plans (Note 16)	<u>33</u>	<u>11</u>
	<u>2,020</u>	<u>1,802</u>
Share-based payment		
Employee share options (Note 22)	<u>1,395</u>	<u>2,448</u>
Other employee benefits		
Salaries	85,773	77,789
Insurance	5,016	4,672
Other employee benefits	<u>23,689</u>	<u>20,874</u>
	<u>114,478</u>	<u>103,335</u>
 Total employee benefits expense	<u>\$ 117,893</u>	<u>\$ 107,585</u>
 An analysis of employee benefits expense by function		
Operating costs	\$ 11,652	\$ 10,716
Operating expenses	<u>106,241</u>	<u>96,869</u>
	<u>\$ 117,893</u>	<u>\$ 107,585</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 ended March 31, 2023 and 2022 were as follows:

	For the Three Months Ended March 31	
	2023	2022
Compensation of employees	<u>\$ 20,889</u>	<u>\$ 18,152</u>
Remuneration of directors	<u>\$ 840</u>	<u>\$ 840</u>

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

The appropriations of employees' compensation and the remuneration of directors for the years ended December 31, 2022 and 2021, which were resolved by the Company's board of directors on February 16, 2023 and February 17, 2022, respectively, were as follows:

	For the Year Ended December 31	
	2022	2021
	Cash	Cash
Compensation of employees	<u>\$ 77,253</u>	<u>\$ 63,366</u>
Remuneration of directors	<u>\$ 3,360</u>	<u>\$ 3,360</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, 2022 and 2021.

Information on the compensation of employees and remuneration of directors resolved 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 March 31	
	2023	2022
Current tax		
In respect of the current period	\$ 57,035	\$ 48,038
Deferred tax		
In respect of the current period	<u>445</u>	<u>433</u>
Income tax expense recognized in profit or loss	<u>\$ 57,480</u>	<u>\$ 48,471</u>

b. Income tax assessments

The income tax returns through 2021 of Chief and Unigate have been examined by the tax authorities.

21. EARNINGS PER SHARE

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 March 31	
	2023	2022
Net income used to compute the basic and diluted earnings per share		
Net income attributable to the parent	<u>\$ 224,376</u>	<u>\$ 196,460</u>

Weighted Average Number of Shares

	(Thousand Shares)	
	For the Three Months Ended March 31	
	2023	2022
Weighted average number of ordinary shares used in the computation of basic earnings per share	70,745	70,508
Effect of potentially dilutive ordinary shares		
Employee share options	36	175
Compensation of employees	<u>193</u>	<u>192</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>70,974</u>	<u>70,875</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	\$193.50 (Original price \$206.00)
2017.12.18	2018.10.31	50.00	\$130.30 (Original price \$147.00)
2017.12.18	2017.12.19	950.00	\$124.70 (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.

Compensation costs recognized for the three months ended March 31, 2023 and 2022 were as follows:

	For the Three Months Ended March 31	
	2023	2022
Granted on November 13, 2020	\$ 1,395	\$ 2,431
Granted on October 31, 2018	<u>-</u>	<u>17</u>
	<u>\$ 1,395</u>	<u>\$ 2,448</u>

The Company modified the plan terms of share options granted on October 26, 2020 in September 2021 and July 2022; therefore, the exercise price changed from \$206.00 to \$199.70 and from \$199.70 to \$193.50 per share, respectively. The modification did not cause any incremental fair value.

The Company modified the plan terms of share options granted on October 31, 2018 in September 2021 and July 2022; therefore, the exercise price changed from \$138.70 to \$134.50 and from \$134.50 to \$130.30 per share, respectively. The modification did not cause any incremental fair value.

The Company modified the plan terms of share options granted on December 19, 2017 in September 2021 and July 2022; therefore, the exercise price changed from \$132.70 to \$128.70 and from \$128.70 to \$124.70 per share, respectively. The modification did not cause any incremental fair value.

Information on employee share options was as follows:

	For the Three Months Ended March 31, 2023	
	Granted on November 13, 2020	
	Number of Options	Weighted Average Exercise Price (NT\$)
Options outstanding at beginning of the period	142.25	\$193.50
Options exercised	-	-
Options forfeited	<u>-</u>	-
Options outstanding at end of the period	<u>142.25</u>	193.50
Options exercisable at end of the period	<u>0.50</u>	193.50
Weighted average remaining contractual life (years)	2.62	

For the Three Months Ended March 31, 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)	3.62		1.58		0.72	

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 three months ended March 31, 2023 and 2022:

	For the Three Months Ended March 31	
	2023	2022
Increase in property, plant and equipment	\$ 58,972	\$ 6,225
Changes in payables for equipment	<u>(8,562)</u>	<u>9,443</u>
	<u>\$ 50,410</u>	<u>\$ 15,668</u>

The cash dividends resolved by the board of directors on February 16, 2023 were not yet distributed as of March 31, 2023 (refer to Notes 15 and 17, respectively).

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

March 31, 2023

	Fair Value			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Listed shares - domestic	\$ 442	\$ -	\$ -	\$ 442
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Listed shares - domestic	\$ 121,495	\$ -	\$ -	\$ 121,495
Unlisted shares - domestic	-	-	1,204	1,204
	\$ 121,495	\$ -	\$ 1,204	\$ 122,699

December 31, 2022

	Fair Value			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Listed shares - domestic	\$ 439	\$ -	\$ -	\$ 439
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Listed shares - domestic	\$ 120,236	\$ -	\$ -	\$ 120,236
Unlisted shares - domestic	-	-	1,204	1,204
	\$ 120,236	\$ -	\$ 1,204	\$ 121,440

March 31, 2022

	Fair Value			Total
	Level 1	Level 2	Level 3	
<u>Financial assets at FVTPL</u>				
Listed shares - domestic	\$ <u>452</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>452</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Listed shares - domestic	\$ 123,516	\$ -	\$ -	\$ 123,516
Unlisted shares - domestic	<u>-</u>	<u>-</u>	<u>284</u>	<u>284</u>
	<u>\$ 123,516</u>	<u>\$ -</u>	<u>\$ 284</u>	<u>\$ 123,800</u>

There were no transfers between Levels 1 and 2 for the three months ended March 31, 2023 and 2022.

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

	March 31, 2023	December 31, 2022	March 31, 2022
<u>Financial assets</u>			
Financial assets at amortized cost (1)	\$ 2,925,474	\$ 2,713,195	\$ 3,150,465
Financial assets at FVTPL	442	439	452
Financial assets at FVTOCI			
Equity instruments	122,699	121,440	123,800
<u>Financial liabilities</u>			
Amortized cost (2)	879,211	243,755	227,014

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, 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:

	March 31, 2023	December 31, 2022	March 31, 2022
Assets			
USD	\$ 78,633	\$ 94,240	\$ 70,982
Liabilities			
USD	18,872	20,952	18,152

Sensitivity analysis

The Group is mainly exposed to the fluctuations of the U.S. dollar.

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 Three Months Ended March 31	
	2023	2022
Profit or loss		
Monetary assets and liabilities (Note)		
USD	\$ 2,988	\$ 2,642

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:

	March 31, 2023	December 31, 2022	March 31, 2022
Fair value interest rate risk			
Financial assets	\$ 2,504,007	\$ 2,194,644	\$ 2,487,666
Financial liabilities	1,716,605	1,724,143	1,791,517
Cash flow interest rate risk			
Financial assets	170,909	280,236	428,826

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 three months ended March 31, 2023 and 2022 would have increased/decreased by \$107 thousand and \$268 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.

March 31, 2023

	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	\$ 159,847	\$ -	\$ 636,704	\$ 82,660	\$ -	\$ 879,211
Lease liabilities	<u>10,404</u>	<u>20,684</u>	<u>92,773</u>	<u>499,995</u>	<u>1,468,275</u>	<u>2,092,131</u>
	<u>\$ 170,251</u>	<u>\$ 20,684</u>	<u>\$ 729,477</u>	<u>\$ 582,655</u>	<u>\$ 1,468,275</u>	<u>\$ 2,971,342</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>\$ 123,861</u>	<u>\$ 499,995</u>	<u>\$ 612,034</u>	<u>\$ 279,518</u>	<u>\$ 576,723</u>	<u>\$ 2,092,131</u>

December 31, 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	\$ 162,172	\$ -	\$ -	\$ 81,583	\$ -	\$ 243,755
Lease liabilities	<u>10,177</u>	<u>20,360</u>	<u>90,940</u>	<u>491,480</u>	<u>1,485,444</u>	<u>2,098,401</u>
	<u>\$ 172,349</u>	<u>\$ 20,360</u>	<u>\$ 90,940</u>	<u>\$ 573,063</u>	<u>\$ 1,485,444</u>	<u>\$ 2,342,156</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>\$ 121,477</u>	<u>\$ 491,480</u>	<u>\$ 603,987</u>	<u>\$ 300,375</u>	<u>\$ 581,082</u>	<u>\$ 2,098,401</u>

March 31, 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	\$ 158,950	\$ -	\$ -	\$ 68,064	\$ -	\$ 227,014
Lease liabilities	<u>10,213</u>	<u>20,246</u>	<u>90,558</u>	<u>488,935</u>	<u>1,577,694</u>	<u>2,187,646</u>
	<u>\$ 169,163</u>	<u>\$ 20,246</u>	<u>\$ 90,558</u>	<u>\$ 556,999</u>	<u>\$ 1,577,694</u>	<u>\$ 2,414,660</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>\$ 121,017</u>	<u>\$ 488,935</u>	<u>\$ 609,364</u>	<u>\$ 374,175</u>	<u>\$ 594,155</u>	<u>\$ 2,187,646</u>

b) Financing facilities

	March 31, 2023	December 31, 2022	March 31, 2022
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. (Light Era)	Fellow subsidiary
Senao International Co., Ltd.	Fellow subsidiary
Honghwa International Co., Ltd. (Honghwa International)	Fellow subsidiary
Chunghwa Telecom Singapore Pte., Ltd. (Chunghwa Singapore)	Fellow subsidiary
Chunghwa Telecom Global, Inc.	Fellow subsidiary
Donghwa Telecom Co., Ltd.	Fellow subsidiary
Chunghwa Telecom Japan Co., Ltd. (Chunghwa Japan)	Fellow subsidiary
KingwayTek Technology Co., Ltd.	Associate of the Company's parent
So-net Entertainment Taiwan Limited (So-net)	Associate of the Company's parent
Shenzhen Century Communication Co., Ltd.	Other related party (significant influence over subsidiary, Shanghai Chief Telecom Co., Ltd.)

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

1) Operating revenue

<u>Related Party Category</u>	<u>For the Three Months Ended March 31</u>	
	<u>2023</u>	<u>2022</u>
Parent company	\$ 49,821	\$ 64,278
Fellow subsidiaries		
Chunghwa Singapore	14,066	10,899
Others	1,839	1,508

(Continued)

Related Party Category	For the Three Months Ended March 31	
	2023	2022
Associates		
So-net	\$ 35,484	\$ 34,556
Others	22	22
Other related parties	<u>6,588</u>	<u>6,690</u>
	<u>\$ 107,820</u>	<u>\$ 117,953</u>
		(Concluded)

2) Operating costs and expenses

Related Party Category	For the Three Months Ended March 31	
	2023	2022
Parent company	\$ 118,359	\$ 119,398
Fellow subsidiaries		
Light Era	21,190	21,085
Others	10,108	12,644
Associates	270	149
Other related parties	<u>696</u>	<u>726</u>
	<u>\$ 150,623</u>	<u>\$ 154,002</u>

3) Receivables from related parties

	March 31, 2023	December 31, 2022	March 31, 2022
Parent company	\$ 7,946	\$ 10,772	\$ 8,536
Fellow subsidiaries	1,321	5,816	2,787
Associates			
So-net	24,129	24,244	23,507
Others	<u>-</u>	<u>-</u>	<u>8</u>
	<u>\$ 33,396</u>	<u>\$ 40,832</u>	<u>\$ 34,838</u>

4) Payables to related parties

	March 31, 2023	December 31, 2022	March 31, 2022
Parent company	\$ 55,815	\$ 60,896	\$ 59,710
Fellow subsidiaries	<u>1,079</u>	<u>6,159</u>	<u>2,676</u>
	<u>\$ 56,894</u>	<u>\$ 67,055</u>	<u>\$ 62,386</u>

5) Prepayments

	March 31, 2023	December 31, 2022	March 31, 2022
Parent company	\$ 18,679	\$ 21,821	\$ 4,012
Fellow subsidiaries	<u>-</u>	<u>23</u>	<u>-</u>
	<u>\$ 18,679</u>	<u>\$ 21,844</u>	<u>\$ 4,012</u>

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

	March 31, 2023	December 31, 2022	March 31, 2022
Parent company	<u>\$ 1,845</u>	<u>\$ 2,231</u>	<u>\$ 4,852</u>

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

	March 31, 2023	December 31, 2022	March 31, 2022
Parent company	<u>\$ 8,692</u>	<u>\$ 9,695</u>	<u>\$ 12,704</u>

8) Refundable deposits (classified as other noncurrent assets)

	March 31, 2023	December 31, 2022	March 31, 2022
Parent company	<u>\$ 3,410</u>	<u>\$ 3,476</u>	<u>\$ 3,476</u>

9) 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.

	March 31, 2023	December 31, 2022	March 31, 2022
<u>Lease liability</u>			
Parent company	\$ 582,175	\$ 583,491	\$ 587,408
Light Era	<u>1,077,407</u>	<u>1,082,413</u>	<u>1,142,093</u>
	<u>\$ 1,659,582</u>	<u>\$ 1,665,904</u>	<u>\$ 1,729,501</u>

	For the Three Months Ended March 31	
	2023	2022
<u>Interest expense</u>		
Parent company	\$ 2,327	\$ 2,348
Light Era	<u>4,648</u>	<u>4,875</u>
	<u>\$ 6,975</u>	<u>\$ 7,223</u>

10) Contract liabilities

	March 31, 2023	December 31, 2022	March 31, 2022
Parent company	\$ 545	\$ 767	\$ 545
Fellow subsidiaries			
Chunghwa Japan	<u>63</u>	<u>68</u>	<u>-</u>
	<u>\$ 608</u>	<u>\$ 835</u>	<u>\$ 545</u>

11) Guarantee deposits received

	March 31, 2023	December 31, 2022	March 31, 2022
Fellow subsidiaries			
Honghwa International	<u>\$ 20</u>	<u>\$ 20</u>	<u>\$ 20</u>

c. Compensation of key management personnel

	For the Three Months Ended March 31	
	2023	2022
Short-term employee benefits	\$ 20,701	\$ 17,206
Post-employment benefits	202	199
Share-based payments	<u>235</u>	<u>401</u>
	<u>\$ 21,138</u>	<u>\$ 17,806</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 EVENTS AFTER THE REPORTING PERIOD

For the needs for business development, the Company's board of directors resolved to renew the building lease agreement with the fellow subsidiary, Light Era, in April 2023. The transaction was expected to increase the right-of-use assets and the corresponding lease liabilities by up to \$739,314 thousand, respectively. The above transaction is subject to the resolution by the shareholders in their meeting to be held on June 29, 2023.

28. 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:

March 31, 2023

	Foreign Currency (Thousands)	Exchange Rate	New Taiwan Dollar (Thousands)
<u>Assets denominated in foreign currencies</u>			
Monetary items			
Cash and cash equivalents			
USD	\$ 206	30.45	\$ 6,275
Trade receivables			
USD	2,376	30.45	72,359
<u>Liabilities denominated in foreign currencies</u>			
Monetary items			
Accounts payable			
USD	620	30.45	18,872

December 31, 2022

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Assets denominated in foreign currencies</u>			
Monetary items			
Cash and cash equivalents			
USD	\$ 445	30.71	\$ 13,662
Trade receivables			
USD	2,624	30.71	80,578
<u>Liabilities denominated in foreign currencies</u>			
Monetary items			
Accounts payable			
USD	682	30.71	20,952

March 31, 2022

	Foreign Currency (Thousands)	Exchange Rate	New Taiwan Dollar (Thousands)
<u>Assets denominated in foreign currencies</u>			
Monetary items			
Cash and cash equivalents			
USD	\$ 600	28.625	\$ 17,182
Trade receivables			
USD	1,879	28.625	53,800
<u>Liabilities denominated in foreign currencies</u>			
Monetary items			
Accounts payable			
USD	634	28.625	18,152

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

	For the Three Months Ended March 31	
	2023	2022
Unrealized exchange gains	\$ 1,950	\$ 4,616
Realized exchange losses	<u>(2,140)</u>	<u>(1,001)</u>
	<u>\$ (190)</u>	<u>\$ 3,615</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.

29. 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.

30. 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 three months ended March 31, 2023 and 2022.

31. 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 (EXCLUDING INVESTMENTS IN SUBSIDIARIES)

MARCH 31, 2023

(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	March 31, 2023				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	\$ 103,734	-	\$ 103,734	Note
	WT Microelectronics Co., Ltd.	-	Financial assets at FVTOCI	361	17,761	-	17,761	Note
	3 Link Information Service Co., Ltd.	-	Financial assets at FVTOCI	374	1,204	10	1,204	-
	WPG Holding Limited	-	Financial assets at FVTPL	9	442	-	442	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

THREE MONTHS ENDED MARCH 31, 2023

(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	Purchases	\$ 118,230	30	30 days	-	-	\$ (55,815)	(53)

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

THREE MONTHS ENDED MARCH 31, 2023

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2023			Net Income (Loss) of the Investee	Recognized Gain (Loss) (Notes 1 and 2)	Note
				March 31, 2023	December 31, 2022	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	\$ 1,244	\$ 30	\$ 30	Subsidiary
	Chief International Corp.	Samoa Islands	Telecommunications and internet service	6,068	6,068	200	100	103,348	2,544	2,544	

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

Note 2: The amount was eliminated upon consolidation.

CHIEF TELECOM INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
THREE MONTHS ENDED MARCH 31, 2023

(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, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2023	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of March 31, 2023	Accumulated Inward Remittance of Earnings as of March 31, 2023	Note
					Outflow	Inflow							
Shanghai Chief Telecom Co., Ltd.	Telecommunications and internet service	\$ 10,150	a.	\$ 4,973	\$ -	\$ -	\$ 4,973	\$ 34	49	\$ 17	\$ 9,122	\$ 5,418	Note 4

Investee	Accumulated Investment in Mainland China as of December 31, 2022	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	\$ 1,747,075

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 reviewed 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
MARCH 31, 2023**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Chunghwa Telecom Co., Ltd.	39,425,803	55.73

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.