

**CHIEF TELECOM INC. AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITORS' REVIEW REPORT**  
**SEPTEMBER 30, 2024 AND 2023**

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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

PWCR24000154

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 September 30, 2024, and the related consolidated statements of comprehensive income for the three months and nine months then end, as well as the consolidated statement of changes in equity and of cash flows for the nine months then end, 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 reviews in accordance with the Standard on Review Engagements 2410, “Review of Financial Information Performed by the Independent Auditor of the Entity” in 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 September 30, 2024, and of its consolidated financial performance for the three months and nine months then ended and its consolidated cash flows for the nine months then end 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 nine months ended September 30, 2023, were reviewed by other auditors who expressed an unmodified conclusion on those statements dated November 2, 2023.

Chen, Hsien-Cheng

Chou, Hsiao-Tzu

For and on behalf of PricewaterhouseCoopers, Taiwan

October 30, 2024

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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**  
**SEPTEMBER 30, 2024, DECEMBER 31, 2023 AND SEPTEMBER 30, 2023**  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	<u>September 30, 2024</u>		<u>December 31, 2023</u>		<u>September 30, 2023</u>	
		AMOUNT	%	AMOUNT	%	AMOUNT	%
<b>Current assets</b>							
1100	Cash and cash equivalents	\$ 1,210,754	18	\$ 1,981,999	28	\$ 1,512,106	24
1110	Financial assets at fair value						
	through profit or loss - current	452	-	421	-	411	-
1150	Notes receivable, net	1,272	-	2,502	-	4,029	-
1170	Accounts receivable, net	281,463	4	187,102	3	211,310	3
1180	Accounts receivable due from						
	related parties, net	51,801	1	42,619	-	42,992	1
130X	Inventories	3,007	-	3,031	-	3,368	-
1410	Prepayments	58,980	1	114,971	2	83,662	1
1476	Other current financial assets	63,300	1	76,763	1	400,675	6
1479	Other current assets, others	17,375	-	17,076	-	19,239	-
11XX	<b>Total current assets</b>	<u>1,688,404</u>	<u>25</u>	<u>2,426,484</u>	<u>34</u>	<u>2,277,792</u>	<u>35</u>
<b>Non-current assets</b>							
1517	Non-current financial assets						
	measured at fair value through						
	other comprehensive income	123,720	2	116,420	2	113,606	2
1600	Property, plant and equipment	2,731,219	39	2,201,880	31	1,634,907	25
1755	Right-of-use assets	2,204,696	32	2,305,615	32	2,332,008	36
1780	Intangible assets	73,081	1	49,650	1	50,890	1
1840	Deferred income tax assets	1,251	-	1,411	-	1,621	-
1900	Other non-current assets	51,503	1	33,977	-	35,814	1
15XX	<b>Total non-current assets</b>	<u>5,185,470</u>	<u>75</u>	<u>4,708,953</u>	<u>66</u>	<u>4,168,846</u>	<u>65</u>
1XXX	<b>Total assets</b>	<u>\$ 6,873,874</u>	<u>100</u>	<u>\$ 7,135,437</u>	<u>100</u>	<u>\$ 6,446,638</u>	<u>100</u>

(Continued)

**CHIEF TELECOM INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**SEPTEMBER 30, 2024, DECEMBER 31, 2023 AND SEPTEMBER 30, 2023**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	September 30, 2024		December 31, 2023		September 30, 2023	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>								
2100	Short-term borrowings	6(9)	\$ 100,000	2	\$ -	-	\$ -	-
2130	Current contract liabilities	6(16) and 7	143,816	2	35,609	1	38,552	1
2150	Notes payable		-	-	28	-	69	-
2170	Accounts payable		98,493	2	57,072	1	41,033	1
2180	Accounts payable to related parties	7	72,060	1	67,898	1	71,074	1
2200	Other payables	6(10)	387,417	6	737,671	10	352,348	6
2230	Current tax liabilities		92,710	1	123,985	2	64,400	1
2280	Lease liabilities - current	7	89,788	1	88,685	1	87,581	1
2300	Other current liabilities		28,738	-	26,401	-	26,135	-
21XX	<b>Total current liabilities</b>		<u>1,013,022</u>	<u>15</u>	<u>1,137,349</u>	<u>16</u>	<u>681,192</u>	<u>11</u>
<b>Non-current liabilities</b>								
2570	Deferred income tax liabilities	6(23)	1,155	-	677	-	1,555	-
2580	Lease liabilities - non-current	7	2,212,993	32	2,301,125	32	2,323,462	36
2640	Net defined benefit liability, non-current	6(11)	9,291	-	9,812	-	10,484	-
2645	Guarantee deposits received	7	76,550	1	71,173	1	71,919	1
25XX	<b>Total non-current liabilities</b>		<u>2,299,989</u>	<u>33</u>	<u>2,382,787</u>	<u>33</u>	<u>2,407,420</u>	<u>37</u>
2XXX	<b>Total liabilities</b>		<u>3,313,011</u>	<u>48</u>	<u>3,520,136</u>	<u>49</u>	<u>3,088,612</u>	<u>48</u>
<b>Equity</b>								
<b>Equity attributable to owners of parent</b>								
Share capital		6(13)						
3110	Ordinary Share		778,664	11	778,664	11	778,194	12
Capital surplus		6(14)						
3200	Capital surplus		1,364,849	20	1,361,996	19	1,353,597	21
Retained earnings		6(15)						
3310	Legal reserve		587,576	9	495,424	7	495,424	8
3320	Special reserve		7,325	-	1,988	-	1,988	-
3350	Undistributed earnings		809,760	12	974,825	14	723,231	11
Other equity interest								
3400	Other equity interest		6,911	-	(7,327)	-	(4,300)	-
31XX	<b>Total equity attributable to owners of parent</b>		<u>3,555,085</u>	<u>52</u>	<u>3,605,570</u>	<u>51</u>	<u>3,348,134</u>	<u>52</u>
36XX	<b>Non-controlling interests</b>		<u>5,778</u>	<u>-</u>	<u>9,731</u>	<u>-</u>	<u>9,892</u>	<u>-</u>
3XXX	<b>Total equity</b>		<u>3,560,863</u>	<u>52</u>	<u>3,615,301</u>	<u>51</u>	<u>3,358,026</u>	<u>52</u>
3X2X	<b>Total liabilities and equity</b>		<u>\$ 6,873,874</u>	<u>100</u>	<u>\$ 7,135,437</u>	<u>100</u>	<u>\$ 6,446,638</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 AND NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023**  
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Items	Notes	Three months ended September 30				Nine months ended September 30			
		2024		2023		2024		2023	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(16) and 7	\$ 1,004,940	100	\$ 822,216	100	\$ 2,757,241	100	\$ 2,417,880	100
5000 Operating costs	6(21)(22) and 7	( 556,503)	( 55)	( 426,047)	( 52)	( 1,474,483)	( 54)	( 1,242,794)	( 52)
5900 Gross Profit		<u>448,437</u>	<u>45</u>	<u>396,169</u>	<u>48</u>	<u>1,282,758</u>	<u>46</u>	<u>1,175,086</u>	<u>48</u>
Operating expenses	6(21)(22) and 7								
6100 Selling expenses		( 84,230)	( 8)	( 80,076)	( 10)	( 255,496)	( 9)	( 239,614)	( 10)
6200 Administrative expenses		( 30,327)	( 3)	( 31,340)	( 4)	( 88,408)	( 3)	( 92,105)	( 4)
6300 Research and development expenses		( 5,788)	( 1)	( 5,446)	-	( 17,082)	( 1)	( 14,916)	-
6450 Expected credit gain	12(2)	106	-	( 334)	-	925	-	612	-
6000 Total operating expenses		( 120,239)	( 12)	( 117,196)	( 14)	( 360,061)	( 13)	( 346,023)	( 14)
6500 Net other income (expenses)	6(17)	22	-	8	-	25	-	646	-
6900 Operating income		<u>328,220</u>	<u>33</u>	<u>278,981</u>	<u>34</u>	<u>922,722</u>	<u>33</u>	<u>829,709</u>	<u>34</u>
Non-operating income and expenses									
7100 Interest income	6(18)	5,127	-	8,705	1	19,777	1	24,992	1
7010 Other income		5,470	-	5,014	1	5,826	-	5,197	-
7020 Other gains and losses	6(2)(19)	( 3,676)	-	4,590	1	5,564	-	7,093	1
7050 Finance costs	6(20)	( 12,072)	( 1)	( 11,965)	( 2)	( 35,966)	( 1)	( 26,663)	( 1)
7000 Total non-operating income and expenses		( 5,151)	( 1)	6,344	1	( 4,799)	-	10,619	1
7900 Profit before income tax		323,069	32	285,325	35	917,923	33	840,328	35
7950 Income tax expense	6(23)	( 63,198)	( 6)	( 55,911)	( 7)	( 160,126)	( 6)	( 169,953)	( 7)
8200 Profit for the period		<u>\$ 259,871</u>	<u>26</u>	<u>\$ 229,414</u>	<u>28</u>	<u>\$ 757,797</u>	<u>27</u>	<u>\$ 670,375</u>	<u>28</u>
Other comprehensive income (loss)									
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)	\$ 5,604	-	( \$ 6,909)	( 1)	\$ 10,405	1	( \$ 7,834)	-
Components of other comprehensive income that will be reclassified to profit or loss									
8361 Other comprehensive income (loss), before tax, exchange differences on translation		( 2,570)	-	4,530	1	4,175	-	5,560	-
8300 Other comprehensive income (loss), net of tax		<u>\$ 3,034</u>	<u>-</u>	<u>( \$ 2,379)</u>	<u>-</u>	<u>\$ 14,580</u>	<u>1</u>	<u>( \$ 2,274)</u>	<u>-</u>
8500 Total comprehensive income for the period		<u>\$ 262,905</u>	<u>26</u>	<u>\$ 227,035</u>	<u>28</u>	<u>\$ 772,377</u>	<u>28</u>	<u>\$ 668,101</u>	<u>28</u>
Net income (loss), attributable to:									
8610 Owners of parent		\$ 259,005	26	\$ 228,923	28	\$ 757,808	27	\$ 669,930	28
8620 Non-controlling interests		866	-	491	-	( 11)	-	445	-
Total		<u>\$ 259,871</u>	<u>26</u>	<u>\$ 229,414</u>	<u>28</u>	<u>\$ 757,797</u>	<u>27</u>	<u>\$ 670,375</u>	<u>28</u>
Total comprehensive income attributable to:									
8710 Owners of parent		\$ 261,932	26	\$ 226,258	28	\$ 772,046	28	\$ 667,620	28
8720 Non-controlling interests		973	-	777	-	331	-	481	-
Total		<u>\$ 262,905</u>	<u>26</u>	<u>\$ 227,035</u>	<u>28</u>	<u>\$ 772,377</u>	<u>28</u>	<u>\$ 668,101</u>	<u>28</u>
Basic earnings per share	6(24)								
9750 Basic earnings per share		<u>\$ 3.33</u>		<u>\$ 2.94</u>		<u>\$ 9.73</u>		<u>\$ 8.61</u>	
Diluted earnings per share	6(24)								
9850 Diluted earnings per share		<u>\$ 3.32</u>		<u>\$ 2.94</u>		<u>\$ 9.70</u>		<u>\$ 8.58</u>	

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

**CHIEF TELECOM INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023**  
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent										
		Share Capital		Retained Earnings			Other equity interest					
		Share capital - common stock	Stock dividend to be distributed	Capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total	Non-controlling interests	Total equity
Notes												
<b>2023</b>												
	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	-	-	-	-	-	669,930	-	-	669,930	445	670,375
	Other comprehensive income (loss)	-	-	-	-	-	-	5,524	( 7,834 )	( 2,310 )	36	( 2,274 )
	Total comprehensive income (loss) for the period	-	-	-	-	-	669,930	5,524	( 7,834 )	667,620	481	668,101
	Appropriation and distribution of 2022 retained earnings: 6(15)											
	Legal reserve appropriated	-	-	-	83,508	-	( 83,508 )	-	-	-	-	-
	Special reserve appropriated	-	-	-	-	( 8,938 )	8,938	-	-	-	-	-
	Stock dividends	70,745	-	-	-	-	( 70,745 )	-	-	-	-	-
	Cash dividends	-	-	-	-	-	( 636,704 )	-	-	( 636,704 )	-	( 636,704 )
	Due to donated assets received 6(14)	-	-	275	-	-	-	-	-	275	-	275
	Share-based payment transactions 6(12)	-	-	4,181	-	-	-	-	-	4,181	-	4,181
	Subsidiaries' cash dividends distributed to shareholders	-	-	-	-	-	-	-	-	-	( 5,639 )	( 5,639 )
	Balance at September 30, 2023	\$ 778,194	\$ -	\$ 1,353,597	\$ 495,424	\$ 1,988	\$ 723,231	\$ 6,267	(\$ 10,567)	\$ 3,348,134	\$ 9,892	\$ 3,358,026
<b>2024</b>												
	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 (loss) for the period	-	-	-	-	-	757,808	-	-	757,808	( 11 )	757,797
	Other comprehensive income	-	-	-	-	-	-	3,833	10,405	14,238	342	14,580
	Total comprehensive income for the period	-	-	-	-	-	757,808	3,833	10,405	772,046	331	772,377
	Appropriation and distribution of 2023 retained earnings: 6(15)											
	Legal reserve appropriated	-	-	-	92,152	-	( 92,152 )	-	-	-	-	-
	Special reserve appropriated	-	-	-	-	5,337	( 5,337 )	-	-	-	-	-
	Cash dividends	-	-	-	-	-	( 825,384 )	-	-	( 825,384 )	-	( 825,384 )
	Due to donated assets received 6(14)	-	-	405	-	-	-	-	-	405	-	405
	Share-based payment transactions 6(12)	-	-	2,448	-	-	-	-	-	2,448	-	2,448
	Subsidiaries' cash dividends distributed to shareholders	-	-	-	-	-	-	-	-	-	( 4,284 )	( 4,284 )
	Balance at September 30, 2024	\$ 778,664	\$ -	\$ 1,364,849	\$ 587,576	\$ 7,325	\$ 809,760	\$ 4,258	\$ 2,653	\$ 3,555,085	\$ 5,778	\$ 3,560,863

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

CHIEF TELECOM INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023  
(Expressed in thousands of New Taiwan dollars)

	Nine months ended September 30		
	Notes	2024	2023
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 917,923	\$ 840,328
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(6)(7)(21)	138,333	131,970
Amortisation charge	6(8)(21)	8,093	4,809
Gain on reversal of expected credit losses	12(2)	( 925 )	( 612 )
Net (gains) losses on financial assets at fair value through profit or loss	6(2)		
Interest expense		( 31 )	28
Interest income	6(20)	35,966	26,663
Dividend income	6(18)	( 19,777 )	( 24,992 )
Compensation costs of employee stock options	6(2)(3)	( 4,944 )	( 4,944 )
Gains on disposals of property, plant and equipment	6(12)	2,448	4,181
Gain on disposal of financial assets	6(6)(17)	( 25 )	( 646 )
Gain on reversal of loss on decline in market value	6(2)(19)	( 1,073 )	-
Unrealised foreign exchange gain		11	( 1,867 )
Other income		( 1,567 )	( 6,982 )
Changes in assets and liabilities		264	-
Changes in operating assets			
Notes receivable		1,230	( 38 )
Accounts receivable		( 93,166 )	( 22,934 )
Accounts receivable due from related parties		( 9,139 )	( 2,120 )
Inventories		13	2,060
Prepayments		55,991	( 30,650 )
Other current assets		( 308 )	3,207
Changes in operating liabilities			
Current contract liabilities		108,207	( 14,426 )
Notes payable		( 28 )	( 6 )
Accounts payable		41,380	( 1,547 )
Accounts payable to related parties		4,162	4,019
Other payables		77,547	59,218
Other current liabilities		2,337	7,484
Net defined benefit liability, non-current		( 521 )	( 475 )
Cash inflow generated from operations		1,261,873	971,728
Interest paid		( 35,926 )	( 26,663 )
Income tax paid		( 190,763 )	( 223,771 )
Net cash flows from operating activities		<u>1,035,184</u>	<u>721,294</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
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	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	6(3)	3,369	-
Acquisition of property, plant and equipment	6(25)	( 1,029,357 )	( 606,552 )
Proceeds from disposal of property, plant and equipment		1,482	904
Acquisition of intangible assets	6(8)	( 17,179 )	( 1,327 )
Increase in time deposits with maturity over three months		( 89,346 )	( 398,415 )
Decrease in time deposits with maturity over three months		101,991	112,915
Decrease in other non-current assets		( 18,983 )	4,111
Interest received		19,786	25,224
Dividends received	6(2)(3)	4,944	4,944
Net cash flows used in investing activities		<u>( 1,022,220 )</u>	<u>( 858,196 )</u>

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CHIEF TELECOM INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023  
(Expressed in thousands of New Taiwan dollars)

	Notes	Nine months ended September 30	
		2024	2023
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings	6(26)	\$ 160,000	\$ -
Payments of short-term borrowings		( 60,000 )	-
Repayment of principal of lease liabilities	6(26)	( 66,607 )	( 69,031 )
Increase in guarantee deposits		40,840	8,043
Decrease in guarantee deposits received		( 35,463 )	( 17,707 )
Cash dividends paid	6(15)	( 825,384 )	( 636,704 )
Cash dividends paid to non-controlling interest		( 4,284 )	( 5,639 )
Due to donated assets received	6(14)	405	275
Net cash flows used in financing activities		( 790,493 )	( 720,763 )
Effect of changes in exchange rates		6,284	7,955
Net decrease in cash and cash equivalents		( 771,245 )	( 849,710 )
Cash and cash equivalents at beginning of period		1,981,999	2,361,816
Cash and cash equivalents at end of period		<u>\$ 1,210,754</u>	<u>\$ 1,512,106</u>

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

CHIEF TELECOM INC. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023

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

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 September 30, 2024, December 31, 2023 and September 30, 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 October 30, 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<sup>®</sup>”) 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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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

New standards, interpretations and amendments endorsed by the FSC effective from 2025 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 21, ‘Lack of exchangeability’	January 1, 2025

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

(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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 9 and IFRS 7, ‘Amendments to the classification and measurement of financial instruments’	January 1, 2026
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
IFRS 19, ‘Subsidiaries without public accountability: disclosures’	January 1, 2027
Annual Improvements to IFRS Accounting Standards—Volume 11	January 1, 2026

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

Name of investor	Name of subsidiary	Main business activities	Ownership(%)			Description
			September 30, 2024	December 31, 2023	September 30, 2023	
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 September 30, 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 internet data center 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>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
<u>Cash</u>			
Cash on hand	\$ 150	\$ 150	\$ 156
Cash in banks	278,999	132,097	128,912
<u>Cash equivalents (Time deposits with maturity within three months)</u>			
Bank's time deposits	831,650	1,730,000	1,283,245
Commercial papers	99,955	119,752	99,793
	<u>\$ 1,210,754</u>	<u>\$ 1,981,999</u>	<u>\$ 1,512,106</u>

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

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Demand deposits	0.03% ~ 1.15%	0.05% ~ 1.45%	0.05% ~ 1.45%
Time deposits	1.28% ~ 4.65%	1.30% ~ 1.40%	0.55% ~ 1.35%
Commercial papers	0.95%	0.72%	0.07%

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

<u>Items</u>	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Listed stocks	\$ 448	\$ 448	\$ 448
Valuation adjustment	4	( 27)	( 37)
	<u>\$ 452</u>	<u>\$ 421</u>	<u>\$ 411</u>

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

	<u>Three months ended September 30,</u>	
	<u>2024</u>	<u>2023</u>
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	<u>\$ 13</u>	<u>(\$ 23)</u>
	<u>Nine months ended September 30,</u>	
	<u>2024</u>	<u>2023</u>
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	<u>\$ 1,104</u>	<u>(\$ 28)</u>

B. The Group has not pledged financial assets at fair value through profit or loss 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

<u>Items</u>	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Non-current items :			
Equity instruments			
Listed stocks	\$ 120,721	\$ 120,721	\$ 120,721
Unlisted stocks	345	3,450	3,450
	<u>121,066</u>	<u>124,171</u>	<u>124,171</u>
Valuation adjustment	2,654	( 7,751)	( 10,565)
	<u>\$ 123,720</u>	<u>\$ 116,420</u>	<u>\$ 113,606</u>

- 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 \$123,720, \$116,420 and \$113,606 as at September 30, 2024, December 31, 2023 and September 30, 2023, respectively.
- B. To adjust the capital structure, the shareholders' meeting of 3 Link Information Service Co., Ltd., an unlisted company, approved to reduce its capital on August 15, 2024 by 90% as per the par value of \$10(in dollars) per share. The payment received by the Group for the capital reduction amounted to \$3,369, \$3,105 which was regarded as a reduction in the original cost of the holding. After the capital reduction, the Group's shareholding percentage remained at 9.6%.
- C. The Group recognised \$5,604, (\$6,909), \$10,405 and (\$7,834) in other comprehensive income for fair value change for the three months and nine months ended September 30, 2024 and 2023, respectively.
- D. The Group has not pledged financial assets at fair value through other comprehensive income as collateral.
- E. Information relating to fair value is provided in Note 12(3).

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

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Notes receivable	\$ 1,272	\$ 2,502	\$ 4,029
Accounts receivable	\$ 333,346	\$ 230,839	\$ 256,248
Less: Allowance for uncollectible accounts	( 82)	( 1,118)	( 1,946)
	<u>333,264</u>	<u>229,721</u>	<u>254,302</u>
	<u>\$ 334,536</u>	<u>\$ 232,223</u>	<u>\$ 258,331</u>

- A. As of September 30, 2024, December 31, 2023 and September 30, 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 September 30, 2024, December 31, 2023 and September 30, 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 \$1,272, \$2,502 and \$4,029; \$333,264, \$229,721 and \$254,302, 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>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Time deposits with maturity over three months	\$ 63,300	\$ 76,763	\$ 400,675

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

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Time deposits with maturity over three months	5.00% ~ 5.00%	4.80% ~ 5.00%	1.45% ~ 4.80%

(6) Property, plant and equipment

	<u>2024</u>				
	<u>Telecommunications equipment</u>	<u>Computer equipment</u>	<u>Miscellaneous equipment</u>	<u>Unfinished construction and equipment under acceptance</u>	<u>Total</u>
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	59,140	481	5,176	536,719	601,516
Reclassifications	45,294	-	29,786	( 89,425)	( 14,345)
Disposals- cost	( 8,074)	( 25)	( 5)	-	( 8,104)
Disposals-accumulated depreciation	8,074	25	5	-	8,104
Depreciation expense	( 53,815)	( 1,679)	( 2,343)	-	( 57,837)
Net exchange differences-cost	-	26	-	-	26
Net exchange differences-Accumulated depreciation	-	( 21)	-	-	( 21)
Closing net book amount as at September 30	<u>\$ 290,585</u>	<u>\$ 6,550</u>	<u>\$ 32,631</u>	<u>\$ 2,401,453</u>	<u>\$ 2,731,219</u>
At September 30					
Cost	\$ 2,095,494	\$ 28,248	\$ 40,173	\$ 2,401,453	\$ 4,565,368
Accumulated depreciation and impairment	( 1,804,909)	( 21,698)	( 7,542)	-	( 1,834,149)
	<u>\$ 290,585</u>	<u>\$ 6,550</u>	<u>\$ 32,631</u>	<u>\$ 2,401,453</u>	<u>\$ 2,731,219</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	48,683	2,640	-	542,635	593,958
Reclassifications	57,245	866	-	( 59,298)	( 1,187)
Disposals- cost	( 93,953)	( 58)	( 80)	-	( 94,091)
Disposals-accumulated depreciation	88,839	58	80	-	88,977
Depreciation expense	( 51,074)	( 833)	( 86)	-	( 51,993)
Net exchange differences-cost	-	1	-	-	1
Net exchange differences-Accumulated depreciation	-	( 1)	-	-	( 1)
Closing net book amount as at September 30	<u>\$ 251,358</u>	<u>\$ 6,429</u>	<u>\$ 21</u>	<u>\$ 1,377,099</u>	<u>\$ 1,634,907</u>
At September 30					
Cost	\$ 1,994,287	\$ 26,238	\$ 5,216	\$ 1,377,099	\$ 3,402,840
Accumulated depreciation and impairment	( 1,742,929)	( 19,809)	( 5,195)	-	( 1,767,933)
	<u>\$ 251,358</u>	<u>\$ 6,429</u>	<u>\$ 21</u>	<u>\$ 1,377,099</u>	<u>\$ 1,634,907</u>

For the nine months ended September 30, 2024 and 2023, there was no capitalized interest.

(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. In order to meet the needs of business development, the Company's Board of Directors during its meeting in April 2023 and the shareholders during their meeting on June 29, 2023, respectively, resolved to re-sign the building lease contract with the fellow subsidiary, Light Era. The relevant transactions for the expansion of the scope of the lease increased right-of use assets and lease liabilities by \$739,314 thousand, respectively.
- C. Short-term leases with a lease term of 12 months or less comprise transportation equipment and multifunction printers.
- D. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
	<u>Book value</u>	<u>Book value</u>	<u>Book value</u>
Land	\$ 530,420	\$ 560,551	\$ 563,512
Buildings	1,674,043	1,744,158	1,767,984
Transportation equipment (Business vehicles)	233	906	512
	<u>\$ 2,204,696</u>	<u>\$ 2,305,615</u>	<u>\$ 2,332,008</u>

	<u>Three months ended September 30,</u>	
	<u>2024</u>	<u>2023</u>
	<u>Depreciation expense</u>	<u>Depreciation expense</u>
Land	\$ 2,847	\$ 2,961
Buildings	23,555	23,820
Transportation equipment (Business vehicles)	211	212
	<u>\$ 26,613</u>	<u>\$ 26,993</u>

	<u>Nine months ended September 30,</u>	
	<u>2024</u>	<u>2023</u>
	<u>Depreciation expense</u>	<u>Depreciation expense</u>
Land	\$ 8,692	\$ 8,882
Buildings	71,131	70,428
Transportation equipment (Business vehicles)	673	667
	<u>\$ 80,496</u>	<u>\$ 79,977</u>

- E. For the three months and nine months ended September 30, 2024 and 2023, the additions to right-of-use assets were \$13, \$22, \$1,017 and \$756,246, respectively.

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

	<u>Three months ended September 30,</u>	
	<u>2024</u>	<u>2023</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 11,621	\$ 11,896
Expense on leases of low-value assets	174	44
	<u>Nine months ended September 30,</u>	
	<u>2024</u>	<u>2023</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 34,978	\$ 26,451
Expense on leases of low-value assets	457	133

G. For the three months and nine months ended September 30, 2024 and 2023, the Group's total cash outflow for leases were \$34,859, \$33,680, \$102,042 and \$95,615, respectively.

(8) Intangible assets

	<u>2024</u>		
	<u>Computer software</u>	<u>Others</u>	<u>Total</u>
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	17,179	-	17,179
Reclassifications	14,345	-	14,345
Amortisation charge	( 8,093)	-	( 8,093)
Closing net book amount as at			
September 30	<u>\$ 41,548</u>	<u>\$ 31,533</u>	<u>\$ 73,081</u>
At September 30			
Cost	\$ 97,885	\$ 31,533	\$ 129,418
Accumulated amortisation	( 56,337)	-	( 56,337)
	<u>\$ 41,548</u>	<u>\$ 31,533</u>	<u>\$ 73,081</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	1,327	-	1,327
Reclassifications	1,187	-	1,187
Amortisation charge	( 4,809)	-	( 4,809)
Closing net book amount as at September 30	<u>\$ 19,357</u>	<u>\$ 31,533</u>	<u>\$ 50,890</u>
At September 30			
Cost	\$ 66,044	\$ 31,533	\$ 97,577
Accumulated amortisation	( 46,687)	-	( 46,687)
	<u>\$ 19,357</u>	<u>\$ 31,533</u>	<u>\$ 50,890</u>

Details of amortisation on intangible assets are as follows:

	Three months ended September 30,	
	2024	2023
Operating costs	\$ 3,993	\$ 1,508
Operating expenses	122	124
	<u>\$ 4,115</u>	<u>\$ 1,632</u>
	Nine months ended September 30,	
	2024	2023
Operating costs	\$ 7,714	\$ 4,278
Operating expenses	379	531
	<u>\$ 8,093</u>	<u>\$ 4,809</u>

Other intangible assets are IP addresses acquired separately.

(9) Short-term borrowings (On September 30 and December 31, 2023: no such transactions.)

Type of borrowings	September 30, 2024	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	<u>\$ 100,000</u>	1.82%	None

(10) Other payables

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Salary and bonus payable	\$ 173,483	\$ 178,222	\$ 168,716
Employees' compensation and directors' and supervisors' remuneration payable	159,177	88,740	137,506
Payables for purchases of equipment	710	428,551	3,357
Others	54,047	42,158	42,769
	<u>\$ 387,417</u>	<u>\$ 737,671</u>	<u>\$ 352,348</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 and nine months ended September 30, 2024 and 2023 were \$29, \$33, \$88 and \$99, 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 and nine months ended September 30, 2024 and 2023 were \$2,125, \$2,048, \$6,242 and \$6,049, respectively.

(12) Share-based payment

A. For the nine months ended September 30, 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	2~4 years service
Employee share options	2018.10.31	50	5 years	2~4 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	-	-	( 1.50)	-
Options exercised	-	-	-	-
Options outstanding at September 30	<u>93.00</u>	<u>166.50</u>	<u>140.75</u>	<u>171.70</u>
Options exercisable at September 30	<u>-</u>	<u>166.50</u>	<u>0.50</u>	<u>171.70</u>

C. As of September 30, 2024 and 2023, the range of exercise prices of stock options outstanding was \$166.5 ~\$206 and \$171.7 ~\$206 (in dollars), respectively; while the weighted-average remaining contractual period was 1.12 years and 2.12 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 the Company's average annualized historical share price volatility from June 5, 2018, the Company'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 the Company's comparable companies before the grant date.

- E. In August 2023 and July 2024, the exercise prices of employee stock options issued on November 13, 2020 were adjusted from \$193.50 (in dollars) to \$171.70 (in dollars) and from \$171.70 (in dollars) to \$166.50 (in dollars), respectively, 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 and nine months ended September 30, 2024 and 2023 were \$816, \$1,393, \$2,448 and \$4,181, respectively.

(13) Share capital

- A. As of September 30, 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	-	2,448	-	2,448
Cash dividends extinguished by statute of limitations	-	-	405	405
At September 30	<u>\$ 1,350,340</u>	<u>\$ 12,816</u>	<u>\$ 1,693</u>	<u>\$ 1,364,849</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	-	4,181	-	4,181
Cash dividends extinguished by statute of limitations	-	-	275	275
At September 30	<u>\$ 1,335,782</u>	<u>\$ 16,527</u>	<u>\$ 1,288</u>	<u>\$ 1,353,597</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 May 28, 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

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 September 30,	
	2024	2023
Revenue from products		
Revenue from data service	\$ 371,214	\$ 361,144
Revenue from IDC service	420,666	252,890
Revenue from cloud service	154,498	133,455
Revenue from voice service	58,562	74,727
	<u>\$ 1,004,940</u>	<u>\$ 822,216</u>
Revenue from contracts with customers		
Revenue from telecommunications service	\$ 872,451	\$ 821,640
Revenue from rendering of services	132,065	-
Revenue from sales of goods	424	576
	<u>\$ 1,004,940</u>	<u>\$ 822,216</u>

	Nine months ended September 30,	
	2024	2023
Revenue from products		
Revenue from data service	\$ 1,103,389	\$ 1,064,003
Revenue from IDC service	1,022,331	761,896
Revenue from cloud service	438,025	389,976
Revenue from voice service	193,496	202,005
	<u>\$ 2,757,241</u>	<u>\$ 2,417,880</u>
Revenue from contracts with customers		
Revenue from telecommunications service	\$ 2,543,812	\$ 2,385,206
Revenue from rendering of services	212,248	30,602
Revenue from sales of goods	1,181	2,072
	<u>\$ 2,757,241</u>	<u>\$ 2,417,880</u>

#### B. Contract liabilities

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

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>	<u>January 1, 2023</u>
Contract liabilities:				
Contract liabilities				
-Advance sales receipts	\$ <u>143,816</u>	\$ <u>35,609</u>	\$ <u>38,552</u>	\$ <u>52,978</u>

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

	Three months ended September 30,	
	2024	2023
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Advance sales receipts	\$ <u>1,465</u>	\$ <u>5,330</u>
	<u>\$ 1,465</u>	<u>\$ 5,330</u>
	Nine months ended September 30,	
	2024	2023
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Advance sales receipts	\$ <u>31,926</u>	\$ <u>33,685</u>

(17) Other income and expenses - net

	Three months ended September 30,	
	2024	2023
Other income		
Net gains on disposal of property, plant and equipment	\$ 22	\$ 8
	Nine months ended September 30,	
	2024	2023
Other income		
Net gains on disposal of property, plant and equipment	\$ 25	\$ 646

(18) Interest income

	Three months ended September 30,	
	2024	2023
Interest income from bank deposits	\$ 5,127	\$ 8,705
	Nine months ended September 30,	
	2024	2023
Interest income from bank deposits	\$ 19,777	\$ 24,992

(19) Other gains and losses

	Three months ended September 30,	
	2024	2023
Net currency exchange gains	(\$ 3,690)	\$ 4,613
Profit from lease modification	-	-
Gains(losses) on financial assets at fair value through profit or loss	13 (	23)
Others	1	-
	<u>(\$ 3,676)</u>	<u>\$ 4,590</u>
	Nine months ended September 30,	
	2024	2023
Net currency exchange gains	\$ 4,462	\$ 7,097
Profit from lease modification	-	24
Gains(losses) on financial assets at fair value through profit or loss	1,104 (	28)
Others	( 2)	-
	<u>\$ 5,564</u>	<u>\$ 7,093</u>

(20) Finance costs

	Three months ended September 30,	
	2024	2023
Lease liability	\$ 11,621	\$ 11,896
Bank borrowings	373	-
Others	78	69
	<u>\$ 12,072</u>	<u>\$ 11,965</u>

	Nine months ended September 30,	
	2024	2023
Lease liability	\$ 34,978	\$ 26,451
Bank borrowings	731	-
Others	257	212
	<u>\$ 35,966</u>	<u>\$ 26,663</u>

(21) Expenses by nature

	Three months ended September 30,	
	2024	2023
Employee benefit expense	\$ 125,432	\$ 120,050
Depreciation charges on property, plant and equipment	21,491	18,182
Depreciation charges on right-of-use assets	26,613	26,993
Amortisation charge	4,115	1,632
	<u>\$ 177,651</u>	<u>\$ 166,857</u>

	Nine months ended September 30,	
	2024	2023
Employee benefit expense	\$ 372,437	\$ 353,106
Depreciation charges on property, plant and equipment	57,837	51,993
Depreciation charges on right-of-use assets	80,496	79,977
Amortisation charge	8,093	4,809
	<u>\$ 518,863</u>	<u>\$ 489,885</u>

(22) Employee benefit expense

	Three months ended September 30,	
	2024	2023
Salary expenses	\$ 90,566	\$ 88,689
Labour and health insurance fees	5,452	5,285
Pension costs	2,154	2,081
Other personnel expenses	27,260	23,995
	<u>\$ 125,432</u>	<u>\$ 120,050</u>

	Nine months ended September 30,	
	2024	2023
Salary expenses	\$ 271,724	\$ 260,738
Labour and health insurance fees	16,423	15,455
Pension costs	6,330	6,148
Other personnel expenses	77,960	70,765
	<u>\$ 372,437</u>	<u>\$ 353,106</u>

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 and nine months ended September 30, 2024 and 2023, employees' compensation was accrued at \$23,879, \$21,107, \$68,030 and \$62,244, respectively; while directors' and supervisors' remuneration was accrued at \$840, \$840, \$2,520 and \$2,520 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 September 30,	
	2024	2023
Current tax:		
Current tax on profits for the period	\$ 63,638	\$ 55,439
Overestimated amount of income tax from previous years	-	-
Total current tax	<u>63,638</u>	<u>55,439</u>
Deferred tax:		
Origination and reversal of temporary differences	( 440)	472
Total deferred tax	<u>( 440)</u>	<u>472</u>
Income tax expense	<u>\$ 63,198</u>	<u>\$ 55,911</u>
	Nine months ended September 30,	
	2024	2023
Current tax:		
Current tax on profits for the period	\$ 184,574	\$ 168,454
Overestimated amount of income tax from previous years	( 25,085)	-
Total current tax	<u>159,489</u>	<u>168,454</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>637</u>	<u>1,499</u>
Total deferred tax	<u>637</u>	<u>1,499</u>
Income tax expense	<u>\$ 160,126</u>	<u>\$ 169,953</u>

The Company's income tax returns through 2022 have been assessed and approved by the Tax Authority.

(24) Earnings per share

	<u>Three months ended September 30, 2024</u>		
	<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	<u>\$ 259,005</u>	<u>77,866</u>	<u>\$ 3.33</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 259,005	77,866	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options	-	58	
Employees' compensation	<u>-</u>	<u>50</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 259,005</u>	<u>77,974</u>	<u>\$ 3.32</u>
	<u>Three months ended September 30, 2023</u>		
	<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	<u>\$ 228,923</u>	<u>77,819</u>	<u>\$ 2.94</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 228,923	77,819	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options	-	66	
Employees' compensation	<u>-</u>	<u>60</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 228,923</u>	<u>77,945</u>	<u>\$ 2.94</u>

Nine months ended September 30, 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	\$ 757,808	77,866	\$ 9.73
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 757,808	77,866	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options	-	52	
Employees' compensation	-	186	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 757,808	78,104	\$ 9.70
Nine months ended September 30, 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	\$ 669,930	77,819	\$ 8.61
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 669,930	77,819	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options	-	63	
Employees' compensation	-	222	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 669,930	78,104	\$ 8.58



(25) Supplemental cash flow information

Investing activities with partial cash payments:

	Nine months ended September 30,	
	2024	2023
Purchase of property, plant and equipment	\$ 601,516	\$ 593,958
Add: Opening balance of payable on equipment	428,551	15,951
Less: Ending balance of payable on equipment	( 710)	( 3,357)
Cash paid during the period	<u>\$ 1,029,357</u>	<u>\$ 606,552</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	( 66,607)	33,393
Interest expense paid	-	( 34,978)	( 34,978)
Changes in other non-cash items	-	14,555	14,555
Impact of changes in foreign exchange rate	-	1	1
At September 30	<u>\$ 100,000</u>	<u>\$ 2,302,781</u>	<u>\$ 2,402,781</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	( 69,031)	( 69,031)
Interest expense paid	( 26,451)	( 26,451)
Changes in other non-cash items	782,384	782,384
Impact of changes in foreign exchange rate	( 2)	( 2)
At September 30	<u>\$ 2,411,043</u>	<u>\$ 2,411,043</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
CHYP Multimedia Marketing & Communications Co., Ltd.	Fellow subsidiary
Spring House Entertainment Tech. Inc.	Fellow subsidiary
Light Era Development Co., Ltd. (Light Era)	Fellow subsidiary

Names of related parties	Relationship with the Company
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 September 30,	
	2024	2023
Parent company	\$ 62,955	\$ 51,365
Fellow subsidiaries		
- Chunghwa Singapore	15,733	24,830
- Others	1,595	1,791
Associates		
- So-net	36,814	36,100
- Others	32	22
Other related party	7,482	6,530
	<u>\$ 124,611</u>	<u>\$ 120,638</u>

	Nine months ended September 30,	
	2024	2023
Parent company	\$ 166,463	\$ 151,441
Fellow subsidiaries		
- Chunghwa Singapore	55,749	61,473
- Others	4,715	5,553
Associates		
- So-net	108,586	107,427
- Others	88	66
Other related party	19,530	19,129
	<u>\$ 355,131</u>	<u>\$ 345,089</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 September 30,	
	2024	2023
Parent company	\$ 132,440	\$ 121,575
Fellow subsidiaries		
- Light Era	21,725	21,725
- Chunghwa Singapore	11,164	18,416
- Others	137	339
Associates	479	685
Other related party	600	679
	<u>\$ 166,545</u>	<u>\$ 163,419</u>

	Nine months ended September 30,	
	2024	2023
Parent company	\$ 383,808	\$ 360,758
Fellow subsidiaries		
- Light Era	65,175	64,316
- Chunghwa Singapore	40,139	45,672
- Others	1,458	1,322
Associates	860	1,296
Other related party	1,866	2,060
	<u>\$ 493,306</u>	<u>\$ 475,424</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>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Accounts receivable:			
Parent company	\$ 23,305	\$ 9,304	\$ 8,209
Fellow subsidiaries			
- Chunghwa Singapore	3,389	8,901	9,961
- Others	9	53	144
Associates			
- So-net	25,098	24,361	24,670
- Others	-	-	8
	<u>\$ 51,801</u>	<u>\$ 42,619</u>	<u>\$ 42,992</u>

Receivables from related parties mainly refer to the Group's receivables from related parties for revenue from telecommunications service and collections and payments on behalf of others.

D. Payables to related parties

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Accounts payable:			
Parent company	\$ 69,161	\$ 60,653	\$ 63,016
Fellow subsidiaries			
- Chunghwa Singapore	2,709	7,226	8,058
Associates	190	19	-
	<u>\$ 72,060</u>	<u>\$ 67,898</u>	<u>\$ 71,074</u>

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

E. Prepayments

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Parent company	\$ 4,012	\$ 9,250	\$ 12,393

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

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Parent company	\$ 2,785	\$ 2,117	\$ 2,866

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

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Parent company	\$ 2,675	\$ 5,683	\$ 6,686

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

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 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>September 30, 2024</u>	<u>September 30, 2023</u>
Parent company	\$ 551,817	\$ 579,527
Light Era	1,704,818	1,778,255
	<u>\$ 2,256,635</u>	<u>\$ 2,357,782</u>

ii. Interest expense:

	<u>Three months ended September 30,</u>	
	<u>2024</u>	<u>2023</u>
Parent company	\$ 2,455	\$ 2,317
Light Era	8,967	9,351
	<u>\$ 11,422</u>	<u>\$ 11,668</u>

  

	<u>Nine months ended September 30,</u>	
	<u>2024</u>	<u>2023</u>
Parent company	\$ 7,170	\$ 6,966
Light Era	27,191	18,779
	<u>\$ 34,361</u>	<u>\$ 25,745</u>

J. Contract liabilities

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Parent company	\$ 162	\$ 767	\$ 108
Fellow subsidiaries			
- Chunghwa Japan	69	68	66
- Others	10	-	-
	<u>\$ 241</u>	<u>\$ 835</u>	<u>\$ 174</u>

K. Guarantee deposits received

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Fellow subsidiaries			
- Honghwa International	<u>\$ 20</u>	<u>\$ 20</u>	<u>\$ 20</u>

(3) Key management compensation

	Three months ended September 30,	
	2024	2023
Short-term employee benefits	\$ 7,686	\$ 7,676
Post-employment benefits	202	203
Share-based payments	140	238
	<u>\$ 8,028</u>	<u>\$ 8,117</u>

  

	Nine months ended September 30,	
	2024	2023
Short-term employee benefits	\$ 35,892	\$ 35,813
Post-employment benefits	607	607
Share-based payments	421	713
	<u>\$ 36,920</u>	<u>\$ 37,133</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>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 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	\$ 452	\$ 421	\$ 411
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	123,720	116,420	113,606
Financial assets at amortised cost (Note 1)	<u>1,621,382</u>	<u>2,304,265</u>	<u>2,184,125</u>
	<u>\$ 1,745,554</u>	<u>\$ 2,421,106</u>	<u>\$ 2,298,142</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost (Note 2)	<u>\$ 401,860</u>	<u>\$ 666,879</u>	<u>\$ 230,221</u>
Lease liability	<u>\$ 2,302,781</u>	<u>\$ 2,389,810</u>	<u>\$ 2,411,043</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:

	<u>September 30, 2024</u>		
	<u>Foreign currency amount</u>		<u>Book value</u>
	<u>(In thousands)</u>	<u>Exchange rate</u>	<u>(NTD)</u>
<b>(Foreign currency: functional currency)</b>			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 3,422	31.65	\$ 108,300
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 703	31.65	\$ 22,244
	<u>December 31, 2023</u>		
	<u>Foreign currency amount</u>		<u>Book value</u>
	<u>(In thousands)</u>	<u>Exchange rate</u>	<u>(NTD)</u>
<b>(Foreign currency: functional currency)</b>			
<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



				September 30, 2023		
				Foreign currency amount		Book value
				(In thousands)	Exchange rate	(NTD)
<b>(Foreign currency: functional currency)</b>						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$	3,232		32.27	\$	104,314
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$	810		32.27	\$	26,145

- 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 and nine months ended September 30, 2024 and 2023, amounted to (\$3,690), \$4,614, \$4,462 and \$7,098, respectively.
- iii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

					Nine months ended September 30, 2024		
					Sensitivity analysis		
					Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<b>(Foreign currency: functional currency)</b>							
<u>Financial assets</u>							
<u>Monetary items</u>							
USD:NTD	5%	\$	5,415	\$			-
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD:NTD	5%	\$	1,112	\$			-

Nine months ended September 30, 2023		
Sensitivity analysis		
Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<b>(Foreign currency: functional currency)</b>		
<u>Financial assets</u>		
<u>Monetary items</u>		
USD:NTD	5%	\$ 5,215 \$ -
<u>Financial liabilities</u>		
<u>Monetary items</u>		
USD:NTD	5%	\$ 1,307 \$ -

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>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Fair value interest rate risk			
- Financial assets	\$ 994,905	\$ 1,926,515	\$ 1,783,713
- Financial liabilities	2,302,781	2,389,810	2,411,043
Fair value interest rate risk			
- Financial assets	278,989	132,087	128,902

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 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 nine months ended September 30, 2024 and 2023 would have decreased/increased by \$523 and \$242, 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 September 30, 2024, December 31, 2023 and September 30, 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>September 30, 2024</u>						
Expected loss rate	0.00%	0%~0.36%	7.81%	15.85%	37.32%~100%	
Total book value	\$ 255,644	\$ 78,200	\$ 704	\$ -	\$ 70	\$ 334,618
Loss allowance	-	14	-	-	68	82
	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>December 31, 2023</u>						
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

	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>September 30, 2023</u>						
Expected loss rate	0%~0.24%	0.64%~2.31%	22.75%	42.70%	60.48%~100%	
Total book value	\$ 206,344	\$ 52,851	\$ 27	\$ 67	\$ 988	\$ 260,277
Loss allowance	411	549	6	29	951	1,946

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

	<u>2024</u>	<u>2023</u>
	<u>Accounts receivable</u>	<u>Accounts receivable</u>
At January 1	\$ 1,118	\$ 2,564
Reversal	( 925)	( 612)
Actual write-offs	( 111)	( 6)
At September 30	<u>\$ 82</u>	<u>\$ 1,946</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>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Unsecured bank borrowing facilities			
Amount used	\$ 100,000	\$ -	\$ -
Amount unused	<u>1,700,000</u>	<u>500,000</u>	<u>350,000</u>
	<u>\$ 1,800,000</u>	<u>\$ 500,000</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.

September 30, 2024	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
<u>Non-derivative financial liabilities</u>						
Liabilities bear no interest	\$ 225,310	\$ -	\$ -	\$ 76,550	\$ -	\$ 301,860
Short-term borrowings	152	303	100,110	-	-	100,565
Lease liability	<u>11,333</u>	<u>22,571</u>	<u>101,224</u>	<u>537,855</u>	<u>2,247,101</u>	<u>2,920,084</u>
	<u>\$ 236,795</u>	<u>\$ 22,874</u>	<u>\$ 201,334</u>	<u>\$ 614,405</u>	<u>\$ 2,247,101</u>	<u>\$ 3,322,509</u>

	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
December 31, 2023						
<u>Non-derivative financial liabilities</u>						
Liabilities bear no interest	\$ 595,707	\$ -	\$ -	\$ 71,172	\$ -	\$ 666,879
Lease liability	<u>11,193</u>	<u>22,289</u>	<u>101,247</u>	<u>538,061</u>	<u>2,348,892</u>	<u>3,021,682</u>
	<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>
	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
September 30, 2023						
<u>Non-derivative financial liabilities</u>						
Liabilities bear no interest	\$ 158,302	\$ -	\$ -	\$ 71,919	\$ -	\$ 230,221
Lease liability	<u>11,194</u>	<u>22,293</u>	<u>100,579</u>	<u>538,132</u>	<u>2,382,499</u>	<u>3,054,697</u>
	<u>\$ 169,496</u>	<u>\$ 22,293</u>	<u>\$ 100,579</u>	<u>\$ 610,051</u>	<u>\$ 2,382,499</u>	<u>\$ 3,284,918</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
September 30, 2024						
Lease liability	\$ 135,128	\$ 537,855	\$ 648,721	\$ 636,474	\$ 961,906	\$ 2,920,084
	Less than 1 year	Between 1 and 5 year(s)	Between 5 and 10 years	Between 10 and 15 years	Over 15 years	Total
December 31, 2023						
Lease liability	\$ 134,728	\$ 538,061	\$ 654,208	\$ 636,584	\$ 1,058,101	\$ 3,021,682
	Less than 1 year	Between 1 and 5 year(s)	Between 5 and 10 years	Between 10 and 15 years	Over 15 years	Total
September 30, 2023						
Lease liability	\$ 134,066	\$ 538,132	\$ 656,000	\$ 636,584	\$ 1,089,915	\$ 3,054,697

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 September 30, 2024, December 31, 2023 and September 30, 2023 are as follows:

September 30, 2024	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 452	\$ -	\$ -	\$ 452
Financial assets at fair value through other comprehensive income				
Equity securities	<u>123,605</u>	<u>-</u>	<u>115</u>	<u>123,720</u>
	<u>\$ 124,057</u>	<u>\$ -</u>	<u>\$ 115</u>	<u>\$ 124,172</u>
December 31, 2023	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<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	<u>115,273</u>	<u>-</u>	<u>1,147</u>	<u>116,420</u>
	<u>\$ 115,694</u>	<u>\$ -</u>	<u>\$ 1,147</u>	<u>\$ 116,841</u>
September 30, 2023	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 411	\$ -	\$ -	\$ 411
Financial assets at fair value through other comprehensive income				
Equity securities	<u>112,402</u>	<u>-</u>	<u>1,204</u>	<u>113,606</u>
	<u>\$ 112,813</u>	<u>\$ -</u>	<u>\$ 1,204</u>	<u>\$ 114,017</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 nine months ended September 30, 2024 and 2023, there was no transfer between Level 1 and Level 2.

G. For the nine months ended September 30, 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)  
September 30, 2024

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

				As of September 30, 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	Financial assets at fair value through other comprehensive income	2,102	\$ 106,151	-	\$ 106,151	Note 1
CHIEF TELECOM INC.	Stocks- WT Microelectronics Co., Ltd.	Not applicable	Financial assets at fair value through other comprehensive income	361	17,454	-	17,454	Note 1
CHIEF TELECOM INC.	Stocks- 3 Link Information Service Co., Ltd.	Not applicable	Financial assets at fair value through other comprehensive income	37	115	10	115	-
CHIEF TELECOM INC.	Stocks- WPG Holdings Limited	Not applicable	Financial assets at fair value through profit or loss	9	452	-	452	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  
Nine months ended September 30,2024

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance (Note 1)	Percentage of total notes/accounts receivable (payable)	
The Company	Chunghwa Telecom Co., Ltd.	The Company's parent company	Sales	\$ 166,463	6	30 days	\$ -	-	\$ 22,403	7	Note 2
The Company	Chunghwa Telecom Co., Ltd.	The Company's parent company	Purchases	383,478	27	30 days	-	-	( 69,161)	( 38)	Note 2
The Company	So-net Entertainment Taiwan Limited	The Company's associates	Sales	108,586	4	30 days	-	-	25,098	8	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 third parties. Other transactions with related parties were not significantly different from those with third parties.

Chief Telecom Inc. and subsidiaries  
Information on investees  
Nine months ended September 30, 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 September 30, 2024			Net profit (loss) of the investee for the nine months ended September 30, 2024	Investment income (loss) recognised by the Company for the nine months ended September 30, 2024 (Notes 1 and 2)	Footnote
				Balance as at September 30, 2024	Balance as at December 31, 2023	Number of shares	Ownership (%)	Book value			
CHIEF TELECOM INC.	Unigate Telecom Inc.	Taiwan	Telecommunications and internet service	\$ 2,000	\$ 2,000	200	100	\$ 1,410	\$ 76	\$ 76	Subsidiary
CHIEF TELECOM INC.	Chief International Corp.	Samoa Islands	Telecommunications and internet service	6,068	6,068	200	100	110,194	5,488	5,488	Subsidiary

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

Note 2: The amount was eliminated upon consolidation.

Chief Telecom Inc. and subsidiaries  
Information on investments in Mainland China  
Nine months ended September 30,2024

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the nine months ended September 30, 2024			Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2024	Remitted to Mainland China	Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2024	Net income of investee as of September 30, 2024	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine months ended September 30, 2024 (Note 2)	Book value of investments in Mainland China as of September 30, 2024	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2024	Footnote
				as of January 1, 2024	Remitted to Mainland China	Remitted back to Taiwan										
Shanghai Chief Telecom Co., Ltd.	Telecommunications and internet service	\$ 10,150	1	\$ 4,973	\$ -	\$ -	\$ 4,973	\$ -	\$ 4,973	(\$ 23)	49	(\$ 11)	\$ 5,550	\$ 9,533	Note 4	
Company name	September 30, 2024	Investment amount approved by the Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA(Note 3)													
Shanghai Chief Telecom Co., Ltd.	\$ 4,973	\$ 4,973	\$ 2,136,518													

Note 1: Investment methods are classified into the following three categories:

- (1) Directly invest in a company in Mainland China.
- (2) Investment was made through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- (3) Other method

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

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

Note 4: The amount was eliminated upon consolidation.

Chief Telecom Inc. and subsidiaries

Major shareholders information

September 30, 2024

Table 5

Name of major shareholders	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.