

CHIEF TELECOM INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
MARCH 31, 2024 AND 2023

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

PWCR 23000694

To the Board of Directors and Shareholders of CHIEF Telecom Inc.:

Introduction

We have reviewed the accompanying consolidated balance sheet of CHIEF Telecom Inc. and subsidiaries (the "Group") as at March 31, 2024, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three months then ended, and notes to the consolidated financial statements, including a summary of material accounting policies. Management is responsible for the preparation and fair presentation of these 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" that came into effect as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

we conducted our review in accordance with the Standard on Review Engagements 2410, "Review of Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. 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 review, nothing has come to our attention that causes 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 at March 31, 2024, and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" that came into effect as endorsed by the Financial Supervisory Commission.

Other matter - Prior period financial statements reviewed by other auditors

The consolidated financial statements of the Group for the three months ended March 31, 2023, were audited by other auditors who expressed an unmodified conclusion on those statements dated April 27, 2023.

Chen, Hsien-Cheng

Chou, Hsiao-Tzu

For and on behalf of PricewaterhouseCoopers, Taiwan

April 25, 2024

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

CHIEF TELECOM INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2024, DECEMBER 31, 2023 AND MARCH 31, 2023
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	March 31, 2024		December 31, 2023		March 31, 2023		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 1,801,579	25	\$ 1,981,999	28	\$ 2,541,789	43
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		421	-	421	-	442	-
1150	Notes receivable, net	6(4)	4,124	-	2,502	-	3,983	-
1170	Accounts receivable, net	6(4)	228,480	3	187,102	3	204,600	3
1180	Accounts receivable due from	6(4) and 7						
	related parties, net		37,326	1	42,619	-	33,396	1
130X	Inventories		2,785	-	3,031	-	3,261	-
1410	Prepayments	7	99,743	2	114,971	2	49,659	1
1476	Other current financial assets	6(5)	80,000	1	76,763	1	133,293	2
1479	Other current assets, others	7	17,820	-	17,076	-	20,055	-
11XX	Total current assets		<u>2,272,278</u>	<u>32</u>	<u>2,426,484</u>	<u>34</u>	<u>2,990,478</u>	<u>50</u>
Non-current assets								
1517	Non-current financial asset	6(3)						
	measured at fair value through							
	other comprehensive income		117,013	2	116,420	2	122,699	2
1600	Property, plant and equipment	6(6)	2,375,977	33	2,201,880	31	1,141,089	19
1755	Right-of-use assets	6(7) and 7	2,278,868	32	2,305,615	32	1,645,621	27
1780	Intangible assets	6(8)	50,285	1	49,650	1	52,247	1
1840	Deferred income tax assets	6(23)	1,374	-	1,411	-	2,050	-
1900	Other non-current assets	7	30,132	-	33,977	-	31,892	1
15XX	Total non-current assets		<u>4,853,649</u>	<u>68</u>	<u>4,708,953</u>	<u>66</u>	<u>2,995,598</u>	<u>50</u>
1XXX	Total assets		<u>\$ 7,125,927</u>	<u>100</u>	<u>\$ 7,135,437</u>	<u>100</u>	<u>\$ 5,986,076</u>	<u>100</u>

(Continued)

CHIEF TELECOM INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2024, DECEMBER 31, 2023 AND MARCH 31, 2023
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	March 31, 2024		December 31, 2023		March 31, 2023		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(9)	\$ 100,000	1	\$ -	-	\$ -	-
2130	Current contract liabilities	6(16) and 7	25,418	-	35,609	1	42,826	1
2150	Notes payable		-	-	28	-	28	-
2170	Accounts payable		49,997	1	57,072	1	46,554	1
2180	Accounts payable to related parties	7	67,221	1	67,898	1	56,894	1
2200	Other payables	6(10)	1,192,592	17	737,671	10	919,745	15
2230	Current tax liabilities		183,132	3	123,985	2	175,841	3
2280	Lease liability - current	7	89,526	1	88,685	1	95,144	2
2300	Other current liabilities		24,439	-	26,401	-	21,402	-
21XX	Total current liabilities		<u>1,732,325</u>	<u>24</u>	<u>1,137,349</u>	<u>16</u>	<u>1,358,434</u>	<u>23</u>
Non-current liabilities								
2570	Deferred income tax liabilities	6(23)	1,700	-	677	-	929	-
2580	Lease liability - non-current	7	2,278,676	32	2,301,125	32	1,621,461	27
2640	Net defined benefit liability, non-current	6(11)	9,639	-	9,812	-	10,799	-
2645	Guarantee deposits received	7	69,220	1	71,173	1	82,660	1
25XX	Total non-current liabilities		<u>2,359,235</u>	<u>33</u>	<u>2,382,787</u>	<u>33</u>	<u>1,715,849</u>	<u>28</u>
2XXX	Total Liabilities		<u>4,091,560</u>	<u>57</u>	<u>3,520,136</u>	<u>49</u>	<u>3,074,283</u>	<u>51</u>
Equity								
Equity attributable to owners of parent								
Share capital								
3110	Ordinary share	6(13)	778,664	11	778,664	11	707,449	12
Capital surplus								
3200	Capital surplus	6(14)	1,362,812	19	1,361,996	19	1,350,536	23
Retained earnings								
3310	Legal reserve	6(15)	495,424	7	495,424	7	411,916	7
3320	Special reserve		1,988	-	1,988	-	10,926	-
3350	Undistributed earnings		391,473	6	974,825	14	422,992	7
Other equity interest								
3400	Other equity interest		(1,803)	-	(7,327)	-	(1,522)	-
31XX	Total equity attributable to owners of parent		<u>3,028,558</u>	<u>43</u>	<u>3,605,570</u>	<u>51</u>	<u>2,902,297</u>	<u>49</u>
36XX	Non-controlling interests		<u>5,809</u>	<u>-</u>	<u>9,731</u>	<u>-</u>	<u>9,496</u>	<u>-</u>
3XXX	Total equity		<u>3,034,367</u>	<u>43</u>	<u>3,615,301</u>	<u>51</u>	<u>2,911,793</u>	<u>49</u>
3X2X	Total liabilities and equity		<u>\$ 7,125,927</u>	<u>100</u>	<u>\$ 7,135,437</u>	<u>100</u>	<u>\$ 5,986,076</u>	<u>100</u>

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

CHIEF TELECOM INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

				Three months ended March 31			
				2024		2023	
Items	Notes	AMOUNT	%	AMOUNT	%		
4000	Operating revenue	6(16) and 7	\$ 855,204	100	\$ 804,139	100	
5000	Operating costs	6(21)(22) and 7	(432,574)	(51)	(405,864)	(50)	
5900	Gross profit		422,630	49	398,275	50	
	Operating expenses	6(21)(22) and 7					
6100	Selling expenses		(86,232)	(10)	(81,551)	(10)	
6200	Administrative expenses		(30,660)	(3)	(31,177)	(4)	
6300	Research and development expenses		(5,672)	(1)	(4,552)	(1)	
6450	Expected credit gain	12(2)	637	-	420	-	
6000	Total operating expenses		(121,927)	(14)	(116,860)	(15)	
6500	Net other income (expenses)	6(17)	-	-	82	-	
6900	Operating income		300,703	35	281,497	35	
	Non-operating income and expenses						
7100	Interest income	6(18)	7,109	1	7,739	1	
7010	Other income		93	-	118	-	
7020	Other gains and losses	6(3)(19)	7,361	1	(187)	-	
7050	Finance costs	6(20)	(11,839)	(2)	(7,294)	(1)	
7000	Total non-operating income and expenses		2,724	-	376	-	
7900	Profit before income tax		303,427	35	281,873	35	
7950	Income tax expense	6(23)	(61,228)	(7)	(57,480)	(7)	
8200	Profit for the period		\$ 242,199	28	\$ 224,393	28	
	Other comprehensive income						
	Components of other comprehensive income that will not be reclassified to profit or loss						
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)	\$ 593	-	\$ 1,259	-	
	Components of other comprehensive income that will be reclassified to profit or loss						
8361	Other comprehensive income, before tax, exchange differences on translation		5,126	1	(723)	-	
8300	Other comprehensive income for the year, net of tax		\$ 5,719	1	\$ 536	-	
8500	Total comprehensive income for the year		\$ 247,918	29	\$ 224,929	28	
	Net income attributable to:						
8610	Owners of the parent		\$ 242,032	28	\$ 224,376	28	
8620	Non-controlling interests		167	-	17	-	
	Total		\$ 242,199	28	\$ 224,393	28	
	Total comprehensive income attributable to:						
8710	Owners of the parent		\$ 247,556	29	\$ 224,844	28	
8720	Non-controlling interests		362	-	85	-	
	Total		\$ 247,918	29	\$ 224,929	28	
	Basic earnings per share	6(24)					
9750	Basic earnings per share		\$	3.11	\$	2.88	
	Diluted earnings per share	6(24)					
9850	Diluted earnings per share		\$	3.10	\$	2.87	

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

CHIEF TELECOM INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of the parent										Non-controlling interests	Total Equity
	Notes	Retained earnings			Other equity interest			Total	Non-controlling interests	Total Equity		
		Share capital - common stock	Capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations					
<u>2023</u>												
Balance at January 1, 2023		\$ 707,449	\$ 1,349,141	\$ 411,916	\$ 10,926	\$ 835,320	\$ 743	(\$ 2,733)	\$ 3,312,762	\$ 15,050	\$ 3,327,812	
Net income for the period		-	-	-	-	224,376	-	-	224,376	17	224,393	
Other comprehensive (loss) income		-	-	-	-	-	(791)	1,259	468	68	536	
Total comprehensive income(loss) for the period		-	-	-	-	224,376	(791)	1,259	224,844	85	224,929	
Appropriation and distribution of 2022 retained earnings:	6(15)	-	-	-	-	(636,704)	-	-	(636,704)	-	(636,704)	
Cash dividends	6(12)	-	1,395	-	-	-	-	-	1,395	-	1,395	
Share-based payment transactions		-	-	-	-	-	-	-	-	-	-	
Subsidiaries' cash dividends distributed to shareholders		-	-	-	-	-	-	-	-	(5,639)	(5,639)	
Balance at March 31, 2023		\$ 707,449	\$ 1,350,536	\$ 411,916	\$ 10,926	\$ 422,992	(\$ 48)	(\$ 1,474)	\$ 2,902,297	\$ 9,496	\$ 2,911,793	
<u>2024</u>												
Balance at January 1, 2024		\$ 778,664	\$ 1,361,996	\$ 495,424	\$ 1,988	\$ 974,825	\$ 425	(\$ 7,752)	\$ 3,605,570	\$ 9,731	\$ 3,615,301	
Net income for the period		-	-	-	-	242,032	-	-	242,032	167	242,199	
Other comprehensive income		-	-	-	-	-	4,931	593	5,524	195	5,719	
Total comprehensive income for the period		-	-	-	-	242,032	4,931	593	247,556	362	247,918	
Appropriation and distribution of 2023 retained earnings:	6(15)	-	-	-	-	(825,384)	-	-	(825,384)	-	(825,384)	
Cash dividends	6(12)	-	816	-	-	-	-	-	816	-	816	
Share-based payment transactions		-	-	-	-	-	-	-	-	-	-	
Subsidiaries' cash dividends distributed to shareholders		-	-	-	-	-	-	-	-	(4,284)	(4,284)	
Balance at March 31, 2024		\$ 778,664	\$ 1,362,812	\$ 495,424	\$ 1,988	\$ 391,473	\$ 5,356	(\$ 7,159)	\$ 3,028,558	\$ 5,809	\$ 3,034,367	

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

CHIEF TELECOM INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars)

	Notes	Three months ended March 31	
		2024	2023
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 303,427	\$ 281,873
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(6)(7)(21)	44,451	43,004
Amortisation charge	6(8)(21)	1,598	1,645
Gain on reversal of expected credit losses	12(2)	(637)	(420)
Net gains on financial assets at fair value through profit or loss	6(2)	-	(3)
Interest expense	6(20)	11,839	7,294
Interest income	6(18)	(7,109)	(7,739)
Compensation costs of employee stock options	6(12)	816	1,395
Gains on disposals of property, plant and equipment	6(6)(21)	-	(82)
Gain on disposal of financial assets	6(2)(19)	(1,073)	-
Gain on reversal of loss on decline in market value		(5)	(11)
Unrealised foreign exchange gain		(8,485)	(1,950)
Changes in assets and liabilities			
Changes in operating assets			
Notes receivable		(1,622)	8
Accounts receivable		(37,913)	(17,978)
Accounts receivable due from related parties		5,336	7,481
Inventories		251	311
Prepayments		15,228	3,353
Other current assets		360	4,183
Changes in operating liabilities			
Current contract liabilities		(10,191)	(10,152)
Notes payable		(28)	(47)
Accounts payable		(7,630)	4,487
Accounts payable to related parties		(677)	(10,161)
Other payables		(21,690)	(31,245)
Other current liabilities		(1,962)	2,751
Net defined benefit liability, non-current		(173)	(160)
Cash inflow generated from operations		284,111	277,837
Interest paid		(11,797)	(7,294)
Income tax paid		(1,021)	(912)
Net cash flows from operating activities		271,293	269,631
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at fair value through profit or loss		(3,395)	-
Proceeds from disposal of financial assets at fair value through profit or loss		4,468	-
Acquisition of property, plant and equipment	6(25)	(541,594)	(50,410)
Proceeds from disposal of property, plant and equipment		486	82
Acquisition of intangible assets	6(8)	(962)	(267)
Increase in time deposits with maturity over three months		(16,000)	(120,000)
Decrease in time deposits with maturity over three months		16,135	100,000
Interest received		6,005	6,179
Decrease in other non-current assets		3,358	3,177
Net cash flows used in investing activities		(531,499)	(61,239)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings	6(26)	100,000	-
Repayment of principal of lease liabilities	6(26)	(21,901)	(23,446)
Increase in refundable deposits		1,837	2,906
Decrease in guarantee deposits received		(3,790)	(1,829)
Cash dividends paid to non-controlling interest		(4,284)	(5,639)
Net cash flows from (used in) financing activities		71,862	(28,008)
Effect of changes in exchange rates		7,924	(411)
Net (decrease) increase in cash and cash equivalents		(180,420)	179,973
Cash and cash equivalents at beginning of period		1,981,999	2,361,816
Cash and cash equivalents at end of period		\$ 1,801,579	\$ 2,541,789

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

CHIEF TELECOM INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2024 AND 2023

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

(Reviewed, not audited)

1. History and Organization

(1) Chief Telecom Inc. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) in January 1991. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in offering network integration, internet data center (“IDC”), communications integration, and cloud application services. Chunghwa Telecom Co., Ltd. and its subsidiaries were holding 58.63%, 58.63% and 58.67% of the shares of the Group as of March 31, 2024, December 31, 2023 and March 31, 2023, respectively. Chunghwa Telecom Co., Ltd. is the ultimate parent company of the Company.

(2) On June 5, 2018, the ordinary shares of the parent company were listed and traded on the Taipei Exchange (the “TPEX”).

2. The Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation

These consolidated financial statements were authorised for issuance by the Board of Directors on April 25, 2024.

3. Application of New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS[®]”) Accounting Standards that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by FSC and became effective from 2024 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 16, ‘Lease liability in a sale and leaseback’	January 1, 2024
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
Amendments to IAS 7 and IFRS 7, ‘Supplier finance arrangements’	January 1, 2024

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(2) Effect of new issuances of or amendments to IFRS Accounting Standards as endorsed by the FSC but not yet adopted by the Group

None.

(3) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRS Accounting Standards as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
IFRS 18, 'Presentation and disclosure in financial statements'	January 1, 2027
Amendments to IAS 21, 'Lack of exchangeability'	January 1, 2025

The Group has assessed that the above standards and interpretations had no material impact on the Group's financial condition and financial performance, except for the impact of IFRS 18, "Presentation and disclosure in financial statements", which has yet to be assessed.

4. Summary of Material Accounting Policies

The material accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Accounting Standard 34, 'Interim financial reporting' that came into effect as endorsed by the FSC.

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial assets at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income measured at fair value.
- (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

B. Subsidiaries included in the consolidated financial statements

<u>Name of investor</u>	<u>Name of subsidiary</u>	<u>Main business activities</u>	<u>Ownership(%)</u>			<u>Description</u>
			<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>	
Chief Telecom Inc.	Unigate Telecom Inc.	Telecommunications and internet service	100	100	100	Notes 2 and 3
Chief Telecom Inc.	Chief International Corp.	Telecommunications and internet service	100	100	100	Notes 2 and 3
Chief Telecom Inc.	Shanghai Chief Telecom Co., Ltd.	Telecommunications and internet service	49	49	49	Notes 1, 2 and 3

Note 1: 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.

Note 2: The company’s financial statements as at December 31, 2023 were audited by the former independent auditors.

Note 3: The company’s financial statements as at March 31, 2023 were reviewed by the former independent auditors.

- C. Subsidiaries not included in the consolidated financial statements: None.
- D. Adjustments for subsidiaries with different balance sheet dates: None.
- E. Significant restrictions: None.
- F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities presented in each balance sheet are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognised in other comprehensive income.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities held mainly for trading purposes;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) It does not have the right at the end of the reporting period to defer settlement of the liability at least twelve months after the reporting period.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

- (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
- (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

For financial assets at amortised cost at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Bank and its subsidiaries have not retained control of the financial asset.

(12) Leasing arrangements (lessor) — operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(13) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- C. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

The estimated useful lives of property, plant and equipment are as follows:

Information equipment	3 ~ 5 years
Telecommunications equipment	2 ~ 30 years
Miscellaneous assets	3 ~ 5 years

(15) Leasing arrangements (lessee) – right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:
 - (a) Fixed payments, less any lease incentives receivable;
 - (b) Variable lease payments that depend on an index or a rate.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(16) Intangible assets

A. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 to 8 years.

B. IP address (indefinite useful life)

IP address is stated at cost which is considered to have an indefinite useful life and is not amortized, but is tested annually for impairment, 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.

(17) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

B. The recoverable amounts of intangible assets with an indefinite useful life are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

(18) Borrowings

Borrowings comprise short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(19) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(21) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid and are recognised as expenses in the period in which the employees render service.

B. Pensions

(a) Defined contribution plan

For the defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plan

- i. Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur.
- ii. Remeasurements arising on defined benefit plan are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(22) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(23) Income taxes

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

E. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

(24) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(25) Dividends

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. Cash dividends are recorded as liabilities in the Company's financial statements in the period in which they are resolved by the Company's Board of Directors. Stock dividends as resolved by the shareholders at their meeting are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(26) Revenue recognition

A. Sales revenue

- (a) The Group sells telecommunications equipment. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Service revenue

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

C. Telecommunications business revenue

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

Since the four types of revenue from contracts with customers are not sold as bundled sales, and the contract duration between the transfer of products and services and consideration received is one year at maximum, transaction prices are not adjusted based on significant financing components.

(27) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Group has no critical accounting judgements, estimates and key sources of assumption uncertainty.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
<u>Cash</u>			
Cash on hand	\$ 150	\$ 150	\$ 156
Cash in banks	135,560	132,097	170,919
<u>Cash equivalents (Time deposits with maturity within three months)</u>			
Bank's time deposits	1,616,000	1,730,000	2,230,900
Commercial papers	49,869	119,752	139,814
	<u>\$ 1,801,579</u>	<u>\$ 1,981,999</u>	<u>\$ 2,541,789</u>

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

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Demand deposits	0.05% ~ 1.45%	0.05% ~ 1.45%	0.05% ~ 1.25%
Time deposits	0.59% ~ 4.80%	1.30% ~ 1.40%	1.03% ~ 4.40%
Commercial papers	0.90%	0.72%	0.65%

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group has no cash and cash equivalents pledged to others.

(2) Financial assets at fair value through profit or loss

Items	March 31, 2024	December 31, 2023	March 31, 2023
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Listed stocks	\$ 448	\$ 448	\$ 448
Valuation adjustment	(27)	(27)	(6)
	\$ 421	\$ 421	\$ 442

A. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	Three months ended March 31	
	2024	2023
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	\$ 1,073	\$ 3

B. Details of the Group's financial assets at fair value through profit or loss pledged to others as collateral.

C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

(3) Financial assets at fair value through other comprehensive income

Items	March 31, 2024	December 31, 2023	March 31, 2023
Non-current items :			
Equity instruments			
Listed stocks	\$ 120,721	\$ 120,721	\$ 120,721
Unlisted stocks	1,147	1,147	1,204
	121,868	121,868	121,925
Valuation adjustment	(4,855)	(5,448)	774
	\$ 117,013	\$ 116,420	\$ 122,699

A. The Group has elected to classify preferred shares of WPG Holdings Limited and WT Microelectronics Co., Ltd., and common shares of 3 Link Information Service Co., Ltd. that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$117,013, \$116,420 and \$122,699 as at March 31, 2024, December 31, 2023 and March 31, 2023, respectively.

B. The Group recognised \$593 and \$1,259 in other comprehensive income for fair value change for the three months ended March 31, 2024 and 2023, respectively.

C. Details of the Group's financial assets at fair value through other comprehensive income pledged

to others as collateral are provided in Note 8.

D. Information relating to fair value is provided in Note 12(3).

(4) Notes and accounts receivable (including related parties)

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Notes receivable	\$ 4,124	\$ 2,502	\$ 3,983
Accounts receivable	\$ 266,191	\$ 230,839	\$ 240,137
Less: Allowance for uncollectible accounts	(385)	(1,118)	(2,141)
	<u>265,806</u>	<u>229,721</u>	<u>237,996</u>
	<u>\$ 269,930</u>	<u>\$ 232,223</u>	<u>\$ 241,979</u>

A. As of March 31, 2024, December 31, 2023 and March 31, 2023, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2023, the balance of receivables from contracts with customers amounted to \$232,091, and the allowance for uncollectible accounts amounted to \$2,564.

B. As at March 31, 2024, December 31, 2023 and March 31, 2023, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable was \$4,124, \$2,502 and \$3,983; \$265,806, \$229,721 and \$237,996, respectively.

C. Details of the Group's ageing analysis of accounts receivable is provided in Note 12(2).

D. The Group did not hold any collateral as security and did not provide any collateral for its accounts and notes receivable.

E. Information relating to credit risk is provided in Note 12(2).

(5) Other financial assets

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Time deposits with maturity over three months	\$ 80,000	\$ 76,763	\$ 133,293

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

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Time deposits with maturity over three months	<u>4.90% ~ 5.00%</u>	<u>4.80% ~ 5.00%</u>	<u>1.45% ~ 2.70%</u>

(6) Property, plant and equipment

	2024				
	Telecommunications equipment	Computer equipment	Miscellaneous equipment	Unfinished construction and equipment under acceptance	Total
At January 1					
Cost	\$ 1,999,134	\$ 27,766	\$ 5,216	\$ 1,954,159	\$ 3,986,275
Accumulated depreciation and impairment	(1,759,168)	(20,023)	(5,204)	-	(1,784,395)
	<u>\$ 239,966</u>	<u>\$ 7,743</u>	<u>\$ 12</u>	<u>\$ 1,954,159</u>	<u>\$ 2,201,880</u>
Opening net book amount as at January 1	\$ 239,966	\$ 7,743	\$ 12	\$ 1,954,159	\$ 2,201,880
Additions	18,599	-	-	174,180	192,779
Reclassifications	-	-	-	(1,271)	(1,271)
Disposals- cost	-	-	(3)	-	(3)
Disposals-accumulated depreciation	-	-	3	-	3
Depreciation expense	(16,849)	(556)	(7)	-	(17,412)
Net exchange differences-cost	-	10	-	-	10
Net exchange differences-Accumulated depreciation	-	(9)	-	-	(9)
Closing net book amount as at March 31	<u>\$ 241,716</u>	<u>\$ 7,188</u>	<u>\$ 5</u>	<u>\$ 2,127,068</u>	<u>\$ 2,375,977</u>
At March 31					
Cost	\$ 2,017,733	\$ 27,776	\$ 5,213	\$ 2,127,068	\$ 4,177,790
Accumulated depreciation and impairment	(1,776,017)	(20,588)	(5,208)	-	(1,801,813)
	<u>\$ 241,716</u>	<u>\$ 7,188</u>	<u>\$ 5</u>	<u>\$ 2,127,068</u>	<u>\$ 2,375,977</u>

	2023				
	Telecommunications equipment	Computer equipment	Miscellaneous equipment	Unfinished construction and equipment under acceptance	Total
At January 1					
Cost	\$ 1,982,312	\$ 22,789	\$ 5,296	\$ 893,762	\$ 2,904,159
Accumulated depreciation and impairment	(1,780,694)	(19,033)	(5,189)	-	(1,804,916)
	<u>\$ 201,618</u>	<u>\$ 3,756</u>	<u>\$ 107</u>	<u>\$ 893,762</u>	<u>\$ 1,099,243</u>
Opening net book amount as at January 1	\$ 201,618	\$ 3,756	\$ 107	\$ 893,762	\$ 1,099,243
Additions	5,938	-	-	53,034	58,972
Reclassifications	30,426	-	-	(30,866)	(440)
Disposals- cost	(5,434)	(16)	(3)	-	(5,453)
Disposals-accumulated depreciation	5,434	16	3	-	5,453
Depreciation expense	(16,409)	(247)	(31)	-	(16,687)
Net exchange differences-cost	-	3	-	-	3
Net exchange differences-Accumulated depreciation	-	(2)	-	-	(2)
Closing net book amount as at March 31	<u>\$ 221,573</u>	<u>\$ 3,510</u>	<u>\$ 76</u>	<u>\$ 915,930</u>	<u>\$ 1,141,089</u>
At March 31					
Cost	\$ 2,013,242	\$ 22,776	\$ 5,293	\$ 915,930	\$ 2,957,241
Accumulated depreciation and impairment	(1,791,669)	(19,266)	(5,217)	-	(1,816,152)
	<u>\$ 221,573</u>	<u>\$ 3,510</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, 2024 and 2023, respectively, as there was no indication of impairment.

(7) Lease transactions – lessee

A. The Group leases various assets including land, buildings and transportation equipment (business vehicles). Rental contracts are typically made for periods of 1 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. 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. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. Short-term leases with a lease term of 12 months or less comprise transportation equipment and multifunction printers.

C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
	<u>Book value</u>	<u>Book value</u>	<u>Book value</u>
Land	\$ 557,591	\$ 560,551	\$ 569,434
Buildings	1,720,621	1,744,158	1,075,252
Transportation equipment (Business vehicles)	656	906	935
	<u>\$ 2,278,868</u>	<u>\$ 2,305,615</u>	<u>\$ 1,645,621</u>

	<u>Three months ended March 31</u>	
	<u>2024</u>	<u>2023</u>
	<u>Depreciation expense</u>	<u>Depreciation expense</u>
Land	\$ 2,961	\$ 2,961
Buildings	23,828	23,112
Transportation equipment (Business vehicles)	250	244
	<u>\$ 27,039</u>	<u>\$ 26,317</u>

D. For the three months ended March 31, 2024 and 2023, the additions to right-of-use assets were \$290 and \$16,195, respectively.

E. Information on profit or loss in relation to lease contracts is as follows:

	<u>Three months ended March 31</u>	
	<u>2024</u>	<u>2023</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 11,679	\$ 7,216
Expense on leases of low-value assets	122	44

F. For the three months ended March 31, 2024 and 2023, the Group's total cash outflow for leases were \$33,702 and \$30,706, respectively.

(8) Intangible assets

	2024		
	Computer software	Others	Total
At January 1			
Cost	\$ 66,362	\$ 31,533	\$ 97,895
Accumulated amortisation	(48,245)	-	(48,245)
	<u>\$ 18,117</u>	<u>\$ 31,533</u>	<u>\$ 49,650</u>
Opening net book amount as at January 1	\$ 18,117	\$ 31,533	\$ 49,650
Additions	962	-	962
Reclassifications	1,271	-	1,271
Amortisation charge	(1,598)	-	(1,598)
Closing net book amount as at March 31	<u>\$ 18,752</u>	<u>\$ 31,533</u>	<u>\$ 50,285</u>
At March 31			
Cost	\$ 68,595	\$ 31,533	\$ 100,128
Accumulated amortisation	(49,843)	-	(49,843)
	<u>\$ 18,752</u>	<u>\$ 31,533</u>	<u>\$ 50,285</u>
	2023		
	Computer software	Others	Total
At January 1			
Cost	\$ 63,530	\$ 31,533	\$ 95,063
Accumulated amortisation	(41,878)	-	(41,878)
	<u>\$ 21,652</u>	<u>\$ 31,533</u>	<u>\$ 53,185</u>
Opening net book amount as at January 1	\$ 21,652	\$ 31,533	\$ 53,185
Additions	267	-	267
Reclassifications	440	-	440
Amortisation charge	(1,645)	-	(1,645)
Closing net book amount as at March 31	<u>\$ 20,714</u>	<u>\$ 31,533</u>	<u>\$ 52,247</u>
At March 31			
Cost	\$ 64,237	\$ 31,533	\$ 95,770
Accumulated amortisation	(43,523)	-	(43,523)
	<u>\$ 20,714</u>	<u>\$ 31,533</u>	<u>\$ 52,247</u>

Details of amortisation on intangible assets are as follows:

	Three months ended March 31	
	2024	2023
Operating costs	\$ 1,463	\$ 1,355
Operating expenses	135	290
	<u>\$ 1,598</u>	<u>\$ 1,645</u>

Other intangible assets are IP address acquired separately.

(9) Short-term borrowings (On March 31 and December 31, 2023: no such transactions.)

<u>Type of borrowings</u>	<u>March 31, 2024</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	<u>\$ 100,000</u>	1.695%	None

(10) Other payables

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Dividends payable	\$ 825,384	\$ -	\$ 636,704
Salary and bonus payable	133,104	178,222	124,328
Employees' compensation and directors' and supervisors' remuneration payable	111,942	88,740	102,342
Payables for purchases of equipment	79,736	428,551	24,513
Others	42,426	42,158	31,858
	<u>\$ 1,192,592</u>	<u>\$ 737,671</u>	<u>\$ 919,745</u>

(11) Pensions

- A. (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.
- (b) The pension costs under the defined contribution pension plan of the Group for the three months ended March 31, 2024 and 2023 were \$29 and \$33, respectively.
- B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under the defined contribution pension plan of the Group for the three months ended March 31, 2024 and 2023 were \$2,054 and \$1,987, respectively.

(12) Share-based payment

A. For the three months ended March 31, 2024 and 2023, the Company's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Employee share options	2020.11.13	200	5 years	2 years' service
Employee share options	2018.10.31	50	5 years	2 years' service

B. Details of the share-based payment arrangements are as follows:

	2024		2023	
	No. of options (in thousands)	Weighted-average exercise price (in dollars)	No. of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	93.00	171.70	142.25	193.50
Options granted	-	-	-	-
Options forfeited	-	-	-	-
Options exercised	-	-	-	-
Options outstanding at March 31	<u>93.00</u>	<u>171.70</u>	<u>142.25</u>	<u>193.50</u>
Options exercisable at March 31	<u>-</u>	<u>171.70</u>	<u>0.50</u>	<u>193.50</u>

C. As of March 31, 2024 and 2023, the range of exercise prices of stock options outstanding was \$171.70~\$206 and \$193.50~\$206 (in dollars), respectively; while the weighted-average remaining contractual period was 1.62 years and 2.62 years, respectively.

D. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model and binomial option pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price	Expected price volatility (Note)	Expected option life	Expected dividends	Risk-free interest rate	Weighted average exercise price (in dollars)
Employee share options	2020.11.13	\$ 356	\$ 206	34.61%	5 years	-	0.18%	173,893
Employee share options	2018.10.31	166	147	16.60%	5 years	-	0.72%	33,540

Note: 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.

E. In August 2023, the exercise price of employee stock options issued on November 13, 2020 was adjusted from \$193.50 (in dollars) to \$171.70 (in dollars), following the terms of employee stock options. There is no incremental fair value after the aforementioned adjustment.

F. The compensation costs recognised for the employee stock options for the three months ended March 31, 2024 and 2023 were \$816 and \$1,395, respectively.

(13) Share capital

- A. As of March 31, 2024, the Company's authorised capital was \$880,000, consisting of 88,000 thousand shares of ordinary stock, and the paid-in capital was \$778,664 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.
- B. On June 29, 2023, the Company's shareholders at their annual meeting resolved to issue 7,074 thousand shares with a par value of \$10 from the retained earnings. The above transaction has been approved by the FSC on July 14, 2023, with the effective date set on August 25, 2023 as resolved by the Board of Directors. On September 12, 2023, the above transaction was approved by Department of Commerce, MOEA.
- C. On December 25, 2023, the Company's Board of Directors resolved to issue 47 thousand shares with a par value of \$10, as new shares designated for subscription when the share options of 2023 are exercised, and the effective date was set on December 28, 2023 as resolved by the Board of Directors. On January 17, 2024, the above transaction was approved by Department of Commerce, MOEA.

(14) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2024			
	<u>Share premium</u>	<u>Employee stock options</u>	<u>Due to donated assets received</u>	<u>Total</u>
At January 1	\$ 1,350,340	\$ 10,368	\$ 1,288	\$ 1,361,996
Compensation costs of employee stock options	-	816	-	816
At March 31	<u>\$ 1,350,340</u>	<u>\$ 11,184</u>	<u>\$ 1,288</u>	<u>\$ 1,362,812</u>
	2023			
	<u>Share premium</u>	<u>Employee stock options</u>	<u>Due to donated assets received</u>	<u>Total</u>
At January 1	\$ 1,335,782	\$ 12,346	\$ 1,013	\$ 1,349,141
Compensation costs of employee stock options	-	1,395	-	1,395
At March 31	<u>\$ 1,335,782</u>	<u>\$ 13,741</u>	<u>\$ 1,013</u>	<u>\$ 1,350,536</u>

(15) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The appropriation of the remaining earnings, if any, along with the accumulated unappropriated earnings, shall be proposed by the Board of Directors and resolved by the shareholders as dividends 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.
- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. The appropriations of earnings for 2023 and 2022 which were approved in the shareholders meetings on February 16, 2024 and June 29, 2023, respectively, were as follows:

	Year ended December 31			
	2023		2022	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 92,152		\$ 83,508	
(Reversal) appropriation of special reserve	5,337		(8,938)	
Cash dividends	825,384	\$ 10.60	636,704	\$ 9.00
Stock dividends	-		70,745	1.00

As of April 25, 2024, the aforementioned appropriation for 2023 has not yet been resolved by the shareholders at their meeting.

Information on the appropriation of the Company's earnings resolved by the Board of Directors and the shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(16) Operating revenue

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

	Three months ended March 31	
	2024	2023
Revenue from products		
Revenue from data service	\$ 361,459	\$ 351,228
Revenue from IDC service	286,785	268,218
Revenue from cloud service	137,875	127,283
Revenue from voice service	69,085	57,410
	<u>\$ 855,204</u>	<u>\$ 804,139</u>
Revenue from contracts with customers		
Revenue from telecommunications service	\$ 823,853	\$ 772,554
Revenue from rendering of services	30,664	30,602
Revenue from sales of goods	687	983
	<u>\$ 855,204</u>	<u>\$ 804,139</u>

B. Contract liabilities

The Group has recognised the following revenue-related contract assets and liabilities:

	March 31, 2024	December 31, 2023	March 31, 2023
Contract liabilities:			
Contract liabilities-Advance sales receipts	\$ 25,418	\$ 35,609	\$ 42,826

Revenue recognised that was included in the contract liability balance at the beginning of the period:

	Three months ended March 31	
	2024	2023
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Advance sales receipts	\$ 25,034	\$ 22,021

(17) Other income and expenses - net

	Three months ended March 31	
	2024	2023
Other income		
Net gains on disposal of property, plant and equipment	\$ -	\$ 82

(18) Interest income

Three months ended March 31	
2024	2023
\$ 7,109	\$ 7,739

(19) Other gains and losses

Three months ended March 31	
2024	2023
\$ 6,288	(\$ 190)
1,073	3
\$ 7,361	(\$ 187)

(20) Finance costs

Three months ended March 31	
2024	2023
\$ 11,679	\$ 7,216
60	-
100	78
\$ 11,839	\$ 7,294

(21) Expenses by nature

Three months ended March 31	
2024	2023
\$ 125,769	\$ 117,893
17,412	16,687
27,039	26,317
1,598	1,645
\$ 171,818	\$ 162,542

(22) Employee benefit expense

Three months ended March 31	
2024	2023
\$ 92,467	\$ 87,168
5,520	5,016
2,083	2,020
25,699	23,689
\$ 125,769	\$ 117,893

- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 3.5% ~ 6.9% for employees' compensation and shall not be higher than 2.3% for directors' and supervisors' remuneration.
- B. For the three months ended March 31, 2024 and 2023, employees' compensation was accrued at \$22,475 and \$20,889, respectively; while directors' and supervisors' remuneration was accrued at \$840 and \$840, respectively. The aforementioned amounts were recognised in salary expenses. Employees' compensation and directors' and supervisors' remuneration for 2023 amounting to \$85,267 and \$3,360, respectively, as resolved at the meeting of Board of Directors were in agreement with those amounts recognised in the 2023 financial statements. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(23) Income taxes

A. Income tax expense

Components of income tax expense:

	Three months ended March 31	
	2024	2023
Current tax:		
Current tax on profits for the period	\$ 60,168	\$ 57,035
Total current tax	60,168	57,035
Deferred tax:		
Origination and reversal of temporary differences	1,060	445
Income tax expenses	\$ 61,228	\$ 57,480

The Company's income tax returns through 2021 have been assessed and approved by the Tax Authority.

(24) Earnings per share

	Three months ended March 31, 2024		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 242,032	77,866	\$ 3.11
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 242,032	77,866	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options	-	41	
Employees' compensation	-	208	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 242,032	78,115	\$ 3.10
	Three months ended March 31, 2023		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 224,376	77,819	\$ 2.88
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 224,376	77,819	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options	-	36	
Employees' compensation	-	193	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 224,376	78,048	\$ 2.87

(25) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Three months ended March 31	
	2024	2023
Purchase of property, plant and equipment	\$ 192,779	\$ 58,972
Add: Opening balance of payable on equipment	428,551	15,951
Less: Ending balance of payable on equipment	(79,736)	(24,513)
Cash paid during the period	<u>\$ 541,594</u>	<u>\$ 50,410</u>

B. Financing activities with no cash flow effects:

	Three months ended March 31	
	2024	2023
Cash dividends declared but yet to be paid	<u>\$ 825,384</u>	<u>\$ 636,704</u>

(26) Changes in liabilities from financing activities

	2024		
	Short-term borrowings	Lease liabilities	Liabilities from financing activities-gross
At January 1	\$ -	\$ 2,389,810	\$ 2,389,810
Changes in cash flow from financing activities	100,000	(21,901)	78,099
Interest expense paid	-	(11,678)	(11,678)
Changes in other non-cash items	-	11,968	11,968
Impact of changes in foreign exchange rate	-	3	3
At March 31	<u>\$ 100,000</u>	<u>\$ 2,368,202</u>	<u>\$ 2,468,202</u>

	2023		
	Lease liabilities	Liabilities from financing activities-gross	
At January 1	\$ 1,724,143	\$ 1,724,143	
Changes in cash flow from financing activities	(23,446)	(23,446)	
Interest expense paid	(7,216)	(7,216)	
Changes in other non-cash items	23,122	23,122	
Impact of changes in foreign exchange rate	2	2	
At March 31	<u>\$ 1,716,605</u>	<u>\$ 1,716,605</u>	

7. Related party Transactions

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Chunghwa Telecom Co., Ltd.	Parent company
Chunghwa System Integration Co., Ltd.	Fellow subsidiary

Names of related parties	Relationship with the Company
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
So-net Entertainment Taiwan Limited (So-net)	Associate
Shenzhen Century Communication Co., Ltd.	Other related party (significant influence over subsidiary, Shanghai Chief Telecom Co., Ltd.)

(2) Significant related party transactions

A. Operating revenue

	Three months ended March 31	
	2024	2023
Parent company	\$ 51,465	\$ 49,821
Fellow subsidiaries		
- Chunghwa Singapore	19,743	14,066
- Others	1,560	1,839
Associates		
- So-net	35,425	35,484
- Others	24	22
Other related party	6,339	6,588
	<u>\$ 114,556</u>	<u>\$ 107,820</u>

Goods are sold based on the price lists in force and terms that would be available to third parties.

B. Operating cost and expenses

	Three months ended March 31	
	2024	2023
Parent company	\$ 121,311	\$ 118,359
Fellow subsidiaries		
- Light Era	21,725	21,190
- Others	15,842	10,108
Associates	191	270
Other related party	625	696
	<u>\$ 159,694</u>	<u>\$ 150,623</u>

For the Group's transactions with related parties, the prices are determined based on mutual agreement and the payment terms would be available to third parties.

C. Receivables from related parties

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Accounts receivable:			
Parent company	\$ 9,089	\$ 9,304	\$ 7,946
Fellow subsidiaries			
- Chunghwa Singapore	4,030	8,901	1,168
- Others	21	53	153
Associates			
- So-net	24,186	24,361	24,129
	<u>\$ 37,326</u>	<u>\$ 42,619</u>	<u>\$ 33,396</u>

Receivables from related parties mainly refer to the Group's receivables from related parties for revenue from telecommunications service.

D. Payables to related parties

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Accounts payable:			
Parent company	\$ 63,529	\$ 60,653	\$ 55,815
Fellow subsidiaries			
- Chunghwa Singapore	3,652	7,226	1,079
Associates	40	19	-
	<u>\$ 67,221</u>	<u>\$ 67,898</u>	<u>\$ 56,894</u>

The payables to related parties arise mainly from transactions of operating costs. The payables bear no interest.

E. Prepayments

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Parent company	\$ 6,107	\$ 9,250	\$ 18,679

F. Payment on behalf of others (recorded as other current assets)

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Parent company	\$ 1,817	\$ 2,117	\$ 1,845

G. Long-term prepaid expenses (recorded as other non-current assets)

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Parent company	\$ 4,680	\$ 5,683	\$ 8,692

H. Guarantee deposits paid (recorded as other non-current assets)

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Parent company	\$ 3,410	\$ 3,410	\$ 3,410

I. Lease transactions - lessee

(a) The Group leases lands and office buildings from parent company and fellow subsidiaries. Rental contracts are typically made for periods of 20 to 50 years. The terms of the contracts were negotiated by both parties. Rents are paid monthly.

(b) Lease liabilities

i. Outstanding balance:

	<u>March 31, 2024</u>	<u>March 31, 2023</u>
Parent company	\$ 576,857	\$ 582,175
Light Era	1,741,757	1,077,407
	<u>\$ 2,318,614</u>	<u>\$ 1,659,582</u>

ii. Interest expense:

	<u>Three months ended March 31</u>	
	<u>2024</u>	<u>2023</u>
Parent company	\$ 2,306	\$ 2,327
Light Era	9,160	4,648
	<u>\$ 11,466</u>	<u>\$ 6,975</u>

J. Contract liabilities

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Parent company	\$ 725	\$ 767	\$ 545
Fellow subsidiaries			
- Chunghwa Japan	66	68	63
	<u>\$ 791</u>	<u>\$ 835</u>	<u>\$ 608</u>

K. Guarantee deposits received

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Fellow subsidiaries			
- Honghwa International	\$ 20	\$ 20	\$ 20

(3) Key management compensation

	Three months ended March 31	
	2024	2023
Short-term employee benefits	\$ 20,692	\$ 20,701
Post-employment benefits	202	202
Share-based payments	140	235
	<u>\$ 21,034</u>	<u>\$ 21,138</u>

8. Pledged Assets

None.

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies

None.

(2) Commitments

None.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

None.

12. Others

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments by category

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ 421	\$ 421	\$ 442
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	117,013	116,420	122,699
Financial assets at amortised cost (Note 1)	<u>2,163,071</u>	<u>2,299,675</u>	<u>2,925,474</u>
	<u>\$ 2,280,505</u>	<u>\$ 2,416,516</u>	<u>\$ 3,048,615</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost (Note 2)	<u>\$ 1,233,985</u>	<u>\$ 666,879</u>	<u>\$ 879,211</u>
Lease liability	<u>\$ 2,368,202</u>	<u>\$ 2,389,810</u>	<u>\$ 1,716,605</u>

Note 1: The balances include financial assets at amortised cost, which comprise cash and cash equivalents, notes receivable, accounts receivable, net, accounts receivable due from related parties, other financial assets, guarantee deposits paid and long-term installment receivables (recorded as other non-current assets).

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

B. Financial risk management policies

The Group's major financial instruments include accounts receivable, 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 analyse exposures by degree and magnitude of risks. These risks include market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

March 31, 2024			
	Foreign currency amount		Book value
	(In thousands)	Exchange rate	(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 2,895	32.00	\$ 92,635
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 563	32.00	\$ 18,013

December 31, 2023			
	Foreign currency amount		Book value
	(In thousands)	Exchange rate	(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 3,383	30.705	\$ 103,856
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 652	30.705	\$ 20,005

March 31, 2023			
	Foreign currency amount		Book value
	(In thousands)	Exchange rate	(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 2,582	30.45	\$ 78,634
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 620	30.45	\$ 18,872

- ii. The total exchange gain (loss), including realised and unrealised, arising from foreign exchange variation on the monetary items held by the Group for the three months ended March 31, 2024 and 2023, amounted to \$6,288 and (\$190), respectively.
- iii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Three months ended March 31, 2024			
Sensitivity analysis			
Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	5%	\$ 4,632	\$ -
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	5%	\$ 901	\$ -

Three months ended March 31, 2023			
Sensitivity analysis			
Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	5%	\$ 3,932	\$ -
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	5%	\$ 944	\$ -

Cash flow and fair value interest rate risk

- i. The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the balance sheet date were as follows:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Fair value interest rate risk			
- Financial assets	\$ 1,745,868	\$ 1,926,515	\$ 2,504,007
- Financial liabilities	2,368,202	2,389,810	1,716,605
Fair value interest rate risk			
- Financial assets	135,550	132,087	170,909

ii. Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the balance sheet date. 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, 2024 and 2023 would have decreased/increased by \$85 and \$107, respectively, which was mainly a result of variable-rate interest on the Group's bank deposits.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. 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.
- iii. The Group measures the loss allowance for notes and accounts receivable at an amount equal to lifetime ECLs. The expected credit losses on notes and trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.
- iv. The Group writes off a notes and accounts 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.
- v. The Group transacts with a large number of unrelated customers and thus, credit risk is not highly concentrated.
- vi. The Group's provision matrix on March 31, 2024, December 31, 2023 and March 31, 2023 is as follows:

	Not past due	Up to 60 days past due	61~ 90 days past due	91~ 120 days past due	Over 120 days past due	Total
<u>March 31, 2024</u>						
Expected loss rate	0.00%	0%~0.03%	7.81%	15.85%	37.32%~100%	
Total book value	\$ 226,291	\$ 41,663	\$ 2,127	\$ 24	\$ 210	\$ 270,315
Loss allowance	-	16	166	4	199	385

	<u>Not past due</u>	<u>Up to 60 days past due</u>	<u>61~ 90 days past due</u>	<u>91~ 120 days past due</u>	<u>Over 120 days past due</u>	<u>Total</u>
December 31, 2023						
Expected loss rate	0%~0.29%	0.69%~2.36%	22.80%	42.75%	60.53%~100%	
Total book value	\$ 190,048	\$ 42,976	\$ 11	\$ 1	\$ 305	\$ 233,341
Loss allowance	467	355	2	1	293	1,118
	<u>Not past due</u>	<u>Up to 60 days past due</u>	<u>61~ 90 days past due</u>	<u>91~ 120 days past due</u>	<u>Over 120 days past due</u>	<u>Total</u>
March 31, 2023						
Expected loss rate	0%~0.24%	0.64%~2.31%	21.53%	42.70%	60.48%~100%	
Total book value	\$ 204,995	\$ 37,503	\$ 364	\$ 46	\$ 1,212	\$ 244,120
Loss allowance	425	421	78	20	1,197	2,141

vii. Movements in relation to the Group applying the modified approach to provide loss allowance for receivables are as follows:

	<u>Three months ended March 31</u>	
	<u>2024</u>	<u>2023</u>
	<u>Accounts receivable</u>	<u>Accounts receivable</u>
At January 1	\$ 1,118	\$ 2,564
Reversal	(637)	(420)
Actual write-offs	(96)	(3)
At March 31	<u>\$ 385</u>	<u>\$ 2,141</u>

(c) Liquidity risk

- i. The Group invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity.
- ii. The Group has the following undrawn borrowing facilities:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Unsecured bank borrowing facilities			
Amount used	\$ 100,000	\$ -	\$ -
Amount unused	<u>1,700,000</u>	<u>350,000</u>	<u>350,000</u>
	<u>\$ 1,800,000</u>	<u>\$ 350,000</u>	<u>\$ 350,000</u>

- iii. The Group's non-derivative financial liabilities are analysed based on the remaining period at the balance sheet date to the contractual maturity date. The table below described the contractual undiscounted cash flows of financial liabilities.

	On demand or less than 1 month	Between 1 and 3 month(s)	Between 3 months and 1 year	Between 1 and 5 year(s)	Over 5 years	Total
March 31, 2024						
<u>Non-derivative financial liabilities</u>						
Liabilities bear no interest	\$ 239,381	\$ -	\$ 825,384	\$ 69,220	\$ -	\$ 1,133,985
Short-term borrowings	139	427	100,817	-	-	101,383
Lease liability	11,194	22,644	101,281	537,990	2,315,285	2,988,394
	<u>\$ 250,714</u>	<u>\$ 23,071</u>	<u>\$ 1,027,482</u>	<u>\$ 607,210</u>	<u>\$ 2,315,285</u>	<u>\$ 4,223,762</u>
December 31, 2023						
<u>Non-derivative financial liabilities</u>						
Liabilities bear no interest	\$ 595,707	\$ -	\$ -	\$ 71,172	\$ -	\$ 666,879
Lease liability	11,193	22,289	101,247	538,061	2,348,892	3,021,682
	<u>\$ 606,900</u>	<u>\$ 22,289</u>	<u>\$ 101,247</u>	<u>\$ 609,233</u>	<u>\$ 2,348,892</u>	<u>\$ 3,688,561</u>
March 31, 2023						
<u>Non-derivative financial liabilities</u>						
Liabilities bear no interest	\$ 159,847	\$ -	\$ 636,704	\$ 82,660	\$ -	\$ 879,211
Lease liability	10,404	20,684	92,773	499,995	1,468,275	2,092,131
	<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	Between 1 and 5 year(s)	Between 5 and 10 years	Between 10 and 15 years	Over 15 years	Total
March 31, 2024						
Lease liability	\$ 135,119	\$ 537,990	\$ 652,415	\$ 636,584	\$ 1,026,286	\$ 2,988,394
December 31, 2023						
Lease liability	\$ 134,728	\$ 538,061	\$ 654,208	\$ 636,584	\$ 1,058,101	\$ 3,021,682
March 31, 2023						
Lease liability	\$ 123,861	\$ 499,995	\$ 612,034	\$ 279,518	\$ 576,723	\$ 2,092,131

- iv. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

- A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in financial assets at fair value through profit or loss is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, notes payable, accounts payable, other payables and long-term borrowings are approximate to their fair values.

C. The related information of financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at March 31, 2024, December 31, 2023 and March 31, 2023 are as follows:

March 31, 2024	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 421	\$ -	\$ -	\$ 421
Financial assets at fair value through other comprehensive income				
Equity securities	115,866	-	1,147	117,013
	<u>\$ 116,287</u>	<u>\$ -</u>	<u>\$ 1,147</u>	<u>\$ 117,434</u>
December 31, 2023	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 421	\$ -	\$ -	\$ 421
Financial assets at fair value through other comprehensive income				
Equity securities	115,273	-	1,147	116,420
	<u>\$ 115,694</u>	<u>\$ -</u>	<u>\$ 1,147</u>	<u>\$ 116,841</u>

March 31, 2023	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 442	\$ -	\$ -	\$ 442
Financial assets at fair value through other comprehensive income				
Equity securities	121,495	-	1,204	122,699
	<u>\$ 121,937</u>	<u>\$ -</u>	<u>\$ 1,204</u>	<u>\$ 123,141</u>

D. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

Market quoted price	Listed shares
	Closing price

E. Valuation techniques and inputs of Level 3 fair value measurement

The fair values of domestic unlisted equity securities 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 a decrease in the weighted average cost of capital or discount for lack of marketability used in isolation would result in an increase in the fair value.

F. For the three months ended March 31, 2024 and 2023, there was no transfer between Level 1 and Level 2.

G. For the three months ended March 31, 2024 and 2023, there was no movement of Level 3.

13. Supplementary Disclosures

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 2.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: None.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 3.

(3) Information on investments in Mainland China

Basic information: Please refer to table 4.

(4) Major shareholders information

Major shareholders information: Please refer to table 5.

14. Operating segment Information

(1) General information

The Group operates business only in a single industry. The Board of Directors, who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

(2) Segment Information

The chief operating decision-maker, who assesses performance of the Group based on the profit or loss before tax in the financial statements, has measured that the Group has only one reportable operating segment. Therefore, the operating segment information is in agreement with that in the main financial statements.

(3) Reconciliation for segment income (loss)

The revenue and profit or loss from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income.

Chief Telecom Inc. and subsidiaries
Holding of marketable securities at the end of the period (not including subsidiaries)
March 31, 2024

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 1

As of March 31, 2024

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	No. of shares (in thousand shares)	Book value	Ownership (%)	Fair value	Footnote (Note 4)
CHIEF TELECOM INC.	Stocks- WPG Holdings Limited	Not applicable	General ledger account Financial assets at fair value through other comprehensive income	2,102	\$ 98,899	-	\$ 98,899	Note 1
CHIEF TELECOM INC.	Stocks- WT Microelectronics Co., Ltd.	Not applicable	Financial assets at fair value through other comprehensive income	361	16,967	-	16,967	Note 1
CHIEF TELECOM INC.	Stocks- 3 Link Information Service Co., Ltd.	Not applicable	Financial assets at fair value through other comprehensive income	374	1,147	10	1,147	-
CHIEF TELECOM INC.	Stocks- WPG Holdings Limited	Not applicable	Financial assets at fair value through profit or loss	9	421	-	421	Note 1

Note 1 : Preferred shares.

Chief Telecom Inc. and subsidiaries

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
Three months ended March 31, 2024

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller The Company	Counterparty Chunghwa Telecom Co., Ltd.	Relationship with the counterparty The Company's parent company	Purchases (sales) Purchases	Amount 121,157	Percentage of total purchases (sales) 29	Credit term 30 days	Unit price \$	Differences in transaction terms compared to third party transactions -	Notes/accounts receivable (payable) -	Percentage of total notes/accounts receivable (payable) 53	Footnote Note 2

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 related parties. Other transactions with related parties were not significantly different from those with third parties.

Chief Telecom Inc. and subsidiaries
Information on investees
Three months ended March 31, 2024

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2024		Net profit (loss) of the investee for the three months ended March 31, 2024	Investment income (loss) recognised by the Company for the three months ended March 31, 2024	Footnote
				Balance as at March 31, 2024	Balance as at December 31, 2023	Number of shares	Ownership (%)			
CHIEF TELECOM INC.	Unigate Telecom Inc.	Taiwan	Telecommunications and internet service	2,000	2,000	200	100	1,358	24	Subsidiary
CHIEF TELECOM INC.	Chief International Corp.	Samoa Islands	Telecommunications and internet service	6,068	6,068	200	100	118,338	2,014	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
 Major shareholders information
 March 31, 2024

Table 5

	Shares	
	Number of shares held (in thousands)	Ownership (%)
Chunghwa Telecom Co., Ltd.	43,368,383	55.70

Note: The major shareholders' information was derived from the data using the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference of calculation basis.