

# **Chief Telecom Inc. and Subsidiaries**

**Consolidated Financial Statements for the  
Six Months Ended June 30, 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 June 30, 2023 and 2022, the related consolidated statements of comprehensive income for the three months ended June 30, 2023 and 2022 and for the six months ended June 30, 2023 and 2022, 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 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 June 30, 2023 and 2022, its consolidated financial performance for the three months ended June 30, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the six months ended June 30, 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

July 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)

ASSETS	June 30, 2023		December 31, 2022		June 30, 2022	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Notes 6 and 25)	\$ 2,232,505	32	\$ 2,361,816	41	\$ 1,804,482	30
Financial assets at fair value through profit or loss (Notes 7 and 25)	434	-	439	-	447	-
Notes receivable (Notes 8 and 25)	2,770	-	3,991	-	3,000	-
Trade receivables, net (Notes 8 and 25)	182,027	3	184,704	3	204,306	3
Trade receivables from related parties (Notes 8, 25 and 26)	40,645	-	40,832	1	35,817	1
Inventories	2,930	-	3,561	-	2,497	-
Prepayments (Note 26)	84,655	1	53,012	1	34,130	1
Other financial assets (Notes 9 and 25)	395,126	6	113,224	2	1,077,757	18
Other current assets (Note 26)	23,593	-	22,678	-	32,252	1
Total current assets	2,964,685	42	2,784,257	48	3,194,688	54
<b>NONCURRENT ASSETS</b>						
Financial assets at fair value through other comprehensive income (Notes 10 and 25)	120,515	2	121,440	2	122,523	2
Property, plant and equipment (Note 12)	1,465,491	21	1,099,243	19	806,727	13
Right-of-use assets (Note 13)	2,358,983	34	1,656,028	29	1,707,565	29
Intangible assets (Note 14)	51,428	1	53,185	1	54,323	1
Deferred income tax assets (Notes 4 and 20)	1,765	-	2,118	-	1,994	-
Other noncurrent assets (Notes 25 and 26)	36,113	-	35,069	1	38,365	1
Total noncurrent assets	4,034,295	58	2,967,083	52	2,731,497	46
<b>TOTAL</b>	<b>\$ 6,998,980</b>	<b>100</b>	<b>\$ 5,751,340</b>	<b>100</b>	<b>\$ 5,926,185</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Contract liabilities (Notes 18 and 26)	\$ 44,663	1	\$ 52,978	1	\$ 32,368	-
Notes payable (Note 25)	28	-	75	-	106	-
Accounts payable (Note 25)	61,202	1	42,089	1	55,480	1
Accounts payable to related parties (Notes 25 and 26)	66,397	1	67,055	1	60,686	1
Other payables (Notes 15 and 25)	1,045,036	15	305,725	5	927,151	16
Current tax liabilities (Notes 4 and 20)	112,047	1	119,718	2	97,479	2
Lease liabilities - current (Notes 13, 25 and 26)	87,024	1	93,653	2	92,895	2
Other current liabilities	26,123	-	18,651	-	19,777	-
Total current liabilities	1,442,520	20	699,944	12	1,285,942	22
<b>NONCURRENT LIABILITIES</b>						
Deferred tax liabilities (Notes 4 and 20)	1,227	-	552	-	518	-
Lease liabilities - noncurrent (Notes 13, 25 and 26)	2,345,741	34	1,630,490	28	1,676,989	28
Net defined benefit liabilities (Notes 4, 16 and 19)	10,642	-	10,959	-	9,173	-
Guarantee deposits (Notes 25 and 26)	69,527	1	81,583	2	79,789	2
Total noncurrent liabilities	2,427,137	35	1,723,584	30	1,766,469	30
Total liabilities	3,869,657	55	2,423,528	42	3,052,411	52
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT (Note 17)</b>						
Capital stock	707,449	10	707,449	12	706,824	12
Stock dividends to be distributed	70,745	1	-	-	-	-
Capital surplus	1,351,929	20	1,349,141	24	1,334,218	22
Retained earnings						
Legal reserve	495,424	7	411,916	7	411,916	7
Special reserve	1,988	-	10,926	-	10,926	-
Unappropriated earnings	494,308	7	835,320	15	398,920	7
Total retained earnings	991,720	14	1,258,162	22	821,762	14
Other equity	(1,635)	-	(1,990)	-	(3,927)	-
Equity attributable to shareholders of the parent	3,120,208	45	3,312,762	58	2,858,877	48
<b>NONCONTROLLING INTERESTS</b>	<b>9,115</b>	<b>-</b>	<b>15,050</b>	<b>-</b>	<b>14,897</b>	<b>-</b>
Total equity	3,129,323	45	3,327,812	58	2,873,774	48
<b>TOTAL</b>	<b>\$ 6,998,980</b>	<b>100</b>	<b>\$ 5,751,340</b>	<b>100</b>	<b>\$ 5,926,185</b>	<b>100</b>

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)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
NET REVENUE (Notes 18 and 26)	\$ 791,525	100	\$ 765,700	100	\$ 1,595,664	100	\$ 1,515,452	100
OPERATING COSTS (Notes 16, 19 and 26)	<u>410,883</u>	<u>52</u>	<u>406,465</u>	<u>53</u>	<u>816,747</u>	<u>51</u>	<u>804,842</u>	<u>53</u>
GROSS PROFIT	<u>380,642</u>	<u>48</u>	<u>359,235</u>	<u>47</u>	<u>778,917</u>	<u>49</u>	<u>710,610</u>	<u>47</u>
OPERATING EXPENSES (Notes 16, 19 and 26)								
Marketing	77,987	10	74,361	10	159,538	10	148,628	10
General and administrative	29,588	4	29,067	4	60,765	4	59,821	4
Research and development	4,918	-	4,174	-	9,470	-	7,165	-
Expected credit (gain) loss (Note 8)	<u>(526)</u>	<u>-</u>	<u>532</u>	<u>-</u>	<u>(946)</u>	<u>-</u>	<u>(1,906)</u>	<u>-</u>
Total operating expenses	<u>111,967</u>	<u>14</u>	<u>108,134</u>	<u>14</u>	<u>228,827</u>	<u>14</u>	<u>213,708</u>	<u>14</u>
OTHER INCOME AND EXPENSES (Note 19)	<u>556</u>	<u>-</u>	<u>3</u>	<u>-</u>	<u>638</u>	<u>-</u>	<u>18</u>	<u>-</u>
OPERATING INCOME	<u>269,231</u>	<u>34</u>	<u>251,104</u>	<u>33</u>	<u>550,728</u>	<u>35</u>	<u>496,920</u>	<u>33</u>
NON-OPERATING INCOME AND EXPENSES								
Interest income	8,548	1	2,924	-	16,287	1	5,220	-
Other income	65	-	755	-	183	-	979	-
Other gains and losses	2,690	-	4,866	1	2,503	-	9,043	1
Interest expense (Notes 19 and 26)	<u>(7,404)</u>	<u>(1)</u>	<u>(7,426)</u>	<u>(1)</u>	<u>(14,698)</u>	<u>(1)</u>	<u>(14,950)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>3,899</u>	<u>-</u>	<u>1,119</u>	<u>-</u>	<u>4,275</u>	<u>-</u>	<u>292</u>	<u>-</u>
INCOME BEFORE INCOME TAX	273,130	34	252,223	33	555,003	35	497,212	33
INCOME TAX (Notes 4 and 20)	<u>56,562</u>	<u>7</u>	<u>49,868</u>	<u>6</u>	<u>114,042</u>	<u>7</u>	<u>98,339</u>	<u>7</u>
NET INCOME	<u>216,568</u>	<u>27</u>	<u>202,355</u>	<u>27</u>	<u>440,961</u>	<u>28</u>	<u>398,873</u>	<u>26</u>

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## CHIEF TELECOM INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2023		2022		2023		2022	
	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	\$ (2,184)	-	\$ (1,624)	-	\$ (925)	-	\$ 391	-
Items that may be								
reclassified subsequently								
to profit or loss:								
Exchange differences								
arising from the								
translation of the								
foreign operations	1,753	-	2,967	-	1,030	-	6,923	1
Total comprehensive								
income (loss), net of	(431)	-	1,343	-	105	-	7,314	1
income tax								
TOTAL COMPREHENSIVE	\$ 216,137	27	\$ 203,698	27	\$ 441,066	28	\$ 406,187	27
INCOME								
NET INCOME								
ATTRIBUTABLE TO								
Shareholders of the parent	\$ 216,631	27	\$ 202,225	27	\$ 441,007	28	\$ 398,685	26
Noncontrolling interests	(63)	-	130	-	(46)	-	188	-
	\$ 216,568	27	\$ 202,355	27	\$ 440,961	28	\$ 398,873	26
COMPREHENSIVE								
INCOME								
ATTRIBUTABLE TO								
Shareholders of the parent	\$ 216,518	27	\$ 203,791	27	\$ 441,362	28	\$ 405,684	27
Noncontrolling interests	(381)	-	(93)	-	(296)	-	503	-
	\$ 216,137	27	\$ 203,698	27	\$ 441,066	28	\$ 406,187	27
EARNINGS PER SHARE								
(Note 21)								
Basic	\$ 3.06		\$ 2.86		\$ 6.23		\$ 5.65	
Diluted	\$ 3.06		\$ 2.85		\$ 6.21		\$ 5.62	

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, Except Dividends Per Share)

	Equity Attributable to Shareholders of the Parent (Note 17)								Other Equity		Noncontrolling Interests	Total Equity
	Capital Stock		Stock Dividends to Be Distributed Amount	Capital Surplus	Retained Earnings			Total	Exchange Differences Arising from the Translation of Foreign Operations	Unrealized Gain or Loss on Financial Assets at Fair Value Through Other Comprehensive Income		
	Shares (In Thousands)	Amount			Legal Reserve	Special Reserve	Unappropriated Earnings					
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 - \$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	<u>70,682</u>	<u>\$ 706,824</u>	<u>\$ -</u>	<u>\$ 1,334,218</u>	<u>\$ 411,916</u>	<u>\$ 10,926</u>	<u>\$ 398,920</u>	<u>\$ 821,762</u>	<u>\$ (2,279)</u>	<u>\$ (1,648)</u>	<u>\$ 14,897</u>	<u>\$ 2,873,774</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												
Legal reserve	-	-	-	-	83,508	-	(83,508)	-	-	-	-	-
Special reserve	-	-	-	-	-	(8,938)	8,938	-	-	-	-	-
Share dividends - \$1.0 per share	-	-	70,745	-	-	-	(70,745)	(70,745)	-	-	-	-
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 six months ended June 30, 2023	-	-	-	-	-	-	441,007	441,007	-	-	(46)	440,961
Other comprehensive income for the six months ended June 30, 2023	-	-	-	-	-	-	-	-	1,280	(925)	(250)	105
Total comprehensive income for the six months ended June 30, 2023	-	-	-	-	-	-	441,007	441,007	1,280	(925)	(296)	441,066
Share-based payment transactions (Note 22)	-	-	-	2,788	-	-	-	-	-	-	-	2,788
BALANCE, JUNE 30, 2023	<u>70,745</u>	<u>\$ 707,449</u>	<u>\$ 70,745</u>	<u>\$ 1,351,929</u>	<u>\$ 495,424</u>	<u>\$ 1,988</u>	<u>\$ 494,308</u>	<u>\$ 991,720</u>	<u>\$ 2,023</u>	<u>\$ (3,658)</u>	<u>\$ 9,115</u>	<u>\$ 3,129,323</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)

	For the Six Months Ended June 30	
	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 555,003	\$ 497,212
Adjustments for:		
Depreciation expense	86,795	87,007
Amortization expense	3,177	4,524
Expected credit loss reversed	(946)	(1,906)
Net loss on fair value changes of financial assets at fair value through profit or loss	5	169
Finance costs	14,698	14,950
Interest income	(16,287)	(5,220)
Dividend income	-	(722)
Compensation cost of employee share options	2,788	4,898
Gain on disposal of property, plant and equipment	(638)	(18)
Gain on disposal of financial assets	-	(717)
(Reversal of) provision for impairment loss and obsolescence of inventory	(1,292)	504
Unrealized gain on foreign currency exchange	(2,986)	(7,157)
Changes in operating assets and liabilities:		
Notes receivable	1,221	(113)
Trade receivables	6,009	(24,581)
Trade receivables from related parties	228	(534)
Inventories	1,923	(669)
Prepayments	(31,643)	2,814
Other current assets	(476)	(3,733)
Contract liabilities	(8,315)	(6,189)
Notes payable	(47)	(7,838)
Accounts payable	18,745	3,739
Accounts payable to related parties	(658)	4,383
Other payables	19,742	25,013
Other current liabilities	7,472	7,551
Net defined benefit plans	(317)	(345)
Cash generated from operations	654,201	593,022
Interest paid	(14,698)	(14,950)
Income tax paid	(120,685)	(93,223)
Net cash generated from operating activities	<u>518,818</u>	<u>484,849</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	-	(3,302)
Purchase of financial assets at fair value through profit or loss	-	(6,461)
Proceeds from sale of financial assets at fair value through profit or loss	-	9,128

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# CHIEF TELECOM INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2023	2022
Acquisition of property, plant and equipment	\$ (322,746)	\$ (277,664)
Proceeds from disposal of property, plant and equipment	543	18
Acquisition of intangible assets	(980)	(1,172)
Acquisition of time deposits with maturities of more than three months	(382,280)	(383,625)
Proceeds from disposal of time deposits with maturities of more than three months	100,000	950,335
Decrease in noncurrent assets	4,165	3,785
Interest received	<u>15,848</u>	<u>4,571</u>
Net cash (used in) generated from investing activities	<u>(585,450)</u>	<u>295,613</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Decrease) increase in guarantee deposits	(12,056)	13,714
Repayment of the principal portion of lease liabilities	(47,291)	(46,299)
Dividends paid to non-controlling interests	(5,639)	-
Employee share options exercised	<u>-</u>	<u>27,317</u>
Net cash used in financing activities	<u>(64,986)</u>	<u>(5,268)</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<u>2,307</u>	<u>9,352</u>
<b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(129,311)	784,546
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<u>2,361,816</u>	<u>1,019,936</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u>\$ 2,232,505</u>	<u>\$ 1,804,482</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, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL

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

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

Chunghwa Telecom Co., Ltd., the parent company of the Group, and its subsidiaries were holding 58.67%, 58.67% and 58.72% of the shares of the Group as of June 30, 2023, December 31, 2022 and June 30, 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 July 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

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
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

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Cash on hand	\$ 156	\$ 150	\$ 150
Bank deposits	136,874	280,246	464,397
Cash equivalents (investments with maturities of less than three months)			
Time deposits	2,035,570	2,081,420	1,160,000
Commercial papers	<u>59,905</u>	<u>-</u>	<u>179,935</u>
	<u>\$ 2,232,505</u>	<u>\$ 2,361,816</u>	<u>\$ 1,804,482</u>

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

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Bank deposits	0.05%-1.35%	0.15%-1.05%	0.001%-0.35%
Time deposits	0.465%-4.70%	0.31%-4.30%	0.19%-0.78%
Commercial papers	0.65%	-	0.35%

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

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Financial assets - current</u>			
Mandatorily measured at FVTPL			
Non-derivatives			
Listed shares - domestic	\$ <u>434</u>	\$ <u>439</u>	\$ <u>447</u>

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

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

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Notes receivable</u>			
Notes receivable - operating	\$ <u>2,770</u>	\$ <u>3,991</u>	\$ <u>3,000</u>
<u>Trade receivables</u>			
At amortized cost			
Gross carrying amount	\$ 224,286	\$ 228,100	\$ 241,802
Less: Allowance for impairment loss	<u>(1,614)</u>	<u>(2,564)</u>	<u>(1,679)</u>
	<u>\$ 222,672</u>	<u>\$ 225,536</u>	<u>\$ 240,123</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.

June 30, 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%	22.75%	42.70%	60.48%-100%	
Gross carrying amount	\$ 186,255	\$ 39,806	\$ 68	\$ 2	\$ 925	\$ 227,056
Loss allowance (Lifetime ECLs)	<u>(378)</u>	<u>(305)</u>	<u>(16)</u>	<u>(1)</u>	<u>(914)</u>	<u>(1,614)</u>
Amortized cost	<u>\$ 185,877</u>	<u>\$ 39,501</u>	<u>\$ 52</u>	<u>\$ 1</u>	<u>\$ 11</u>	<u>\$ 225,442</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>

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	\$ 181,727	\$ 61,842	\$ 347	\$ 26	\$ 860	\$ 244,802
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>\$ 181,383</u>	<u>\$ 61,408</u>	<u>\$ 303</u>	<u>\$ 16</u>	<u>\$ 13</u>	<u>\$ 243,123</u>

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

	For the Six Months Ended June 30	
	2023	2022
Balance at January 1	\$ 2,564	\$ 3,647
Less: Reversal of credit loss	(946)	(1,906)
Less: Amounts written off	<u>(4)</u>	<u>(62)</u>
Balance at June 30	<u>\$ 1,614</u>	<u>\$ 1,679</u>

## 9. OTHER FINANCIAL ASSETS

	June 30, 2023	December 31, 2022	June 30, 2022
Time deposits with maturities of more than three months	\$ <u>395,126</u>	\$ <u>113,224</u>	\$ <u>1,077,757</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, 2023	December 31, 2022	June 30, 2022
Time deposits with maturities of more than three months	1.45%-4.75%	0.95%-2.70%	0.08%-2.70%

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

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Non-current</u>			
Investments in equity instruments			
Listed shares - domestic	\$ 119,311	\$ 120,236	\$ 122,239
Unlisted shares - domestic	<u>1,204</u>	<u>1,204</u>	<u>284</u>
	<u>\$ 120,515</u>	<u>\$ 121,440</u>	<u>\$ 122,523</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, 2023	December 31, 2022	June 30, 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	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>
<u>Cost</u>					
Balance at January 1, 2023	\$ 22,789	\$ 1,982,312	\$ 5,296	\$ 893,762	\$ 2,904,159
Additions	207	16,617	-	388,791	405,615
Disposals	(54)	(31,582)	(3)	-	(31,639)
Reclassifications	-	30,426	-	(30,866)	(440)
Effect of foreign exchange differences	<u>(14)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14)</u>
Balance at June 30, 2023	<u>\$ 22,928</u>	<u>\$ 1,997,773</u>	<u>\$ 5,293</u>	<u>\$ 1,251,687</u>	<u>\$ 3,277,681</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2023	\$ (19,033)	\$ (1,780,694)	\$ (5,189)	\$ -	\$ (1,804,916)
Depreciation expense	(497)	(33,252)	(62)	-	(33,811)
Disposals	54	26,468	3	-	26,525
Reclassifications	-	-	-	-	-
Effect of foreign exchange differences	<u>12</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12</u>
Balance at June 30, 2023	<u>\$ (19,464)</u>	<u>\$ (1,787,478)</u>	<u>\$ (5,248)</u>	<u>\$ -</u>	<u>\$ (1,812,190)</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 June 30, 2023	<u>\$ 3,464</u>	<u>\$ 210,295</u>	<u>\$ 45</u>	<u>\$ 1,251,687</u>	<u>\$ 1,465,491</u>

No impairment assessment was performed for the six months ended June 30, 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	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, 2023	December 31, 2022	June 30, 2022
<u>Carrying amount</u>			
Land	\$ 566,473	\$ 572,394	\$ 578,316
Buildings	1,791,787	1,082,168	1,128,008
Transportation equipment	<u>723</u>	<u>1,466</u>	<u>1,241</u>
	<u>\$ 2,358,983</u>	<u>\$ 1,656,028</u>	<u>\$ 1,707,565</u>
	<b>For the Three Months Ended June 30</b>	<b>For the Six Months Ended June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>
	<b>2022</b>	<b>2023</b>	<b>2022</b>
Additions to right-of-use assets		<u>\$756,224</u>	<u>\$ 1,516</u>
Depreciation charge for right-of-use assets			
Land	\$ 2,960	\$ 2,960	\$ 5,921
Buildings	23,496	22,858	46,608
Transportation equipment	<u>211</u>	<u>372</u>	<u>455</u>
	<u>\$ 26,667</u>	<u>\$ 26,190</u>	<u>\$ 52,984</u>
	<u>\$ 26,667</u>	<u>\$ 26,190</u>	<u>\$ 52,984</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, 2023 and 2022.

b. Lease liabilities

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
<u>Carrying amount</u>			
Current	\$ 87,024	\$ 93,653	\$ 92,895
Non-current	<u>2,345,741</u>	<u>1,630,490</u>	<u>1,676,989</u>
	<u>\$ 2,432,765</u>	<u>\$ 1,724,143</u>	<u>\$ 1,769,884</u>

Range of discount rates for lease liabilities was as follows:

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Land	1.60%	1.60%	1.60%
Buildings	1.565%-2.10%	1.19%-1.70%	1.19%-1.70%
Transportation equipment	1.19%-1.44%	1.19%-1.44%	1.19%-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.

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, and this transaction was resolved by the shareholders in their meeting on June 29, 2023. The transaction increased the right-of-use assets and the corresponding lease liabilities by \$739,314 thousand, respectively.

d. Other lease information

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Expenses relating to low-value asset leases	<u>\$ 45</u>	<u>\$ 45</u>	<u>\$ 89</u>	<u>\$ 89</u>
Total cash outflow for leases			<u>\$ 61,935</u>	<u>\$ 61,273</u>

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

## 14. INTANGIBLE ASSETS

	<b>Computer Software</b>	<b>Others</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1, 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>
<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>
<u>Cost</u>			
Balance at January 1, 2023	\$ 63,530	\$ 31,533	\$ 95,063
Additions	980	-	980
Reclassifications	<u>440</u>	<u>-</u>	<u>440</u>
Balance at June 30, 2023	<u>\$ 64,950</u>	<u>\$ 31,533</u>	<u>\$ 96,483</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2023	\$ (41,878)	\$ -	\$ (41,878)
Amortization expense	<u>(3,177)</u>	<u>-</u>	<u>(3,177)</u>
Balance at June 30, 2023	<u>\$ (45,055)</u>	<u>\$ -</u>	<u>\$ (45,055)</u>
Carrying amount at January 1, 2023	<u>\$ 21,652</u>	<u>\$ 31,533</u>	<u>\$ 53,185</u>
Carrying amount at June 30, 2023	<u>\$ 19,895</u>	<u>\$ 31,533</u>	<u>\$ 51,428</u>

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

## 15. OTHER PAYABLES

	June 30, 2023	December 31, 2022	June 30, 2022
Payables for dividends (Note 17)	\$ 636,704	\$ -	\$ 614,937
Payables for salaries and bonuses	143,780	172,159	124,355
Payables for accrued compensation of employees and remuneration of directors	123,429	80,613	105,241
Payables for cash dividends from capital surplus	-	-	42,409
Payables for purchases of equipment	98,820	15,951	6,786
Others	<u>42,303</u>	<u>37,002</u>	<u>33,423</u>
	<u>\$ 1,045,036</u>	<u>\$ 305,725</u>	<u>\$ 927,151</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, 2023 and 2022, the pension expenses of defined benefit plans were \$33 thousand, \$12 thousand, \$66 thousand and \$23 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

	June 30, 2023	December 31, 2022	June 30, 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>
Stock dividends to be distributed	<u>\$ 70,745</u>	<u>\$ -</u>	<u>\$ -</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.

On June 29, 2023, the Company's shareholders resolved to issue 7,075 thousand shares with par value of \$10 from the retained earnings which will increase the share capital issued and fully paid to \$778,194 thousand. The above transaction has been approved by the FSC on July 14, 2023. The subscription base date will be proposed as August 25, 2023 by the Company's board of directors in their meeting to be held on July 27, 2023.

b. Capital surplus

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Issuance of ordinary shares	\$ 1,335,782	\$ 1,335,782	\$ 1,317,299
Employee share options	15,134	12,346	16,154
Donations	<u>1,013</u>	<u>1,013</u>	<u>765</u>
	<u>\$ 1,351,929</u>	<u>\$ 1,349,141</u>	<u>\$ 1,334,218</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:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For Fiscal Year 2022</b>	<b>For Fiscal Year 2021</b>	<b>For Fiscal Year 2022</b>	<b>For Fiscal Year 2021</b>
Legal reserve	\$ 83,508	\$ 68,580		
(Reversal) appropriation of special reserve	(8,938)	3,935		
Cash dividends	636,704	614,937	\$ 9.00	\$ 8.70
Share dividends	70,745	-	1.00	-

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, and it had been resolved by the shareholders in their meeting 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 and 2022 have been resolved by the shareholders in their meeting on June 7, 2022 and on June 29, 2023, 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

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Major products and service revenue				
Revenue from data service	\$ 351,631	\$ 339,557	\$ 702,859	\$ 677,559
Revenue from IDC service	240,788	241,096	509,006	480,178
Revenue from cloud service	129,238	123,398	256,521	240,893
Revenue from voice service	<u>69,868</u>	<u>61,649</u>	<u>127,278</u>	<u>116,822</u>
	<u>\$ 791,525</u>	<u>\$ 765,700</u>	<u>\$ 1,595,664</u>	<u>\$ 1,515,452</u>
Revenue from contracts with customers				
Revenue from telecommunications service	\$ 791,012	\$ 742,353	\$ 1,563,566	\$ 1,468,277
Revenue from rendering of services	-	23,276	30,602	46,951
Revenue from sale of goods	<u>513</u>	<u>71</u>	<u>1,496</u>	<u>224</u>
	<u>\$ 791,525</u>	<u>\$ 765,700</u>	<u>\$ 1,595,664</u>	<u>\$ 1,515,452</u>

Contract liabilities

	June 30, 2023	December 31, 2022	June 30, 2022	January 1, 2022
Telecommunications business	<u>\$ 44,663</u>	<u>\$ 52,978</u>	<u>\$ 32,368</u>	<u>\$ 38,557</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, 2023 and 2022 was \$6,334 thousand, \$3,371 thousand, \$28,355 thousand and \$25,301 thousand, respectively.

**19. NET INCOME**

a. Other operating income and expenses

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Gain on disposal of property, plant and equipment	<u>\$ 556</u>	<u>\$ 3</u>	<u>\$ 638</u>	<u>\$ 18</u>

b. Finance costs

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Interest on lease liabilities	\$ 7,339	\$ 7,394	\$ 14,555	\$ 14,885
Other	<u>65</u>	<u>32</u>	<u>143</u>	<u>65</u>
	<u>\$ 7,404</u>	<u>\$ 7,426</u>	<u>\$ 14,698</u>	<u>\$ 14,950</u>

c. Depreciation and amortization expenses

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Property, plant and equipment	\$ 17,124	\$ 17,027	\$ 33,811	\$ 34,537
Right-of-use assets	26,667	26,190	52,984	52,470
Intangible assets	<u>1,532</u>	<u>2,278</u>	<u>3,177</u>	<u>4,524</u>
	<u>\$ 45,323</u>	<u>\$ 45,495</u>	<u>\$ 89,972</u>	<u>\$ 91,531</u>

(Continued)

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
An analysis of depreciation by function				
Operating costs	\$ 41,204	\$ 40,870	\$ 81,764	\$ 82,222
Operating expenses	<u>2,587</u>	<u>2,347</u>	<u>5,031</u>	<u>4,785</u>
	<u>\$ 43,791</u>	<u>\$ 43,217</u>	<u>\$ 86,795</u>	<u>\$ 87,007</u>
An analysis of amortization by function				
Operating costs	\$ 1,415	\$ 1,661	\$ 2,770	\$ 3,292
Operating expenses	<u>117</u>	<u>617</u>	<u>407</u>	<u>1,232</u>
	<u>\$ 1,532</u>	<u>\$ 2,278</u>	<u>\$ 3,177</u>	<u>\$ 4,524</u>

(Concluded)

d. Employee benefits expense

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Post-employment benefits				
Defined contribution plan	\$ 2,014	\$ 1,799	\$ 4,001	\$ 3,590
Defined benefit plans (Note 16)	<u>33</u>	<u>12</u>	<u>66</u>	<u>23</u>
	<u>2,047</u>	<u>1,811</u>	<u>4,067</u>	<u>3,613</u>
Share-based payment				
Employee share options (Note 22)	<u>1,393</u>	<u>2,450</u>	<u>2,788</u>	<u>4,898</u>
Other employee benefits				
Salaries	83,488	77,813	169,261	155,602
Insurance	5,154	4,695	10,170	9,367
Other employee benefits	<u>23,081</u>	<u>21,434</u>	<u>46,770</u>	<u>42,308</u>
	<u>111,723</u>	<u>103,942</u>	<u>226,201</u>	<u>207,277</u>
Total employee benefits expense	<u>\$ 115,163</u>	<u>\$ 108,203</u>	<u>\$ 233,056</u>	<u>\$ 215,788</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 12,896	\$ 10,881	\$ 24,548	\$ 21,597
Operating expenses	<u>102,266</u>	<u>97,322</u>	<u>208,507</u>	<u>194,191</u>
	<u>\$ 115,162</u>	<u>\$ 108,203</u>	<u>\$ 233,055</u>	<u>\$ 215,788</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, 2023 and 2022 were as follows:

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Compensation of employees	<u>\$ 20,248</u>	<u>\$ 18,683</u>	<u>\$ 41,137</u>	<u>\$ 36,835</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 appropriations of employees' compensation and the remuneration of directors of for the years ended December 31, 2022 and 2021, which were resolved by the Company's board of directors on February 16, 2022 and February 17, 2023, respectively, were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
	<b>Cash</b>	<b>Cash</b>
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:

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Current tax				
In respect of the current period	\$ 55,980	\$ 49,790	\$ 113,015	\$ 97,828
Deferred tax				
In respect of the current period	<u>582</u>	<u>78</u>	<u>1,027</u>	<u>511</u>
Income tax expense recognized in profit or loss	<u>\$ 56,562</u>	<u>\$ 49,868</u>	<u>\$ 114,042</u>	<u>\$ 98,339</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**

	<b>Unit: NT\$ Per Share</b>			
	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Basic earnings per share				
Total basic earnings per share	<u>\$ 3.06</u>	<u>\$ 2.86</u>	<u>\$ 6.23</u>	<u>\$ 5.65</u>
Pro forma earnings per share that was adjusted retrospectively to reflect the effects of changes in the number of shares resulting from the stock dividends to common stock (August 25, 2023, estimated) after these consolidated financial statements were approved	<u>\$ 2.78</u>	<u>\$ 2.86</u>	<u>\$ 5.67</u>	<u>\$ 5.65</u>
Diluted earnings per share				
Total diluted earnings per share	<u>\$ 3.06</u>	<u>\$ 2.85</u>	<u>\$ 6.21</u>	<u>\$ 5.62</u>
Pro forma earnings per share that was adjusted retrospectively to reflect the effects of changes in the number of shares resulting from the stock dividends to common stock (August 25, 2023, estimated) after these consolidated financial statements were approved	<u>\$ 2.78</u>	<u>\$ 2.85</u>	<u>\$ 5.65</u>	<u>\$ 5.62</u>

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

**Net Income**

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Net income used to compute the basic and diluted earnings per share				
Net income attributable to the parent	<u>\$ 216,631</u>	<u>\$ 202,225</u>	<u>\$ 441,007</u>	<u>\$ 398,685</u>

## Weighted Average Number of Shares

(Thousand Shares)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Weighted average number of ordinary shares used in the computation of basic earnings per share	70,745	70,682	70,745	70,596
Effect of potentially dilutive ordinary shares				
Employee share options	54	10	49	96
Compensation of employees	<u>55</u>	<u>127</u>	<u>180</u>	<u>190</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>70,854</u>	<u>70,819</u>	<u>70,974</u>	<u>70,882</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 and six months ended June 30, 2023 and 2022 were as follows:

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Granted on November 13, 2020	\$ 1,393	\$ 2,432	\$ 2,788	\$ 4,863
Granted on October 31, 2018	<u>-</u>	<u>18</u>	<u>-</u>	<u>35</u>
	<u>\$ 1,393</u>	<u>\$ 2,450</u>	<u>\$ 2,788</u>	<u>\$ 4,898</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:

	<b>For the Six Months Ended June 30, 2022</b>	
	<b>Granted on November 13, 2020</b>	
	<b>Number of Options</b>	<b>Weighted Average Exercise Price (NT\$)</b>
Options outstanding at beginning of the period	142.25	\$193.50
Options exercised	-	-
Options forfeited	<u>(1.50)</u>	-
Options outstanding at end of the period	<u>140.75</u>	193.50
Options exercisable at end of the period	<u>0.50</u>	193.50
Weighted average remaining contractual life (years)	2.37	

	<b>For the Six Months Ended June 30, 2022</b>					
	<b>Granted on November 13, 2020</b>		<b>Granted on October 31, 2018</b>		<b>Granted on December 19, 2017</b>	
	<b>Number of Options</b>	<b>Weighted Average Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted Average Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted Average Exercise Price (NT\$)</b>
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	<u>-</u>	-	<u>-</u>	-	<u>-</u>	-
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

(Continued)

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 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	(Concluded)

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, 2023 and 2022:

	For the Six Months Ended June 30	
	2023	2022
Increase in property, plant and equipment	\$ 405,615	\$ 269,903
Changes in payables for equipment	<u>(82,869)</u>	<u>7,761</u>
	<u>\$ 322,746</u>	<u>\$ 277,664</u>

The cash dividends resolved by the board of directors on February 16, 2023 were not yet distributed as of June 30, 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

June 30, 2023

	<b>Fair Value</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<u>Financial assets at FVTPL</u>				
Listed shares - domestic	\$ <u>434</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>434</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Listed shares - domestic	\$ 119,311	\$ -	\$ -	\$ 119,311
Unlisted shares - domestic	<u>-</u>	<u>-</u>	<u>1,204</u>	<u>1,204</u>
	<u>\$ 119,311</u>	<u>\$ -</u>	<u>\$ 1,204</u>	<u>\$ 120,515</u>

December 31, 2022

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

June 30, 2022

	<b>Fair Value</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<u>Financial assets at FVTPL</u>				
Listed shares - 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>

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

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
<u>Financial assets</u>			
Financial assets at amortized cost (Note 1)	\$ 2,861,510	\$ 2,713,195	\$ 3,135,393
Financial assets at FVTPL	434	439	447
Financial assets at FVTOCI			
Equity instruments	120,515	121,440	122,523
<u>Financial liabilities</u>			
Amortized cost (Note 2)	974,981	243,755	893,616

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, 2023	December 31, 2022	June 30, 2022
Assets			
USD	\$ 98,597	\$ 94,240	\$ 109,269
Liabilities			
USD	25,581	20,952	34,484

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.

	<b>For the Six Months Ended</b>	
	<b>June 30</b>	
	<b>2023</b>	<b>2022</b>
Profit or loss		
Monetary assets and liabilities (Note)		
USD	\$ 3,651	\$ 3,739

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, 2023	December 31, 2022	June 30, 2022
Fair value interest rate risk			
Financial assets	\$ 2,490,601	\$ 2,194,644	\$ 2,417,692
Financial liabilities	2,432,765	1,724,143	1,769,884
Cash flow interest rate risk			
Financial assets	136,864	280,236	464,387

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, 2023 and 2022 would have decreased/increased by \$171 thousand and \$580 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, 2023

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>	<b>Total</b>
Non-derivative financial liabilities						
Non-interest bearing	\$ 268,750	\$ 636,704	\$ -	\$ 69,527	\$ -	\$ 974,981
Lease liabilities	<u>11,248</u>	<u>22,384</u>	<u>100,319</u>	<u>538,203</u>	<u>2,416,163</u>	<u>3,088,317</u>
	<u>\$ 279,998</u>	<u>\$ 659,088</u>	<u>\$ 100,319</u>	<u>\$ 607,730</u>	<u>\$ 2,416,163</u>	<u>\$ 4,063,298</u>

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

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15+ Years</b>	<b>Total</b>
Lease liabilities	<u>\$ 133,951</u>	<u>\$ 538,203</u>	<u>\$ 657,792</u>	<u>\$ 636,584</u>	<u>\$ 1,121,787</u>	<u>\$ 3,088,317</u>

December 31, 2022

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>	<b>Total</b>
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:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15+ Years</b>	<b>Total</b>
Lease liabilities	<u>\$ 121,477</u>	<u>\$ 491,480</u>	<u>\$ 603,987</u>	<u>\$ 300,375</u>	<u>\$ 581,082</u>	<u>\$ 2,098,401</u>

June 30, 2022

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>	<b>Total</b>
Non-derivative financial liabilities						
Non-interest bearing	\$ 156,481	\$ 657,346	\$ -	\$ 79,789	\$ -	\$ 893,616
Lease liabilities	<u>10,209</u>	<u>20,418</u>	<u>90,872</u>	<u>490,193</u>	<u>1,546,944</u>	<u>2,158,636</u>
	<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:

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

b) Financing facilities

	June 30, 2023	December 31, 2022	June 30, 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

Related Party Category	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Parent company	\$ 50,255	\$ 57,950	\$ 100,076	\$ 122,228
Fellow subsidiaries				
Chunghwa Singapore	22,577	14,379	36,643	25,278
Others	1,923	1,825	3,762	3,333
Associates				
So-net	35,843	34,859	71,327	69,415
Others	22	22	44	44
Other related parties	<u>6,011</u>	<u>6,417</u>	<u>12,599</u>	<u>13,107</u>
	<u>\$ 116,631</u>	<u>\$ 115,452</u>	<u>\$ 224,451</u>	<u>\$ 233,405</u>

2) Operating costs and expenses

Related Party Category	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Parent company	\$ 120,824	\$ 120,866	\$ 239,183	\$ 240,264
Fellow subsidiaries				
Light Era	21,401	21,085	42,591	42,170
Others	18,131	10,731	28,239	23,375
Associates	341	437	611	586
Other related parties	<u>685</u>	<u>735</u>	<u>1,381</u>	<u>1,461</u>
	<u>\$ 161,382</u>	<u>\$ 153,854</u>	<u>\$ 312,005</u>	<u>\$ 307,856</u>

3) Receivables from related parties

	June 30, 2023	December 31, 2022	June 30, 2022
Parent company	\$ 8,744	\$ 10,772	\$ 8,633
Fellow subsidiaries			
Chunghwa Singapore	7,141	5,760	2,963
Others	79	56	454
Associates			
So-net	24,681	24,244	23,759
Others	<u>-</u>	<u>-</u>	<u>8</u>
	<u>\$ 40,645</u>	<u>\$ 40,832</u>	<u>\$ 35,817</u>

4) Payables to related parties

	June 30, 2023	December 31, 2022	June 30, 2022
Parent company	\$ 60,593	\$ 60,896	\$ 58,391
Fellow subsidiaries	<u>5,804</u>	<u>6,159</u>	<u>2,295</u>
	<u>\$ 66,397</u>	<u>\$ 67,055</u>	<u>\$ 60,686</u>

5) Prepayments

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Parent company	\$ 15,536	\$ 21,821	\$ 4,012
Fellow subsidiaries	<u>-</u>	<u>23</u>	<u>-</u>
	<u>\$ 15,536</u>	<u>\$ 21,844</u>	<u>\$ 4,012</u>

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

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Parent company	<u>\$ 2,468</u>	<u>\$ 2,231</u>	<u>\$ 2,254</u>

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

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Parent company	<u>\$ 7,689</u>	<u>\$ 9,695</u>	<u>\$ 11,701</u>

8) Refundable deposits (classified as other noncurrent assets)

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
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.

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
<u>Lease liability</u>			
Parent company	\$ 580,853	\$ 583,491	\$ 586,108
Light-Era	<u>1,796,416</u>	<u>1,082,413</u>	<u>1,122,284</u>
	<u>\$ 2,377,269</u>	<u>\$ 1,665,904</u>	<u>\$ 1,708,392</u>

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<u>Interest expense</u>				
Parent company	\$ 2,322	\$ 2,343	\$ 4,649	\$ 4,691
Light-Era	<u>4,780</u>	<u>4,791</u>	<u>9,428</u>	<u>9,666</u>
	<u>\$ 7,102</u>	<u>\$ 7,134</u>	<u>\$ 14,077</u>	<u>\$ 14,357</u>

10) Contract liabilities

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Parent company	\$ 324	\$ 767	\$ 324
Fellow subsidiaries Chunghwa Japan	<u>65</u>	<u>68</u>	<u>-</u>
	<u>\$ 389</u>	<u>\$ 835</u>	<u>\$ 324</u>

11) Guarantee deposits received

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Fellow subsidiaries Honghwa International	<u>\$ 20</u>	<u>\$ 20</u>	<u>\$ 20</u>

c. Compensation of key management personnel

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Short-term employee benefits	\$ 7,436	\$ 6,322	\$ 28,137	\$ 23,528
Post-employment benefits	202	199	404	398
Share-based payments	<u>240</u>	<u>401</u>	<u>475</u>	<u>802</u>
	<u>\$ 7,878</u>	<u>\$ 6,922</u>	<u>\$ 29,016</u>	<u>\$ 24,728</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, 2023

	<b>Foreign Currency (Thousands)</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollar (Thousands)</b>
<u>Assets denominated in foreign currencies</u>			
Monetary items			
Cash and cash equivalents			
USD	\$ 653	31.14	\$ 20,347
Trade receivables			
USD	2,513	31.14	78,250
<u>Liabilities denominated in foreign currencies</u>			
Monetary items			
Accounts payable			
USD	821	31.14	25,581

December 31, 2022

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Assets denominated in foreign currencies</u>			
Monetary items			
Cash and cash equivalents			
USD	\$ 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

June 30, 2022

	<b>Foreign Currency (Thousands)</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollar (Thousands)</b>
<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

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

	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Unrealized exchange gains	\$ 1,036	\$ 2,541	\$ 2,986	\$ 7,157
Realized exchange gains (losses)	<u>1,638</u>	<u>2,343</u>	<u>(502)</u>	<u>1,342</u>
	<u>\$ 2,674</u>	<u>\$ 4,884</u>	<u>\$ 2,484</u>	<u>\$ 8,499</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, 2023 and 2022.

**CHIEF TELECOM INC. AND SUBSIDIARIES**

**MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES)**

**JUNE 30, 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	June 30, 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	\$ 101,947	-	\$ 101,947	Note
	WT Microelectronics Co., Ltd.	-	Financial assets at FVTOCI	361	17,364	-	17,364	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	434	-	434	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, 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	Sales	\$ 100,076	6	30 days	\$ -	-	\$ 7,827	3
	Chunghwa Telecom Co., Ltd.	Parent company	Purchases	238,958	30	30 days	-	-	(60,593)	(47)

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, 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 June 30, 2023			Net Income (Loss) of the Investee	Recognized Gain (Loss) (Notes 1 and 2)	Note
				June 30, 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	\$ 1,273	\$ 59	\$ 59	Subsidiary
	Chief International Corp.	Samoa Islands	Telecommunications and internet service	6,068	6,068	200	100	108,127	4,948	4,948	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, 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 June 30, 2023	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of June 30, 2023	Accumulated Inward Remittance of Earnings as of June 30, 2023	Note
					Outflow	Inflow							
Shanghai Chief Telecom Co., Ltd.	Telecommunications and internet service	\$ 10,150	a.	\$ 4,973	\$ -	\$ -	\$ 4,973	\$ (90)	49	\$ (44)	\$ 8,757	\$ 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	\$ 1,877,593

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, 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.