

**Chunghwa Telecom Co., Ltd. and  
Subsidiaries**

**Consolidated Financial Statements for the  
Years Ended December 31, 2020 and 2019 and  
Independent Auditors' Report**

## REPRESENTATION LETTER

The entities that are required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2020 are all the same as those included in the consolidated financial statements of Chunghwa Telecom Co., Ltd. and its subsidiaries prepared in conformity with the International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates is included in the consolidated financial statements of Chunghwa Telecom Co., Ltd. and its subsidiaries. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

CHUNGHWA TELECOM CO., LTD.

By

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Chi-Mau Sheih  
Chairman

February 23, 2021

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
Chunghwa Telecom Co., Ltd.

### Opinion

We have audited the accompanying consolidated financial statements of Chunghwa Telecom Co., Ltd. and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the consolidated financial statements for the year ended December 31, 2020 is as follows:

#### Revenue Recognition on Mobile Service

Refer to Notes 3 and 30 to the consolidated financial statements.

The Company's mobile service revenue consists of subscriber-based charges made up of a significant volume of low-dollar transactions. Because of the complexity and a variety of subscriber-based charges as well as a large number of transactions, the Company uses highly automated systems to process and record its revenue transactions.

Given the Company's systems to process and record revenue are highly automated, auditing revenue was complex and challenging due to the extent of audit effort required and involvement of professionals with expertise in information technology (IT) necessary for us to identify, test, and evaluate the Company's IT systems.

Our audit procedures related to the Company's systems to process revenue transactions included the following, among others:

- With the assistance of our IT specialists, we:
  - Identified the significant systems used to process revenue transactions and tested the general IT controls over each of these systems, including testing of user access controls and change management controls.
  - Performed testing of system interface controls and automated controls within the relevant revenue streams, as well as the controls designed to ensure the accuracy and completeness of revenue.
- We tested internal controls within the relevant revenue business processes, including those in place to reconcile the various systems to the Company's accounting system.
- We selected samples from mobile service revenue and agreed to customer contracts and records of cash receipts.

#### **Other Matter**

We have also audited the parent company only financial statements of Chunghwa Telecom Co., Ltd. as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion.

#### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020, and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication..

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

Dien-Sheng Chang      Cheng-Hung Kuo

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 23, 2021

Notice to Readers

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

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

# CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 3 and 6)	\$ 30,419,655	6	\$ 34,049,643	7
Financial assets at fair value through profit or loss (Notes 3, 4 and 7)	9,897	-	516	-
Hedging financial assets (Notes 3 and 20)	1,752	-	327	-
Contract assets (Notes 3 and 30)	5,331,246	1	4,441,196	1
Trade notes and accounts receivable, net (Notes 3, 4, 9, 13 and 30)	22,621,902	5	26,407,783	6
Receivables from related parties (Note 38)	230,696	-	16,834	-
Inventories (Notes 3, 4, 10 and 39)	12,408,903	3	17,344,276	4
Prepayments (Note 11)	2,306,246	-	1,883,259	-
Other current monetary assets (Notes 12, 28 and 35)	6,123,665	1	7,498,564	2
Other current assets (Notes 19, 32 and 39)	2,349,097	-	2,429,664	-
<b>Total current assets</b>	<b>81,803,059</b>	<b>16</b>	<b>94,072,062</b>	<b>20</b>
<b>NONCURRENT ASSETS</b>				
Financial assets at fair value through profit or loss (Notes 3, 4 and 7)	677,202	-	778,105	-
Financial assets at fair value through other comprehensive income (Notes 3, 4 and 8)	7,193,174	2	7,268,917	2
Investments accounted for using equity method (Notes 3 and 14)	6,893,001	1	7,354,226	2
Contract assets (Notes 3 and 30)	2,495,302	-	2,600,913	-
Property, plant and equipment (Notes 3, 4, 13, 15, 35, 38 and 39)	281,415,943	56	283,694,215	59
Right-of-use assets (Notes 3, 4 and 16)	11,009,206	2	11,364,249	2
Investment properties (Notes 3, 4, 17, 35 and 38)	9,621,322	2	8,169,393	2
Intangible assets (Notes 3, 4, 13, 18 and 35)	90,284,560	18	47,046,525	10
Deferred income tax assets (Notes 3, 13 and 32)	3,132,713	1	3,258,607	1
Incremental costs of obtaining contracts (Notes 3 and 30)	999,593	-	942,652	-
Net defined benefit assets (Notes 3, 4, 13 and 28)	3,372,555	1	2,127,335	-
Prepayments (Note 11)	2,213,521	-	2,679,335	1
Other noncurrent assets (Notes 19, 39 and 40)	5,266,841	1	6,101,704	1
<b>Total noncurrent assets</b>	<b>424,574,933</b>	<b>84</b>	<b>383,386,176</b>	<b>80</b>
<b>TOTAL</b>	<b>\$ 506,377,992</b>	<b>100</b>	<b>\$ 477,458,238</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term loans (Note 21)	\$ 67,000	-	\$ 90,000	-
Short-term bills payable (Note 22)	6,999,198	1	-	-
Financial liabilities at fair value through profit or loss (Notes 3, 4 and 7)	143	-	239	-
Contract liabilities (Notes 3, 30 and 38)	13,436,706	3	16,839,830	4
Trade notes and accounts payable (Note 25)	15,590,814	3	15,312,274	3
Payables to related parties (Note 38)	645,944	-	653,983	-
Current tax liabilities (Notes 3 and 32)	4,369,241	1	4,020,670	1
Lease liabilities (Notes 3, 4, 16, 35 and 38)	3,381,571	1	3,291,330	1
Other payables (Notes 26 and 35)	23,987,962	5	22,952,488	5
Provisions (Notes 3, 13 and 27)	313,555	-	206,942	-
Current portion of long-term loans (Notes 23 and 39)	1,600,000	-	-	-
Other current liabilities	1,042,977	-	983,789	-
<b>Total current liabilities</b>	<b>71,435,111</b>	<b>14</b>	<b>64,351,545</b>	<b>14</b>
<b>NONCURRENT LIABILITIES</b>				
Long-term loans (Notes 23 and 39)	-	-	1,600,000	-
Bonds payable (Note 24)	19,980,272	4	-	-
Contract liabilities (Notes 3 and 30)	7,289,087	2	6,841,485	2
Deferred income tax liabilities (Notes 3, 13 and 32)	1,966,538	-	1,912,305	-
Provisions (Notes 3, 13 and 27)	100,616	-	97,382	-
Lease liabilities (Notes 3, 4, 16, 35 and 38)	6,215,096	1	6,466,808	1
Customers' deposits (Note 38)	4,826,679	1	4,747,644	1
Net defined benefit liabilities (Notes 3, 4, 13 and 28)	3,415,331	1	3,504,617	1
Other noncurrent liabilities	1,890,805	-	1,542,687	-
<b>Total noncurrent liabilities</b>	<b>45,684,424</b>	<b>9</b>	<b>26,712,928</b>	<b>5</b>
<b>Total liabilities</b>	<b>117,119,535</b>	<b>23</b>	<b>91,064,473</b>	<b>19</b>
<b>EQUITY ATTRIBUTABLE TO STOCKHOLDERS OF THE PARENT (Notes 13 and 29)</b>				
Common stocks	77,574,465	15	77,574,465	16
Additional paid-in capital	171,261,379	34	171,255,985	36
Retained earnings				
Legal reserve	77,574,465	15	77,574,465	16
Special reserve	2,675,419	1	2,675,419	1
Unappropriated earnings	47,918,166	10	46,341,361	10
Total retained earnings	128,168,050	26	126,591,245	27
Others	927,122	-	688,548	-
<b>Total equity attributable to stockholders of the parent</b>	<b>377,931,016</b>	<b>75</b>	<b>376,110,243</b>	<b>79</b>
<b>NONCONTROLLING INTERESTS (Notes 13 and 29)</b>	<b>11,327,441</b>	<b>2</b>	<b>10,283,522</b>	<b>2</b>
<b>Total equity</b>	<b>389,258,457</b>	<b>77</b>	<b>386,393,765</b>	<b>81</b>
<b>TOTAL</b>	<b>\$ 506,377,992</b>	<b>100</b>	<b>\$ 477,458,238</b>	<b>100</b>

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

# CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
REVENUES (Notes 3, 30, 38 and 44)	\$ 207,608,998	100	\$ 207,520,061	100
OPERATING COSTS (Notes 3, 10, 28, 30, 31, 38 and 44)	<u>137,028,852</u>	<u>66</u>	<u>135,952,540</u>	<u>65</u>
GROSS PROFIT	<u>70,580,146</u>	<u>34</u>	<u>71,567,521</u>	<u>35</u>
OPERATING EXPENSES (Notes 3, 9, 28, 31, 38 and 44)				
Marketing	20,912,848	10	22,219,688	11
General and administrative	5,005,934	2	4,758,340	2
Research and development	3,849,999	2	3,941,446	2
Expected credit loss (reversal of credit loss)	<u>44,885</u>	<u>-</u>	<u>(125,111)</u>	<u>-</u>
Total operating expenses	<u>29,813,666</u>	<u>14</u>	<u>30,794,363</u>	<u>15</u>
OTHER INCOME AND EXPENSES (Notes 15, 17, 18, 19, 31 and 44)	<u>1,595,246</u>	<u>1</u>	<u>(127,304)</u>	<u>-</u>
INCOME FROM OPERATIONS	<u>42,361,726</u>	<u>21</u>	<u>40,645,854</u>	<u>20</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 44)	115,922	-	250,787	-
Other income (Notes 8, 31 and 38)	469,608	-	531,624	-
Other gains and losses (Notes 14, 31, 37 and 38)	(152,967)	-	(36,471)	-
Interest expenses (Notes 16, 31, 38 and 44)	(206,063)	-	(104,142)	-
Share of profits of associates and joint ventures accounted for using equity method (Notes 14 and 44)	<u>242,745</u>	<u>-</u>	<u>462,140</u>	<u>-</u>
Total non-operating income and expenses	<u>469,245</u>	<u>-</u>	<u>1,103,938</u>	<u>-</u>
INCOME BEFORE INCOME TAX	42,830,971	21	41,749,792	20
INCOME TAX EXPENSE (Notes 3 and 32)	<u>8,125,428</u>	<u>4</u>	<u>7,985,849</u>	<u>4</u>
NET INCOME	<u>34,705,543</u>	<u>17</u>	<u>33,763,943</u>	<u>16</u>

(Continued)



# CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss:				
Remeasurements of defined benefit pension plans (Note 28)	\$ 1,193,149	1	\$ 1,526,353	1
Unrealized gain or loss on investments in equity instruments at fair value through other comprehensive income (Notes 3, 29 and 37)	404,955	-	286,408	-
Gain or loss on hedging instruments subject to basis adjustment (Notes 3 and 20)	1,425	-	(742)	-
Share of remeasurements of defined benefit pension plans of associates and joint ventures (Note 14)	(4,282)	-	(2,335)	-
Income tax relating to items that will not be reclassified to profit or loss (Note 32)	<u>(238,630)</u>	<u>-</u>	<u>(305,271)</u>	<u>-</u>
	<u>1,356,617</u>	<u>1</u>	<u>1,504,413</u>	<u>1</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising from the translation of the foreign operations	(177,149)	-	(61,207)	-
Share of exchange differences arising from the translation of the foreign operations of associates and joint ventures (Note 14)	(4,289)	-	(700)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 32)	<u>(263)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(181,701)</u>	<u>-</u>	<u>(61,907)</u>	<u>-</u>
Total other comprehensive income, net of income tax	<u>1,174,916</u>	<u>1</u>	<u>1,442,506</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 35,880,459</u>	<u>18</u>	<u>\$ 35,206,449</u>	<u>17</u>
NET INCOME ATTRIBUTABLE TO				
Stockholders of the parent	\$ 33,406,130	16	\$ 32,788,546	16
Noncontrolling interests	<u>1,299,413</u>	<u>1</u>	<u>975,397</u>	<u>-</u>
	<u>\$ 34,705,543</u>	<u>17</u>	<u>\$ 33,763,943</u>	<u>16</u>

(Continued)

# CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
COMPREHENSIVE INCOME ATTRIBUTABLE				
TO				
Stockholders of the parent	\$ 34,598,348	17	\$ 34,225,076	17
Noncontrolling interests	<u>1,282,111</u>	<u>1</u>	<u>981,373</u>	<u>-</u>
	<u>\$ 35,880,459</u>	<u>18</u>	<u>\$ 35,206,449</u>	<u>17</u>
EARNINGS PER SHARE (Note 33)				
Basic	<u>\$ 4.31</u>		<u>\$ 4.23</u>	
Diluted	<u>\$ 4.30</u>		<u>\$ 4.22</u>	

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

(Concluded)

**CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Stockholders of the Parent (Notes 13, 20 and 29)										Total Equity
	Common Stocks	Additional Paid-in Capital	Legal Reserve	Special Reserve	Retained Earnings Unappropriated Earnings	Exchange Differences Arising from the Translation of the Foreign Operations	Others Unrealized Gain or Loss on Financial Assets at Fair Value Through Other Comprehensive Income	Gain or Loss on Hedging Instruments	Total	Noncontrolling Interests (Notes 13 and 29)	
BALANCE, JANUARY 1, 2019	\$ 77,574,465	\$ 171,136,764	\$ 77,574,465	\$ 2,675,419	\$ 47,090,522	\$ (79,427)	\$ 538,272	\$ 1,069	\$ 376,511,549	\$ 9,990,345	\$ 386,501,894
Appropriation of 2018 earnings	-	-	-	-	-	-	-	-	-	-	-
Cash dividends distributed by Chungghwa	-	-	-	-	(34,745,603)	-	-	-	(34,745,603)	-	(34,745,603)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(709,817)	(709,817)
Unclaimed dividend	-	1,266	-	-	-	-	-	-	1,266	-	1,266
Change in additional paid-in capital from investments in associates and joint ventures accounted for using equity method	-	118,853	-	-	-	-	-	-	118,853	1,064	119,917
Net income for the year ended December 31, 2019	-	-	-	-	32,788,546	-	-	-	32,788,546	975,397	33,763,943
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	1,207,896	(68,950)	298,326	(742)	1,436,530	5,976	1,442,506
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	33,996,442	(68,950)	298,326	(742)	34,225,076	981,373	35,206,449
Share-based payment transactions of subsidiaries	-	(898)	-	-	-	-	-	-	(898)	21,320	20,422
Net decrease in noncontrolling interests	-	-	-	-	-	-	-	-	-	(763)	(763)
BALANCE, DECEMBER 31, 2019	77,574,465	171,255,985	77,574,465	2,675,419	46,341,361	(148,377)	836,598	327	376,110,243	10,283,522	386,393,765
Appropriation of 2019 earnings	-	-	-	-	-	-	-	-	-	-	-
Cash dividends distributed by Chungghwa	-	-	-	-	(32,782,969)	-	-	-	(32,782,969)	-	(32,782,969)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(775,420)	(775,420)
Unclaimed dividend	-	1,605	-	-	-	-	-	-	1,605	-	1,605
Change in additional paid-in capital from investments in associates and joint ventures accounted for using equity method	-	(21,918)	-	-	-	-	-	-	(21,918)	(1,817)	(23,735)
Change in additional paid-in capital for not proportionately participating in the capital increase of subsidiaries	-	(103)	-	-	-	-	-	-	(103)	103	-
Net income for the year ended December 31, 2020	-	-	-	-	33,406,130	-	-	-	33,406,130	1,299,413	34,705,543
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	936,958	(166,154)	419,989	1,425	1,192,218	(17,302)	1,174,916
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	34,343,088	(166,154)	419,989	1,425	34,598,348	1,282,111	35,880,459
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	16,686	-	(16,686)	-	-	-	-
Share-based payment transactions of subsidiaries	-	25,810	-	-	-	-	-	-	25,810	63,063	88,873
Net increase in noncontrolling interests	-	-	-	-	-	-	-	-	-	475,879	475,879
BALANCE, DECEMBER 31, 2020	\$ 77,574,465	\$ 171,261,379	\$ 77,574,465	\$ 2,675,419	\$ 47,918,166	\$ (314,531)	\$ 1,239,901	\$ 1,752	\$ 377,931,016	\$ 11,327,441	\$ 389,258,457

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

# CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 42,830,971	\$ 41,749,792
Adjustments for:		
Depreciation	30,942,330	30,922,991
Amortization	5,424,367	4,252,602
Amortization of incremental costs of obtaining contracts	771,875	1,173,492
Expected credit loss (reversal of credit loss)	44,885	(125,111)
Interest expenses	206,063	104,142
Interest income	(115,922)	(250,787)
Dividend income	(246,084)	(296,360)
Compensation cost of share-based payment transactions	7,578	1,597
Share of profits of associates and joint ventures accounted for using equity method	(242,745)	(462,140)
Loss (gain) on disposal of property, plant and equipment	(1,427,984)	37,785
Gain on disposal of investment properties	(151,357)	-
Loss on disposal of intangible assets	1,858	146
Loss (gain) on disposal of financial instruments	1,788	(3,944)
Gain on disposal of investments accounted for using equity method	(15,946)	(30,152)
Provision for impairment loss and obsolescence of inventory	1,161,281	474,709
Impairment loss on property, plant and equipment	-	93,073
Reversal of impairment loss on investment properties	(27,066)	(56,617)
Impairment loss on intangible assets	9,303	8,946
Impairment loss on other assets	-	43,971
Valuation loss on financial assets and liabilities at fair value through profit or loss, net	99,150	38,314
Others	3,139	(26,524)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Contract assets	(202,628)	172,489
Trade notes and accounts receivable	4,071,260	4,038,731
Receivables from related parties	(213,862)	7,436
Inventories	3,915,328	(2,698,270)
Prepayments	173,243	114,991
Other current monetary assets	354,739	(154,780)
Other current assets	155,324	146,420
Incremental cost of obtaining contracts	(828,816)	(781,114)
Increase (decrease) in:		
Contract liabilities	(3,289,055)	6,701,313
Trade notes and accounts payable	21,015	(5,151,740)
Payables to related parties	(8,039)	(263,968)
Other payables	(924,186)	697,351

(Continued)

# CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
Provisions	\$ 94,589	\$ 97,497
Other current liabilities	46,303	(159,881)
Net defined benefit plans	<u>(173,970)</u>	<u>533,787</u>
Cash generated from operations	82,468,729	80,950,187
Interest paid	(161,251)	(104,142)
Income tax paid	<u>(7,851,522)</u>	<u>(8,419,360)</u>
Net cash provided by operating activities	<u>74,455,956</u>	<u>72,426,685</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	(85,246)	(60,000)
Proceeds from disposal of financial assets at fair value through other comprehensive income	297,476	-
Proceeds from return of financial assets at fair value through other comprehensive income	-	9,167
Acquisition of financial assets at fair value through profit or loss	(39,253)	(443,064)
Proceeds from disposal of financial assets at fair value through profit or loss	29,741	146,560
Acquisition of time deposits and negotiable certificates of deposit with maturities of more than three months	(5,215,859)	(14,381,653)
Acquisition of repurchase agreements collateralized by bonds with maturities of more than three months	-	(14,990)
Proceeds from disposal of time deposits and negotiable certificates of deposit with maturities of more than three months	6,630,359	16,519,781
Proceeds from disposal of repurchase agreements collateralized by bonds with maturities of more than three months	15,335	-
Acquisition of investments accounted for using equity method	(10,200)	(4,190,000)
Proceeds from disposal of investments accounted for using equity method	-	32,470
Acquisition of property, plant and equipment	(23,510,820)	(24,165,857)
Proceeds from disposal of property, plant and equipment	319,089	48,157
Acquisition of intangible assets	(47,605,187)	(362,718)
Acquisition of investment properties	(54,435)	(523)
Proceeds from disposal of investment properties	188,300	-
Increase in other noncurrent assets	(207,616)	(1,122,142)
Interest received	124,653	256,432
Dividends received	515,918	602,086
Net cash inflow on acquisition of subsidiaries	<u>354,056</u>	<u>-</u>
Net cash used in investing activities	<u>(68,253,689)</u>	<u>(27,126,294)</u>

(Continued)

# CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term loans	\$ 115,000	\$ 575,000
Repayment of short-term loans	(142,000)	(585,000)
Proceeds from short-term bills payable	41,000,000	-
Repayment of short-term bills payable	(34,000,000)	-
Proceeds from issuance of bonds	20,000,000	-
Payments for transaction costs attributable to the issuance of bonds	(21,038)	-
Increase in customers' deposits	61,757	7,311
Payments for the principal of lease liabilities	(3,683,204)	(3,727,792)
Increase in other noncurrent liabilities	343,275	232,357
Cash dividends paid	(32,782,969)	(34,745,603)
Cash dividends distributed to noncontrolling interests	(775,420)	(709,817)
Change in other noncontrolling interests	81,295	18,062
Unclaimed dividend	<u>1,605</u>	<u>1,266</u>
Net cash used in financing activities	<u>(9,801,699)</u>	<u>(38,934,216)</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		
	<u>(30,556)</u>	<u>38,688</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	(3,629,988)	6,404,863
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>34,049,643</u>	<u>27,644,780</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 30,419,655</u>	<u>\$ 34,049,643</u>

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

(Concluded)

# CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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### 1. GENERAL

Chunghwa Telecom Co., Ltd. (“Chunghwa”) was incorporated on July 1, 1996 in the Republic of China (“ROC”). Chunghwa is a company limited by shares and, prior to August 2000, was wholly owned by the Ministry of Transportation and Communications (“MOTC”). Prior to July 1, 1996, the current operations of Chunghwa were carried out under the Directorate General of Telecommunications (“DGT”). The DGT was established by the MOTC in June 1943 to take primary responsibility in the development of telecommunications infrastructure and to formulate policies related to telecommunications. On July 1, 1996, the telecom operations of the DGT were spun-off as Chunghwa which continues to carry out the business and the DGT continues to be the industry regulator.

Effective August 12, 2005, the MOTC completed the process of privatizing Chunghwa by reducing the government ownership to below 50% in various stages. In July 2000, Chunghwa received approval from the Securities and Futures Commission (the “SFC”) for a domestic initial public offering and its common stocks were listed and traded on the Taiwan Stock Exchange (the “TWSE”) on October 27, 2000. Certain of Chunghwa’s common stocks were sold, in connection with the foregoing privatization plan, in domestic public offerings at various dates from August 2000 to July 2003. Certain of Chunghwa’s common stocks were also sold in an international offering of securities in the form of American Depository Shares (“ADS”) on July 17, 2003 and were listed and traded on the New York Stock Exchange (the “NYSE”). The MOTC sold common stocks of Chunghwa by auction in the ROC on August 9, 2005 and completed the second international offering on August 10, 2005. Upon completion of the share transfers associated with these offerings on August 12, 2005, the MOTC owned less than 50% of the outstanding shares of Chunghwa and completed the privatization plan.

Chunghwa together with its subsidiaries are hereinafter referred to collectively as the “Company”.

The consolidated financial statements are presented in Chunghwa’s functional currency, New Taiwan dollars.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on February 23, 2021.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Statement of Compliance

The accompanying consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC) and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (the “FSC”) (collectively, the Taiwan-IFRS”).

## **Basis of Preparation**

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

## **Current and Noncurrent Assets and Liabilities**

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within twelve months after the reporting period; and
- c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within twelve months after the reporting period; and
- c. Liabilities for which the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

Assets and liabilities that are not classified as current are classified as noncurrent.

Light Era Development Co., Ltd. (LED) engages mainly in development of property for rent and sale. The assets and liabilities of LED related to property development within its operating cycle, which is over one year, are classified as current items.

## **Basis of Consolidation**

- a. Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of Chunghwa and entities controlled by Chunghwa (its subsidiaries).

Income and expenses of subsidiaries acquired are included in the consolidated statement of comprehensive income from the acquisition date.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Company.

All inter-company transactions, balances, income and expenses are eliminated in full upon consolidation.

### Attribution of total comprehensive income to noncontrolling interests

Total comprehensive income of subsidiaries is attributed to the stockholders of the parent and to the noncontrolling interests even if it results in the noncontrolling interests having a deficit balance.



## Changes in the Company's ownership interests in subsidiaries

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the noncontrolling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to stockholders of the parent.

### b. The subsidiaries in the consolidated financial statements

The detail information of the subsidiaries at the end of reporting period was as follows:

Name of Investor	Name of Investee	Main Businesses and Products	Percentage of Ownership Interests		Note
			December 31		
			2020	2019	
Chunghwa Telecom Co., Ltd.	Senao International Co., Ltd. ("SENAO")	Handset and peripherals retailer, sales of CHT mobile phone plans as an agent	28	28	a)
	Light Era Development Co., Ltd. ("LED")	Planning and development of real estate and intelligent buildings, and property management	100	100	
	Donghwa Telecom Co., Ltd. ("DHT")	International private leased circuit, IP VPN service, and IP transit services	100	100	
	Chunghwa Telecom Singapore Pte., Ltd. ("CHTS")	International private leased circuit, IP VPN service, and IP transit services	100	100	
	Chunghwa System Integration Co., Ltd. ("CHSI")	Providing system integration services and telecommunications equipment	100	100	
	Chunghwa Investment Co., Ltd. ("CHI")	Investment	89	89	
	CHIEF Telecom Inc. ("CHIEF")	Network integration, internet data center ("IDC"), communications integration and cloud application services	56	57	b)
	CHYP Multimedia Marketing & Communications Co., Ltd. ("CHYP")	Digital information supply services and advertisement services	100	100	
	Prime Asia Investments Group Ltd. (B.V.I.) ("Prime Asia")	Investment	100	100	
	Spring House Entertainment Tech. Inc. ("SHE")	Software design services, internet contents production and play, and motion picture production and distribution	56	56	c)
	Chunghwa Telecom Global, Inc. ("CHTG")	International private leased circuit, internet services, and transit services	100	100	
	Chunghwa Telecom Vietnam Co., Ltd. ("CHTV")	Intelligent energy saving solutions, international circuit, and information and communication technology ("ICT") services	100	100	
	Smartfun Digital Co., Ltd. ("SFD")	Providing diversified family education digital services	65	65	
	Chunghwa Telecom Japan Co., Ltd. ("CHTJ")	International private leased circuit, IP VPN service, and IP transit services	100	100	
	Chunghwa Sochamp Technology Inc. ("CHST")	Design, development and production of Automatic License Plate Recognition software and hardware	51	51	
	Honghwa International Co., Ltd. ("HHI")	Telecommunications engineering, sales agent of mobile phone plan application and other business services, etc.	100	100	
	Chunghwa Leading Photonics Tech Co., Ltd. ("CLPT")	Production and sale of electronic components and finished products	75	75	
	Chunghwa Telecom (Thailand) Co., Ltd. ("CHTT")	International private leased circuit, IP VPN service, ICT and cloud VAS services	100	100	d)

(Continued)

Name of Investor	Name of Investee	Main Businesses and Products	Percentage of Ownership Interests		Note
			December 31		
			2020	2019	
	CHT Security Co., Ltd. (“CHTSC”)	Computing equipment installation, wholesale of computing and business machinery equipment and software, management consulting services, data processing services, digital information supply services and internet identify services	80	80	
	International Integrated Systems, Inc. (“IISI”)	IT solution provider, IT application consultation, system integration and package solution	51	-	e)
Senao International Co., Ltd.	Senao International (Samoa) Holding Ltd. (“SIS”)	International investment	100	100	f)
	Youth Co., Ltd. (“Youth”)	Sale of information and communication technologies products	96	93	g)
	Aval Technologies Co., Ltd. (“Aval”)	Sale of information and communication technologies products	100	100	
	Senyoung Insurance Agent Co., Ltd. (“SENYOUNG”)	Property and liability insurance agency	100	100	
Youth Co., Ltd.	ISPOT Co., Ltd. (“ISPOT”)	Sale of information and communication technologies products	100	100	
	Youyi Co., Ltd. (“Youyi”)	Maintenance of information and communication technologies products	100	100	
Aval Technologies Co., Ltd.	Wiin Technology Co., Ltd. (“Wiin”)	Sale of information and communication technologies products	100	100	h)
Senyoung Insurance Agent Co., Ltd.	Senaolife Insurance Agent Co., Ltd. (“Senaolife”)	Life insurance services	100	100	i)
Light Era Development Co., Ltd.	Taoyuan Asia Silicon Valley Innovation Co., Ltd. (“TASVI”)	Development of real estate	-	-	j)
CHIEF Telecom Inc.	Unigate Telecom Inc. (“Unigate”)	Telecommunications and internet service	100	100	
	Chief International Corp. (“CIC”)	Telecommunications and internet service	100	100	
	Shanghai Chief Telecom Co., Ltd. (“SCT”)	Telecommunications and internet service	49	49	k)
Chunghwa Investment Co., Ltd.	Chunghwa Precision Test Tech. Co., Ltd. (“CHPT”)	Production and sale of semiconductor testing components and printed circuit board	34	34	l)
Chunghwa Precision Test Tech. Co., Ltd.	Chunghwa Precision Test Tech. USA Corporation (“CHPT (US)”)	Design and after-sale services of semiconductor testing components and printed circuit board	100	100	
	CHPT Japan Co., Ltd. (“CHPT (JP)”)	Related services of electronic parts, machinery processed products and printed circuit board	100	100	
	Chunghwa Precision Test Tech. International, Ltd. (“CHPT (International)”)	Wholesale and retail of electronic materials, and investment	100	100	
Senao International (Samoa) Holding Ltd.	Senao International HK Limited (“SIHK”)	International investment	100	100	m)
Senao International HK Limited	Senao Trading (Fujian) Co., Ltd. (“STF”)	Sale of information and communication technologies products	-	-	n)
	Senao International Trading (Shanghai) Co., Ltd. (“SITS”)	Sale of information and communication technologies products	100	100	o)
	Senao International Trading (Jiangsu) Co., Ltd. (“SITJ”)	Sale of information and communication technologies products	-	-	p)

(Continued)

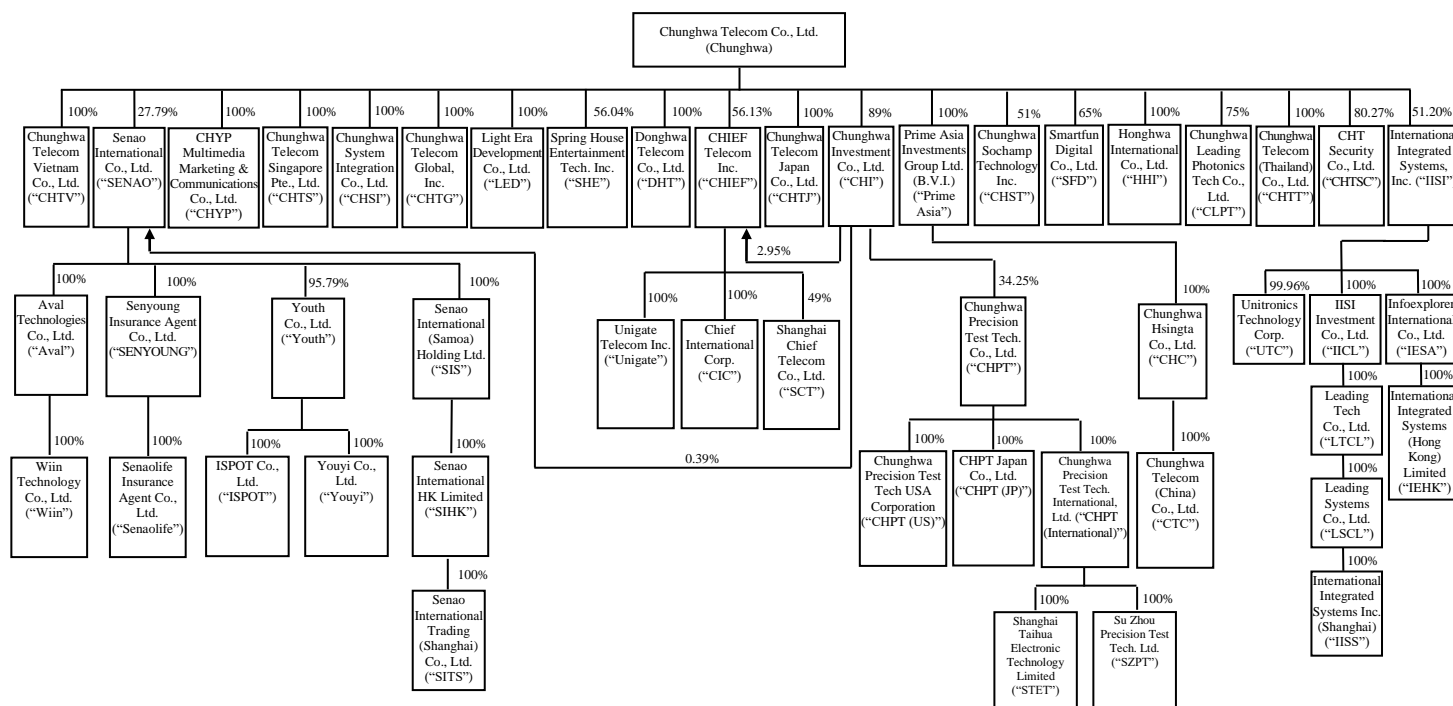
Name of Investor	Name of Investee	Main Businesses and Products	Percentage of Ownership Interests		Note
			December 31		
			2020	2019	
Prime Asia Investments Group Ltd. (B.V.I.)	Chunghwa Hsingta Co., Ltd. ("CHC")	Investment	100	100	
Chunghwa Hsingta Co., Ltd.	Chunghwa Telecom (China) Co., Ltd. ("CTC")	Integrated information and communication solution services for enterprise clients, and intelligent energy network service	100	100	q)
Chunghwa Precision Test Tech. International, Ltd.	Shanghai Taihua Electronic Technology Limited ("STET")	Design of printed circuit board and related consultation service	100	100	
	Su Zhou Precision Test Tech. Ltd. ("SZPT")	Assembly processed of circuit board, design of printed circuit board and related consultation service	100	100	r)
International Integrated Systems, Inc.	Infoexplorer International Co., Ltd. ("IESA")	Investment	100	-	s)
	IISI Investment Co., Ltd. ("IICL")	Investment	100	-	s)
	Unitronics Technology Corp. ("UTC")	Development and maintenance of information system	99.96	-	s)
Infoexplorer International Co., Ltd.	International Integrated Systems (Hong Kong) Limited ("IEHK")	Investment and technical consulting service	100	-	s)
IISI Investment Co., Ltd.	Leading Tech Co., Ltd. ("LTCL")	Investment	100	-	s)
Leading Tech Co., Ltd.	Leading Systems Co., Ltd. ("LSCL")	Investment	100	-	s)
Leading Systems Co., Ltd.	International Integrated Systems Inc. (Shanghai) ("IISS")	Development and maintenance of information system	100	-	s)
International Integrated Systems Inc. (Shanghai)	Huiyu Shanghai Management Consultancy Co., Ltd. ("HSMC")	Development and maintenance of information system	-	-	s) t)

(Concluded)

- a) Chunghwa continues to control six out of eleven seats of the Board of Directors of SENAO through the support of large beneficial stockholders. As a result, the Company treated SENAO as a subsidiary.
- b) CHIEF issued new shares in March 2019, November 2019, March 2020 and December 2020 as its employees exercised options. Therefore, the Company's ownership interest in CHIEF decreased to 59.75% and 59.08% as of December 31, 2019 and 2020, respectively.
- c) SHE reduced 19.72% of its capital to offset accumulated deficits in December 2019 and the Company's ownership interest in SHE remained the same.
- d) The Company increased its investment in CHTT proportionally in October 2019 and the Company's ownership interest in CHTT remained the same.

- e) Chunghwa obtained 20.38% ownership interest in IISI in July 2020 and Chunghwa's ownership interest in IISI increased to 51.54% by considering the previously held ownership interest in IISI. Chunghwa obtained over half of the seats of the Board of Directors of IISI; therefore, Chunghwa gained control over IISI and treated it as a subsidiary. IISI issued new shares in September 2020 as its employees exercised options; therefore, the Company's ownership interest in IISI decreased to 51.20% as of December 31, 2020.
- f) SIS reduced and returned its capital to its stakeholders in November 2020. The Company's ownership interest in SIS remained the same.
- g) SENAO subscribed for all the shares in the capital increase of Youth in April 2020. Therefore, the Company's ownership interest in Youth increased from 92.89% to 95.79%.
- h) Aval invested 100% equity shares of Wiin Technology Co., Ltd. ("Wiin") in September 2019.
- i) SENYOUNG invested 100% equity shares of Senaolife Insurance Agent Co., Ltd. ("Senaolife") in November 2019.
- j) TASVI completed its liquidation in September 2019.
- k) CHIEF has two out of three seats of the Board of Directors of SCT according to the mutual agreements among stockholders and gained control over SCT; hence, SCT is deemed as a subsidiary of the Company.
- l) Though the Company's ownership interest in CHPT is less than 50%, the management considered the absolute and relative size of ownership interest, and the dispersion of shares owned by the other stockholders and concluded that the Company has a sufficiently dominant voting interest to direct the relevant activities; hence, CHPT is deemed as a subsidiary of the Company.
- m) SIHK reduced and returned its capital to its stakeholders in November 2020. The Company's ownership interest in SIHK remained the same.
- n) STF completed its liquidation in May 2019.
- o) SITS was approved to end and dissolve its business in December 2020. The liquidation of SITS is still in process.
- p) SITJ completed its liquidation in March 2019.
- q) CTC was approved to end and dissolve its business in August 2020. The liquidation of CTC is still in process.
- r) CHPT (International) invested 100% equity shares of Su Zhou Precision Test Tech. Ltd. ("SZPT") in October 2019.
- s) It is a subsidiary of IISI.
- t) HSMC completed its liquidation in December 2020.

The following diagram presented information regarding the relationship and percentages of ownership interests between Chunghwa and its subsidiaries as of December 31, 2020.



## Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets.

When a business combination is achieved in stages, the Company's previously held equity interest in an acquiree is remeasured to fair value at the acquisition date and the resulting gain or loss is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are recognized on the same basis as would be required had those interests been directly disposed of by the Company.

## Foreign Currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined and related exchange differences are recognized in profit or loss. Conversely, when the fair value changes were recognized in other comprehensive income, related exchange difference shall be recognized in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations (including of the subsidiaries, associates and joint ventures in other countries or currencies used different with Chunghwa) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and attributed to stockholders of the parent and noncontrolling interests as appropriate.

### **Cash Equivalents**

Cash equivalents include commercial paper, negotiable certificates of deposit, time deposits, repurchase agreements collateralized by bonds with original maturities within three months from the date of acquisition and triple stimulus vouchers, highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

### **Inventories**

Inventories are stated at the lower of cost or net realizable value item by item, except for those that may be appropriate to group items of similar or related inventories. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. The calculation of the cost of inventory is derived using the weighted-average method.

### **Buildings and Land Consigned to Construction Contractors**

Inventories of LED are stated at the lower of cost or net realizable value item by item, except for those that may be appropriate to group as similar items or related inventories. Land acquired before construction is classified as land held for development, and then reclassified as land held under development after LED begins its construction project.

Upon the completion of the construction project, LED recognizes revenues in the amount of proceeds from customers for land and buildings and related costs when ownership is transferred to the customers. The unsold portion of the completed construction project is transferred to land and building held for sale.

### **Investments in Associates and Joint Ventures**

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. A joint venture is a joint arrangement whereby the Company and other parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments accounted for using the equity method include investments in associates and interests in joint ventures. Under the equity method, an investment in an associate or a joint venture is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the associate and joint venture as well as the distribution received. The Company also recognizes its share in changes in the associates and joint ventures.

When the Company subscribes for new shares of an associate and a joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate and joint venture. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to additional paid-in capital. When the adjustment should be debited to additional paid-in capital but the additional paid-in capital recognized from investments accounted for using equity method is insufficient, the shortage is debited to retained earnings.

Any excess of the cost of acquisition over the Company's share of the fair value of the identifiable net assets and liabilities of an associate and a joint venture at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and shall not be amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and joint venture. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate and joint venture on the same basis as would be required had that associate and joint venture directly disposed of the related assets or liabilities.

When the Company transacts with its associate and joint venture, profits and losses resulting from the transactions with the associate and joint venture are recognized in the Company's consolidated financial statements only to the extent of interests in the associate and joint venture that are not related to the Company.

### **Property, Plant and Equipment**

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. Freehold land is not depreciated. The estimated useful lives, residual values and depreciation method are reviewed at the end of each year, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period in which the property is derecognized.

## **Investment Properties**

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

For a transfer from the investment properties to property, plant and equipment, the deemed cost of the property, plant and equipment for subsequent accounting is its carrying amount at the commencement of owner-occupation.

For a transfer from the property, plant and equipment to investment properties, the deemed cost of the investment properties for subsequent accounting is its carrying amount at the end of owner-occupation.

For a contract where a land owner provides land for the construction of buildings by a property developer in exchange for a certain percentage of the buildings, any exchange gain or loss is recognized when the exchange transaction occurs if the exchange transaction has commercial substance.

On derecognition of the investment properties, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period in which the property is derecognized.

## **Goodwill**

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units or groups of cash-generating units (referred to as "cash-generating unit") that are expected to benefit from the synergies of the business combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributable goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

## **Intangible Assets Other Than Goodwill**

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Company expects to dispose of the intangible asset before the end of its economic life.



Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss in the period in which the asset is derecognized.

### **Impairment of Property, Plant and Equipment, Right-of-use Assets, Intangible Assets Other Than Goodwill and Incremental Costs of Obtaining Contracts**

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

Impairment loss from the assets related to incremental cost of obtaining contracts is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Company expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

### **Financial Instruments**

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

a. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

1) Measurement category

a) Financial assets at fair value through profit or loss (FVTPL)

Financial asset is classified as at FVTPL when the financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at fair value through other comprehensive income (FVOCI).

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend earned on the financial asset. Fair value is determined in the manner described in Note 37.

b) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss, except for short-term receivables as the effect of discounting is immaterial. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such financial assets.

c) Investments in equity instruments at FVOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVOCI. Designation at FVOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments. Instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

## 2) Impairment of financial assets and contract assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable) and contract assets.

The Company recognizes lifetime Expected Credit Loss (ECL) for accounts receivable and contract assets. For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Company recognizes an impairment loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

## 3) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

On derecognition of investments in equity instruments at FVOCI in its entirety, the cumulative gain or loss is directly transferred to retained earnings, and it is not reclassified to profit or loss.

## b. Financial liabilities

### 1) Subsequent measurement

Except for financial liabilities at FVTPL, all the financial liabilities are subsequently measured at amortized cost using the effective interest method.

### 2) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

## c. Derivative financial instruments

The Company enters into derivative financial instruments to manage its exposure to foreign exchange rate risks, including forward exchange contracts.

Derivatives are initially measured at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss

depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

### **Hedge Accounting**

The Company designates some derivatives instruments as cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

The associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the line item relating to the hedged item in the same period when the hedged item affects profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed from equity and are included in the initial cost of the non-financial asset or non-financial liability.

The Company discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

### **Provisions**

Provisions are measured at the best estimate of the expenditure required to settle the Company's obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. The provisions for warranties claims are made by management according to the sales agreements which represent the management's best estimate of the future outflow of economic benefits. The provisions of warranties claims are recognized as operating cost in the period in which the goods are sold. The provision for onerous contracts represents the present obligation resulting from the measurement for the unavoidable costs of meeting the Company's contractual obligations exceed the economic benefits expected to be received from the contracts.

### **Revenue Recognition**

The Company identifies the performance obligations in the contract with the customers, allocates transaction price to each performance obligation and recognizes revenue when performance obligations are satisfied.

Sales of products are recognized as revenue when the Company delivers products and the customer accepts and controls the product. Except for the consumer electronic products such as mobile devices sold in channel stores which are usually in cash sale, the Company recognizes revenues for sale of other electronic devices and corresponding trade notes and accounts receivable.

Usage revenues from fixed-line services (including local, domestic long distance and international long distance telephone services), mobile services, internet and data services, and interconnection and call transfer fees from other telecommunications companies and carriers are billed in arrears and are recognized based upon seconds or minutes of traffic processed when the services are provided in accordance with contract terms. The usage revenues and corresponding trade notes and accounts receivable are recognized monthly.

Other revenues are recognized as follows: (a) one-time subscriber connection fees (on fixed-line services) are first recognized as contract liabilities and revenues are recognized subsequently over the average expected customer service periods, (b) monthly fees (on fixed-line services, mobile, internet and data services) and related receivables are accrued monthly, and (c) prepaid services (fixed-line, mobile, internet and data services) are recognized as contract liabilities upon collection considerations from customers and are recognized as revenues subsequently based upon actual usage by customers.

Where the Company enters into transactions which involve both the provision of telecommunications service bundled with products such as handsets, total consideration received from products and telecommunications service in these arrangements are allocated based on their relative stand-alone selling price. The amount of sales revenue recognized for products is not limited to the amount paid by the customer for the products. When the amount of sales revenue recognized for products exceeded the amount paid by the customer for the products, the difference is recognized as contract assets. Contract assets are reclassified to accounts receivable when the amounts become collectible from customers subsequently. When the amount of sales revenue recognized for products was less than the amount paid by the customer for the products, the difference is recognized as contract liabilities and revenues are recognized subsequently when the telecommunications service are provided.

For project business contracts, if a substantial part of the Company's promise to customers is to manage and coordinate the various tasks and assume the risks of those tasks to ensure the individual goods or services are incorporated into the combined output, they are treated as a single performance obligation since the Company provides a significant integration service. The Company recognizes revenues and corresponding accounts receivable when the project business contract is completed and accepted by customers. For some project contracts, the Company does not create an asset with an alternative use to the Company and has an enforceable right to payment for performance completed to date; therefore, performance obligations are satisfied and revenues are recognized over time.

For service contracts such as maintenance and warranties, customers simultaneously receive and consume the benefits provided by the Company; thus, revenues and corresponding accounts receivable of service contracts are recognized over the related service period.

When another party is involved in providing goods or services to a customer, the Company is acting as a principal if it controls the specified good or service before that good or service is transferred to a customer; otherwise, the Company is acting as an agent. When the Company is acting as a principal, gross inflow of economic benefits arising from transactions is recognized as revenue. When the Company is acting as an agent, revenue is recognized as its share of transaction.

### **Incremental Costs of Obtaining Contracts**

Commissions and equipment subsidy related to telecommunications service as a result of obtaining contracts are recognized as an asset under the incremental costs of obtaining contracts to the extent the costs are expected to be recovered and are amortized over the contract period. However, the Company elects not to capitalize the incremental costs of obtaining contracts if the amortization period of the assets that the Company otherwise would have recognized is expected to be one year or less.

### **Leasing**

At inception of a contract, the Company assesses whether the contract is, or contains, a lease.

#### **a. The Company as lessor**

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

b. The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for lease payments for low-value assets are recognized as expenses on a straight-line basis over the lease terms accounted for applying recognition exemption.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities and for lease payments made at or before the commencement date. Right-of-use assets are subsequently measured at cost less accumulated depreciation and accumulated impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented separately on the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line basis from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities were initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If such rate cannot be readily determined, the lessee's incremental borrowing rate is used.

Lease liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. The Company accounts for the remeasurement of the lease liability as a result of the decrease of lease scope by decreasing the carrying amount of the right-of-use assets and recognizes in profit or loss any gain or loss on the partial or full termination of the lease. Lease liabilities are presented separately on the consolidated balance sheets.

Variable lease payments not depending on an index or a rate are recognized as expenses in the periods in which they are incurred.

**Borrowing Costs**

All borrowing costs are recognized in profit or loss in the period in which they are incurred.

**Government Grants**

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to government grants and that the grants will be received.

Government grants related to income are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes expenses of the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should construct noncurrent assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

## **Employee Benefits**

### **a. Short-term employee benefits**

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

### **b. Retirement benefits**

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and rereasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and gains or losses on settlements) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Rereasurement, comprising (a) actuarial gains and losses; and (b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset), is recognized in other comprehensive income in the period in which they occur. Rereasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

### **c. Other long-term employee benefits**

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plan except that rereasurement is recognized in profit or loss.

## **Share-based Payment Arrangements - Employee Stock Options**

The fair value determined at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Company's estimate of employee stock options that are expected to ultimately vest, with a corresponding increase in additional paid-in capital - employee stock options. If the equity instruments granted vest immediately at the grant date, expenses are recognized in full in profit or loss.

At the end of each reporting period, the Company revises its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to additional paid-in capital - employee stock options.

## **Income Tax**

Income tax expense represents the sum of the tax currently payable and deferred tax.

### **a. Current tax**

Income tax payable or recoverable is based on taxable profit or loss for the period determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax of unappropriated earnings is provided for in the year the stockholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. A deferred tax liability is not recognized on taxable temporary difference arising from initial recognition of goodwill.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits from purchases of machinery, equipment and technology and research, and development expenditures, etc. to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, associates, and joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred tax

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income, in which case, the current and deferred tax are also recognized in other comprehensive income.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.



#### **4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY AND ASSUMPTION**

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

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

##### **a. Critical accounting judgments**

###### **1) Revenue recognition**

The Company's project agreements are mainly to provide one or more customized equipment or services to customers. In order to fulfill the agreements, another party may be involved in some agreements. The Company considers the following factors to determine whether the Company is a principal of the transaction: whether the Company is the primary obligation provider of the agreements, its exposures to inventory risks and the discretion in establishing prices, etc. The determination of whether the Company is a principal or an agent will affect the amount of revenue recognized by the Company. Only when the Company is acting as a principal, gross inflows of economic benefits arising from transactions is recognized as revenue.

###### **2) Control over subsidiaries**

As discussed in Note 3, "Summary of Significant Accounting Policies - Basis of Consolidation", some entities are subsidiaries of the Company although the Company only owns less than 50% ownership interests in these entities. After considering the Company's absolute size of holding in the entity and the relative size of and the dispersion of shares owned by the other stockholders, and the contractual arrangements between the Company and other investors, potential voting interests and the written agreement between stockholders, the management concluded that the Company has a sufficiently dominant voting interest to direct the relevant activities of the entity and therefore the Company has control over these entities.

##### **b. Key sources of estimation uncertainty and assumption**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period. Actual results may differ from these estimates.

###### **1) Impairment of trade notes and accounts receivable**

The provision for impairment of trade notes and accounts receivable is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's past experience, current market conditions as well as forward looking information at the end of each reporting period. For details of the key assumptions and inputs used, see Note 9. Where the actual future cash flows are less than expected, a material impairment loss may arise.

###### **2) Fair value measurements and valuation processes**

For the assets and liabilities measured at fair value without quoted prices in active markets, the Company's management determines the appropriate valuation techniques for the fair value measurements and whether to engage third party qualified appraisers based on the related regulations and professional judgments.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities was disclosed in Note 37. If the actual changes of inputs in the future differ from expectation, the fair value may vary accordingly. The Company updates inputs periodically to monitor the appropriateness of the fair value measurement.

3) Provision for inventory valuation and obsolescence

Inventories are stated at the lower of cost or net realizable value. Net realizable value is calculated as the estimated selling price less the estimated selling costs. Comparison of net realizable value and cost is determined on an item by item basis, except for those similar items which could be categorized into the same groups. The Company uses the inventory holding period and turnover as the evaluation basis for inventory obsolescence losses.

4) Impairment of property, plant and equipment, right-of-use assets and intangible assets

When an indication of impairment is assessed with objective evidence, the Company considers whether the recoverable amount of an asset is less than its carrying amount and recognizes the impairment loss based on difference between the recoverable amount and its carrying amount. The estimate of recoverable amount would impact on the timing and the amount of impairment loss recognition.

5) Useful lives of property, plant and equipment

As discussed in Note 3, “Summary of Significant Accounting Policies - Property, Plant and Equipment”, the Company reviews estimated useful lives of property, plant and equipment at the end of each year.

6) Recognition and measurement of defined benefit plans

Net defined benefit liabilities (assets) and the resulting pension expense under defined benefit pension plans are calculated using the Projected Unit Credit Method. Actuarial assumptions comprise the discount rate, employee turnover rate, average future salary increase and etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

7) Lessees’ incremental borrowing rates

In determining a lessee’s incremental borrowing rate used in discounting lease payments, a risk-free rate for relevant duration and the same currency is selected as a reference rate. The lessee’s credit spread adjustments and lease specific adjustments are also taken into account.

## **5. APPLICATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS**

a. Initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC

The initial application of the amendments to the IFRS, IAS, IFRIC and SIC issued by the International Accounting Standards Board and endorsed and issued into effect by the FSC does not have material impacts on the Company’s consolidated financial statements.

- b. Amendments to IFRSs endorsed by the FSC for application starting from January 1, 2021

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective Date Issued by IASB</b>
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform-Phase 2 January 1, 2021

The application of the above new, revised or amended standards and interpretations will not have material impact on the Company's consolidated financial statements.

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

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018-2020 January 1, 2022 (Note 2)
Amendments to IFRS 3 Amendments to IFRS 10 and IAS 28	Reference to the Conceptual Framework Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture To be determined by IASB January 1, 2022 (Note 3)
Amendments to IAS 1	Classification of liabilities as current or noncurrent January 1, 2023
Amendments to IAS 16	Property, Plant and Equipment - Proceeds before Intended Use January 1, 2022 (Note 4)
Amendments to IAS 37	Onerous Contracts - Cost of Fulfilling a Contract January 1, 2022 (Note 5)

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

Note 2 : The amendments to IFRS 9 are applied prospectively to financial liabilities that are exchanged or modified on or after the annual reporting periods beginning on or after January 1, 2022.

Note 3 : The amendments are applicable to business combinations for which the acquisition date is on or after the annual reporting period beginning on or after January 1, 2022.

Note 4 : The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5 : The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2020	2019
Cash		
Cash on hand	\$ 486,989	\$ 353,499
Bank deposits	<u>10,961,220</u>	<u>9,432,814</u>
	<u>11,448,209</u>	<u>9,786,313</u>
Cash equivalents (investments with maturities of less than three months)		
Commercial paper	14,060,568	20,109,823
Negotiable certificates of deposit	2,600,000	1,700,000
Time deposits	2,307,892	2,450,509
Repurchase agreements collateralized by bonds	-	2,998
Triple stimulus vouchers	<u>2,986</u>	<u>-</u>
	<u>18,971,446</u>	<u>24,263,330</u>
	<u>\$ 30,419,655</u>	<u>\$ 34,049,643</u>

The annual yield rates of bank deposits, commercial paper, negotiable certificates of deposit, time deposits and repurchase agreements collateralized by bonds as of balance sheet dates were as follows:

	<u>December 31</u>	
	2020	2019
Bank deposits	0.00%-0.40%	0.00%-0.74%
Commercial paper	0.14%-0.26%	0.47%-0.54%
Negotiable certificates of deposit	0.24%-0.30%	0.58%-0.60%
Time deposits	0.10%-3.60%	0.09%-4.40%
Repurchase agreements collateralized by bonds	-	1.90%

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

	<u>December 31</u>	
	2020	2019
<u>Financial assets-current</u>		
Mandatorily measured at FVTPL		
Derivatives (not designated for hedge)		
Forward exchange contracts	\$ 2,271	\$ 53
Non-derivatives		
Listed stocks - domestic	<u>7,626</u>	<u>463</u>
	<u>\$ 9,897</u>	<u>\$ 516</u>
<u>Financial assets-noncurrent</u>		
Mandatorily measured at FVTPL		
Non-derivatives		
Non-listed stocks - domestic	\$441,095	\$510,801
Non-listed stocks - foreign	<u>236,107</u>	<u>267,304</u>
	<u>\$677,202</u>	<u>\$778,105</u>

(Continued)

	<u>December 31</u>	
	2020	2019
<u>Financial liabilities-current</u>		
Held for trading		
Derivatives (not designated for hedge)		
Forward exchange contracts	\$ 143	\$ 239
		(Concluded)

The Company increased its investment in Taiwan Capital Buffalo Fund Co., Ltd. proportionally for 300,000 thousand in October 2019 and the Company's ownership interest in Taiwan Capital Buffalo Fund Co., Ltd. remained at 12.90%.

Outstanding forward exchange contracts not designated for hedge as of balance sheet dates were as follows:

	Currency	Maturity Period	Contract Amount (In Thousands)
<u>December 31, 2020</u>			
Forward exchange contracts - buy	NT\$/EUR	2021.03	NT\$50,435/EUR1,500
Forward exchange contracts - sell	US\$/NT\$	2021.02-03	US\$13,500/NT\$379,472
<u>December 31, 2019</u>			
Forward exchange contracts - buy	NT\$/EUR	2020.03	NT\$50,910/EUR1,500
Forward exchange contracts - buy	NT\$/US\$	2020.01	NT\$25,524/US\$850

The Company entered into the above forward exchange contracts to manage its exposure to foreign currency risk due to fluctuations in exchange rates. However, the aforementioned derivatives did not meet the criteria for hedge accounting.

#### 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NONCURRENT

	<u>December 31</u>	
	2020	2019
Domestic investments		
Listed stocks	\$ 2,754,175	\$ 2,453,616
Non-listed stocks	4,324,592	4,680,931
Foreign investments		
Non-listed stocks	<u>114,407</u>	<u>134,370</u>
	<u>\$ 7,193,174</u>	<u>\$ 7,268,917</u>

The Company holds the above foreign and domestic stocks for medium to long-term strategic purposes and expects to profit from long-term investment. Accordingly, the management elected to designate these investments in equity instruments at FVOCI as they believe that recognizing short-term fair value fluctuations of these investments in profit or loss is not consistent with the Company's strategy of holding these investments for long-term purposes.

The Company holds Powtec Electro Chemical Corporation (“Powtec”) as financial assets at FVOCI. The Board of Directors of Powtec resolved in February 2020 to file a petition with court for the declaration of its bankruptcy which was adjudged by the court in April 2020. The Company evaluated and determined the fair value of such investment was nil after its declaration of bankruptcy.

The Company disposed a portion of its investment in China Airlines, Ltd. at fair value of \$567,797 thousand in December 2020. As of December 31, 2020, the settlement of funds/securities amounting to \$270,321 thousand had not been completed. The related unrealized gain on investments in equity instruments at fair value through other comprehensive income of \$16,686 thousand was transferred from other equity to retained earnings upon the aforementioned disposal.

The Company recognized dividend income of \$246,084 thousand and \$296,360 thousand for the years ended December 31, 2020 and 2019, respectively, from the investments still held on December 31, 2020 and 2019.

## 9. TRADE NOTES AND ACCOUNTS RECEIVABLE, NET

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Trade notes and accounts receivable	\$ 24,776,266	\$ 28,767,539
Less: Loss allowance	<u>(2,154,364)</u>	<u>(2,359,756)</u>
	<u>\$ 22,621,902</u>	<u>\$ 26,407,783</u>

The main credit terms range from 30 to 90 days.

The Company serves a large consumer base for telecommunications business; therefore, the concentration of credit risk is limited. When having transactions with customers, the Company considers the record of arrears in the past. In addition, the Company may also collect some telecommunication charges in advance to reduce the payment arrears in subsequent periods.

The Company adopted a policy of dealing with counterparties with certain credit ratings for project business and to obtain collateral where necessary to mitigate the risk of loss arising from defaults. Credit rating information is provided by independent rating agencies where available and, if such credit rating information is not available, the Company uses other publicly available financial information and its own historical transaction experience to rate its major customers. The Company continues to monitor the credit exposure and credit ratings of its counterparties and spread the credit risk amongst qualified counterparties.

In order to mitigate credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure the recoverability of receivables. In addition, the Company reviews the recoverable amount of receivables at balance sheet dates to ensure that adequate allowance is provided for possible irrecoverable amounts. In this regard, the management believes the Company’s credit risk could be reasonably reduced.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for receivables. The expected credit losses on receivables are estimated using a provision matrix by reference to past default experience of the customers and an analysis of the customers’ current financial positions, as well as the forward-looking indicators such as macroeconomic business indicator.

When there is evidence indicating that the counterparty is in evasion, bankruptcy, deregistration of its company or the accounts receivable are over two years past due and the recoverable amount cannot be reasonable estimated, the Company writes off the trade notes and accounts receivable. For accounts receivable that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

Except for receivables arising from telecommunications business and project business, the Company's remaining accounts receivable are limited. Therefore, only Chunghwa's provision matrix arising from telecommunications business and project business is disclosed below:

### December 31, 2020

	Not Past Due	Past Due Less than 30 Days	Pass Due 31 to 60 Days	Pass Due 61 to 90 Days	Pass Due 91 to 120 Days	Pass Due 121 to 180 Days	Pass Due over 180 Days	Total
<u>Telecommunications business</u>								
Expected credit loss rate (Note a)	0%-2%	2%-24%	3%-68%	11%-83%	28%-90%	52%-96%	100%	
Gross carrying amount	\$ 15,839,132	\$ 203,949	\$ 50,897	\$ 31,263	\$ 29,872	\$ 25,351	\$ 625,591	\$ 16,806,055
Loss allowance (lifetime ECL)	(56,249)	(20,880)	(23,483)	(24,859)	(24,319)	(21,665)	(625,591)	(797,046)
Amortized cost	\$ 15,782,883	\$ 183,069	\$ 27,414	\$ 6,404	\$ 5,553	\$ 3,686	\$ -	\$ 16,009,009
<u>Project business</u>								
Expected credit loss rate (Note b)	0%-5%	5%	10%	30%	50%	80%	100%	
Gross carrying amount	\$ 3,472,738	\$ 64,372	\$ 26,810	\$ 8,963	\$ 2,163	\$ 2,691	\$ 1,287,567	\$ 4,865,304
Loss allowance (lifetime ECL)	(20,060)	(3,219)	(2,772)	(2,760)	(1,132)	(2,160)	(1,287,567)	(1,319,670)
Amortized cost	\$ 3,452,678	\$ 61,153	\$ 24,038	\$ 6,203	\$ 1,031	\$ 531	\$ -	\$ 3,545,634

### December 31, 2019

	Not Past Due	Past Due Less than 30 Days	Pass Due 31 to 60 Days	Pass Due 61 to 90 Days	Pass Due 91 to 120 Days	Pass Due 121 to 180 Days	Pass Due over 180 Days	Total
<u>Telecommunications business</u>								
Expected credit loss rate (Note a)	0% - 2%	0%-25%	0%-68%	0%-83%	11%-90%	17%-96%	100%	
Gross carrying amount	\$ 19,020,326	\$ 267,902	\$ 74,775	\$ 46,782	\$ 40,771	\$ 28,021	\$ 600,985	\$ 20,079,562
Loss allowance (lifetime ECL)	(55,903)	(25,517)	(27,630)	(34,624)	(26,281)	(27,366)	(600,985)	(798,306)
Amortized cost	\$ 18,964,423	\$ 242,385	\$ 47,145	\$ 12,158	\$ 14,490	\$ 655	\$ -	\$ 19,281,256
<u>Project business</u>								
Expected credit loss rate (Note b)	0%-5%	5%	10%	30%	50%	80%	100%	
Gross carrying amount	\$ 4,053,681	\$ 78,147	\$ 52,227	\$ 29,527	\$ 12,688	\$ 1,040	\$ 1,471,840	\$ 5,699,150
Loss allowance (lifetime ECL)	(2,637)	(4,892)	(5,223)	(10,577)	(6,344)	(832)	(1,471,840)	(1,502,345)
Amortized cost	\$ 4,051,044	\$ 73,255	\$ 47,004	\$ 18,950	\$ 6,344	\$ 208	\$ -	\$ 4,196,805

Note a: Please refer to Notes 30 and 44 for the information of disaggregation of telecommunications service revenue. The expected credit loss rate applicable to different business revenue varies so as to reflect the risk level indicating by factors like historical experience.

Note b: The project business has different loss types according to the customer types. The expected credit loss rate listed above is for general customers. When the customer is a government-affiliated entity, it is anticipated that there will not be an instance of credit loss. Customers with past history of bounced checks or accounts receivable exceeding six months overdue are classified as high-risk customers, with an expected credit loss rate of 50%, increasing by period as the days overdue increase.

Movements of loss allowance for trade notes and accounts receivable were as follows:

	<b>Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Beginning balance	\$ 2,359,756	\$ 2,602,055
Add: Provision for (reversal of) credit loss	48,708	(53,952)
Add: Acquired by business combinations (Note 13)	1,639	-
Less: Amounts written off	<u>(255,739)</u>	<u>(188,347)</u>
Ending balance	<u>\$ 2,154,364</u>	<u>\$ 2,359,756</u>

## 10. INVENTORIES

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Merchandise	\$ 3,902,854	\$ 3,858,034
Project in process	6,166,583	11,113,286
Work in process	126,163	141,417
Raw materials	<u>137,495</u>	<u>155,495</u>
	10,333,095	15,268,232
Land held under development	1,998,733	1,998,733
Construction in progress	<u>77,075</u>	<u>77,311</u>
	<u>\$ 12,408,903</u>	<u>\$ 17,344,276</u>

The operating costs related to inventories were \$53,847,123 thousand (including the valuation loss on inventories of \$1,161,281 thousand) and \$49,258,066 thousand (including the valuation loss on inventories of \$474,709 thousand) for the years ended December 31, 2020 and 2019, respectively.

As of December 31, 2020 and 2019, inventories of \$2,075,808 thousand and \$2,076,044 thousand, respectively, were expected to be recovered after more than twelve months. The aforementioned amount of inventories is related to property development owned by LED.

Land held under development and construction in progress was developed by LED for Qingshan Sec., Dayuan Dist., Taoyuan City project.

## 11. PREPAYMENTS

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Prepaid rents	\$ 2,863,510	\$ 3,382,560
Others	<u>1,656,257</u>	<u>1,180,034</u>
	<u>\$ 4,519,767</u>	<u>\$ 4,562,594</u>
Current		
Prepaid rents	\$ 651,510	\$ 704,607
Others	<u>1,654,736</u>	<u>1,178,652</u>
	<u>\$ 2,306,246</u>	<u>\$ 1,883,259</u>

(Continued)



	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Noncurrent		
Prepaid rents	\$ 2,212,000	\$ 2,677,953
Others	<u>1,521</u>	<u>1,382</u>
	<u>\$ 2,213,521</u>	<u>\$ 2,679,335</u>
		(Concluded)

Prepaid rents comprised the prepayments from the lease agreements applying the recognition exemption and the prepayments for leases that do not meet the definition of leases under IFRS 16.

## 12. OTHER CURRENT MONETARY ASSETS

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Time deposits and negotiable certificates of deposit with maturities of more than three months	\$ 4,595,951	\$ 5,959,074
Repurchase agreements collateralized by bonds with maturities of more than three months	-	14,990
Others	<u>1,527,714</u>	<u>1,524,500</u>
	<u>\$ 6,123,665</u>	<u>\$ 7,498,564</u>

The annual yield rates of time deposits, negotiable certificates of deposit and repurchase agreements collateralized by bonds with maturities of more than three months at the balance sheet dates were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Time deposits and negotiable certificates of deposit with maturities of more than three months	0.07%-2.25%	0.03%-2.73%
Repurchase agreements collateralized by bonds with maturities of more than three months	-	2.50%

## 13. SUBSIDIARIES

- a. Information on subsidiaries with material noncontrolling interests

<b>Subsidiaries</b>	<b>Principal Place of Business</b>	<b>Proportion of Ownership Interests and Voting Rights Held by Noncontrolling Interests</b>	
		<b>December 31</b>	
		<b>2020</b>	<b>2019</b>
SENAO	Taiwan	72%	72%
CHPT	Taiwan	66%	66%

	<b>Profit Allocated to Noncontrolling Interests</b>		<b>Accumulated Noncontrolling Interests</b>	
	<b>Year Ended December 31</b>		<b>December 31</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
SENAO	\$ 312,130	\$ 292,776	\$ 4,311,048	\$ 4,267,547
CHPT	\$ 613,907	\$ 411,049	4,635,240	4,236,872
Individually immaterial subsidiaries with noncontrolling interests			<u>2,381,153</u>	<u>1,779,103</u>
			<u>\$ 11,327,441</u>	<u>\$ 10,283,522</u>

Summarized financial information in respect of SENAO and its subsidiaries that has material noncontrolling interests is set out below. The summarized financial information below represented amounts before intercompany eliminations.

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Current assets	\$ 6,834,221	\$ 6,751,385
Noncurrent assets	3,340,983	3,321,252
Current liabilities	(3,832,372)	(3,617,165)
Noncurrent liabilities	<u>(415,712)</u>	<u>(589,882)</u>
Equity	<u>\$ 5,927,120</u>	<u>\$ 5,865,590</u>
Equity attributable to the parent	\$ 1,616,072	\$ 1,598,043
Equity attributable to noncontrolling interests	<u>4,311,048</u>	<u>4,267,547</u>
	<u>\$ 5,927,120</u>	<u>\$ 5,865,590</u>
	<b>Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Revenues and income	\$ 27,231,145	\$ 29,130,695
Costs and expenses	<u>26,795,397</u>	<u>28,722,830</u>
Profit for the year	<u>\$ 435,748</u>	<u>\$ 407,865</u>
Profit attributable to the parent	\$ 123,618	\$ 115,089
Profit attributable to noncontrolling interests	<u>312,130</u>	<u>292,776</u>
Profit for the year	<u>\$ 435,748</u>	<u>\$ 407,865</u>
Other comprehensive income (loss) attributable to the parent	\$ 715	\$ (7,164)
Other comprehensive income attributable to noncontrolling interests	<u>1,863</u>	<u>22,358</u>
	<u>\$ 2,578</u>	<u>\$ 15,194</u>

(Continued)

	<b>Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Total comprehensive income attributable to the parent	\$ 124,333	\$ 107,925
Total comprehensive income attributable to noncontrolling interests	<u>313,993</u>	<u>315,134</u>
	<u>\$ 438,326</u>	<u>\$ 423,059</u>
Net cash flow from operating activities	\$ 862,323	\$ 537,209
Net cash flow from investing activities	54,387	235,925
Net cash flow from financing activities	(687,555)	(717,602)
Effect of exchange rate changes on cash and cash equivalents	<u>(426)</u>	<u>(193)</u>
Net cash inflow	<u>\$ 228,729</u>	<u>\$ 55,339</u>
Dividends paid to noncontrolling interests	<u>\$ 268,944</u>	<u>\$ 268,944</u>
		(Concluded)

Summarized financial information in respect of CHPT and its subsidiaries that has material noncontrolling interests is set out below. The summarized financial information below represented amounts before intercompany eliminations.

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Current assets	\$ 4,122,134	\$ 3,709,630
Noncurrent assets	4,012,654	4,043,881
Current liabilities	(1,072,538)	(1,287,597)
Noncurrent liabilities	<u>(12,456)</u>	<u>(22,003)</u>
Equity	<u>\$ 7,049,794</u>	<u>\$ 6,443,911</u>
Equity attributable to CHI	\$ 2,414,554	\$ 2,207,039
Equity attributable to noncontrolling interests	<u>4,635,240</u>	<u>4,236,872</u>
	<u>\$ 7,049,794</u>	<u>\$ 6,443,911</u>

	<b>Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Revenues and income	\$ 4,220,724	\$ 3,404,570
Costs and expenses	<u>3,287,031</u>	<u>2,779,406</u>
Profit for the year	<u>\$ 933,693</u>	<u>\$ 625,164</u>
Profit attributable to CHI	\$ 319,786	\$ 214,115
Profit attributable to noncontrolling interests	<u>613,907</u>	<u>411,049</u>
Profit for the year	<u>\$ 933,693</u>	<u>\$ 625,164</u>
		(Continued)

	<u>Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Other comprehensive income (loss) attributable to CHI	\$ 27	\$ (1,106)
Other comprehensive income (loss) attributable to noncontrolling interests	<u>53</u>	<u>(2,124)</u>
	<u>\$ 80</u>	<u>\$ (3,230)</u>
Total comprehensive income attributable to CHI	\$ 319,813	\$ 213,009
Total comprehensive income attributable to noncontrolling interests	<u>613,960</u>	<u>408,925</u>
	<u>\$ 933,773</u>	<u>\$ 621,934</u>
Net cash flow from operating activities	\$ 1,482,834	\$ 507,144
Net cash flow from investing activities	(532,820)	(1,425,660)
Net cash flow from financing activities	(349,136)	(349,452)
Effect of exchange rate changes on cash and cash equivalents	<u>1,306</u>	<u>(4,815)</u>
Net cash inflow (outflow)	<u>\$ 602,184</u>	<u>\$ (1,272,783)</u>
Dividends paid to noncontrolling interests	<u>\$ 215,591</u>	<u>\$ 215,591</u> (Concluded)

b. Equity transactions with noncontrolling interests

CHIEF issued new shares in March 2020, December 2020, March 2019 and November 2019 as its employees exercised options. Therefore, the Company's equity ownership interest in CHIEF decreased. See Note 34(b) for details.

SENAO subscribed for all the shares in the capital increase of Youth in April 2020; therefore, the Company's ownership interest in Youth increased.

IISI issued new shares in September 2020 as its employees exercised options; therefore, the Company's ownership interest in IISI decreased. See Note 34(d) for details.

The above transactions were accounted for as equity transactions since the Company did not cease to have control over these subsidiaries.

Information of the Company's equity transactions with noncontrolling interests for the years ended December 31, 2020 and 2019 was as follows:

	<u>Year Ended December 31, 2020</u>		
	<b>CHIEF Share-Based Payment</b>	<b>SENAO Not Proportionately Participating in the Capital Increase of Youth</b>	<b>IISI Share-Based Payment</b>
Cash consideration received from noncontrolling interests	\$ 74,540	\$ -	\$ 6,755 (Continued)

	<u>Year Ended December 31, 2020</u>		
	<b>CHIEF Share-Based Payment</b>	<b>SENAO Not Proportionately Participating in the Capital Increase of Youth</b>	<b>IISI Share-Based Payment</b>
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to noncontrolling interests	\$ (48,826)	\$ (103)	\$ (6,659)
Differences arising from equity transactions	<u>\$ 25,714</u>	<u>\$ (103)</u>	<u>\$ 96</u>
<u>Line items for equity transaction adjustments</u>			
Additional paid-in capital - arising from changes in equities of subsidiaries	<u>\$ 25,714</u>	<u>\$ (103)</u>	<u>\$ 96</u> (Concluded)
			<b>Year Ended December 31, 2019</b>
			<b>CHIEF Share-Based Payment</b>
Cash consideration received from noncontrolling interests			\$ 18,825
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to noncontrolling interests			<u>(19,723)</u>
Differences arising from equity transactions			<u>\$ (898)</u>
<u>Line items for equity transaction adjustments</u>			
Additional paid-in capital - arising from changes in equities of subsidiaries			<u>\$ (898)</u>

c. BUSINESS COMBINATIONS

1) Subsidiary acquired

In order to develop and cultivate the enterprise customer market, Chunghwa obtained 20.38% ownership interest in IISI by cash on July 1, 2020, the acquisition date. (Note) Chunghwa's ownership interest in IISI increased to 51.54% by considering the previously held ownership interest in IISI. Chunghwa obtained over half of the seats of the Board of Directors of IISI; therefore, Chunghwa gained control over IISI and included IISI and its subsidiaries in the consolidated financial statements starting from the acquisition date. IISI mainly engages in information system development and maintenance service business, etc.

Note: IISI issued new shares in April 2020 as its employees exercised options; therefore, the percentage of ownership interest in IISI obtained on the acquisition date is lower than that approved by Chunghwa's Board of Directors in January 2020.

2) Assets acquired and liabilities assumed at acquisition date

	<b>IISI and Its Subsidiaries</b>
Current assets	
Cash and cash equivalents	\$ 587,979
Contract assets	582,745
Trade notes and accounts receivable	165,452
Inventories	141,236
Prepayments	113,858
Other current monetary assets	113,724
Other current assets	74,757
Noncurrent assets	
Property, plant and equipment	47,962
Right-of-use assets	70,007
Intangible assets	11,861
Deferred income tax assets	5,665
Other noncurrent assets	102,519
Current liabilities	
Short-term loans	(4,000)
Contract liabilities	(333,533)
Trade notes and accounts payable	(256,902)
Current tax liabilities	(19,355)
Lease liabilities	(25,941)
Other payables	(265,901)
Provisions	(15,258)
Other current liabilities	(30,163)
Noncurrent liabilities	
Deferred income tax liabilities	(2,209)
Lease liabilities	(44,964)
Net defined benefit liabilities	(32,613)
Other noncurrent liabilities	<u>(4,843)</u>
	<u>\$ 982,083</u>

The trade notes and accounts receivable acquired in business combination transactions have a fair value of \$165,452 thousand and a gross contractual amount of \$167,091 thousand. The best estimates of the contractual cash flows not expected to be collected as of the acquisition date are \$1,639 thousand.

3) Goodwill arising from acquisition

	<b>IISI and Its Subsidiaries</b>
Consideration transferred	\$ 233,923
Add: Fair value of equity interest held before the acquisition date	327,287
	(Continued)

	<b>IISI and Its Subsidiaries</b>
Add: Noncontrolling interest (48.46% of the identifiable net assets of IISI and its subsidiaries)	\$ 475,879
Less: Fair value of identifiable net assets acquired	<u>(982,083)</u>
Goodwill arising from acquisition	<u>\$ 55,006</u> (Concluded)

The goodwill arising from the acquisition of IISI mainly represents the control premium. In addition, the consideration paid for the combination included amounts attributed to the benefits of expected synergies and the assembled workforces of IISI. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Goodwill arising from business combinations is not deductible for tax purposes.

4) Net cash inflow on acquisition of subsidiaries

	<b>IISI and Its Subsidiaries</b>
Cash and cash equivalents acquired	\$ 587,979
Less: Consideration paid in cash	<u>(233,923)</u>
	<u>\$ 354,056</u>

5) Impact of acquisition on the financial results of the Company

The financial results of the acquiree since the acquisition date to December 31 2020 included in the consolidated statements of comprehensive income are as follows:

	<b>IISI and Its Subsidiaries</b>
Revenue	<u>\$ 1,348,167</u>
Profit	<u>\$ 68,021</u>

Had the business combination been in effect at the beginning of the annual reporting period, the Company's revenue and profit would have been \$208,604,696 thousand and \$34,747,291 thousand for the year ended December 31, 2020, respectively. This pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Company that actually would have been achieved had the acquisition been completed on January 1, 2020, nor is it intended to be a projection of future results.

In determining the pro-forma revenue and profit of the Company had IISI been acquired at the beginning of the financial year, the management calculated amortization of intangible assets acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognized in the pre-acquisition financial statements.

#### 14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Investments in associates	\$ 6,882,801	\$ 7,354,226
Investment in joint venture	<u>10,200</u>	<u>-</u>
	<u>\$ 6,893,001</u>	<u>\$ 7,354,226</u>

a. Investments in associates

Investments in associates were as follows:

	<u>Carrying Amount</u>	
	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Material associate</u>		
Next Commercial Bank Co., Ltd. (“NCB”) (Note)	<u>\$ 3,776,876</u>	<u>\$ 4,074,168</u>
<u>Associates that are not individually material</u>		
<u>Listed</u>		
Senao Networks, Inc. (“SNI”)	991,610	953,685
KingwayTek Technology Co., Ltd. (“KWT”)	249,044	253,021
<u>Non-listed</u>		
ST-2 Satellite Ventures Pte., Ltd. (“STS”)	488,257	500,930
Viettel-CHT Co., Ltd. (“Viettel-CHT”)	363,522	316,535
Taiwan International Standard Electronics Co., Ltd. (“TISE”)	330,031	272,166
So-net Entertainment Taiwan Limited (“So-net”)	226,647	189,396
Chunghwa PChome Fund I Co., Ltd. (“CPFI”)	192,856	194,081
KKBOX Taiwan Co., Ltd. (“KKBOXTW”)	163,809	150,789
Taiwan International Ports Logistics Corporation (“TIPL”)	55,925	50,979
Click Force Co., Ltd. (“CF”)	33,086	37,120
Cornerstone Ventures Co., Ltd. (“CVC”)	6,058	5,507
Alliance Digital Tech Co., Ltd. (“ADT”)	5,080	5,080
International Integrated System, Inc. (“IISI”)	-	340,240
UUPON Inc. (“UUPON”)	-	10,529
MeWorks Limited (HK) (“MeWorks”)	-	-
	<u>3,105,925</u>	<u>3,280,058</u>
	<u>\$ 6,882,801</u>	<u>\$ 7,354,226</u>



The percentages of ownership interests and voting rights in associates held by the Company as of balance sheet dates were as follows:

	<b>% of Ownership Interests and Voting Rights</b>	
	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Material associate</u>		
Next Commercial Bank Co., Ltd. (“NCB”) (Note)	42	42
<u>Associates that are not individually material</u>		
Senao Networks, Inc. (“SNI”)	34	34
KingwayTek Technology Co., Ltd. (“KWT”)	23	23
ST-2 Satellite Ventures Pte., Ltd. (“STS”)	38	38
Viettel-CHT Co., Ltd. (“Viettel-CHT”)	30	30
Taiwan International Standard Electronics Co., Ltd. (“TISE”)	40	40
So-net Entertainment Taiwan Limited (“So-net”)	30	30
Chunghwa PChome Fund I Co., Ltd. (“CPFI”)	50	50
KKBOX Taiwan Co., Ltd. (“KKBOXTW”)	30	30
Taiwan International Ports Logistics Corporation (“TIPL”)	27	27
Click Force Co., Ltd. (“CF”)	49	49
Cornerstone Ventures Co., Ltd. (“CVC”)	49	49
Alliance Digital Tech Co., Ltd. (“ADT”)	14	14
International Integrated System, Inc. (“IISI”)	-	31
UUPON Inc. (“UUPON”)	-	22
MeWorks Limited (HK) (“MeWorks”)	-	20

Note: NCB was a preparatory office on December 31, 2019.

Summarized financial information of NCB was set out below:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Assets	\$ 9,906,945	\$ 10,451,925
Liabilities	<u>(788,813)</u>	<u>(728,374)</u>
Equity	<u>\$ 9,118,132</u>	<u>\$ 9,723,551</u>
The percentage of ownership interests held by the Company	41.90%	41.90%
Equity attributable to the Company	\$ 3,820,497	\$ 4,074,168
Unrealized gain or loss from downstream transactions	<u>(43,621)</u>	<u>-</u>
The carrying amount of investment	<u>\$ 3,776,876</u>	<u>\$ 4,074,168</u>

	<b>Year Ended December 31, 2020</b>	<b>Period from the Beginning of Preparation to December 31, 2019</b>
Revenues	\$ <u>-</u>	\$ <u>-</u>
Net loss for the period	\$ (605,419)	\$ (276,449)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive loss for the period	\$ <u>(605,419)</u>	\$ <u>(276,449)</u>

Except for NCB, no associate is considered individually material to the Company. Summarized financial information of associates that are not individually material to the Company was as follows:

	<b>Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
The Company's share of profits	\$ 540,037	\$ 577,972
The Company's share of other comprehensive loss	<u>(8,571)</u>	<u>(3,035)</u>
The Company's share of total comprehensive income	\$ <u>531,466</u>	\$ <u>574,937</u>

The Level 1 fair values of associates based on the closing market prices as of the balance sheet dates were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
SNI	<u>\$ 1,707,640</u>	<u>\$ 2,014,353</u>
KWT	<u>\$ 675,911</u>	<u>\$ 872,729</u>

The participation of establishing NCB was approved by Chunghwa's Board of Directors in January 2019. The establishment of NCB was approved by the FSC in July 2019 and the incorporation of NCB was approved by the Ministry of Economic Affairs Department of Commerce in January 2020. Chunghwa prepaid investment funds to NCB in February and November 2019 amounting to \$4,190,000 thousand, for ownership interest of 41.90%. Although Chunghwa is the single largest stockholder of NCB, it only obtained six out of fifteen seats of the Board of Directors of NCB. In addition, the management considered the size of ownership interest and the dispersion of shares owned by the other stockholders, other holdings are not extremely dispersed. Chunghwa is not able to direct its relevant activities. Therefore, Chunghwa does not have control over NCB and merely has significant influence over NCB and treats it as an associate. NCB mainly engages in online banking business in Taiwan.

The Company disposed some shares of KWT in April 2019 before KWT traded its shares on the General Stock Market of the Taipei Exchange according to the local requirements and recognized gain on disposal of \$30,152 thousand. In addition, the Company did not participate in the capital increase of KWT in May 2019 and KWT repurchased its stock from December 2019 to February 2020. Therefore, the Company's ownership interest in KWT changed to 22.52% and 22.72% as of December 31, 2019 and 2020, respectively.

IISI issued new shares in March, September 2019 and April 2020, as its employees exercised options; therefore, the Company's ownership interest in IISI decreased to 31.47% and 31.16% as of December 31, 2019 and June 30, 2020, respectively. The additional investment of 20.58%

ownership interest in IISI was approved by Chunghwa’s Board of Directors in January 2020 and the equity transaction was completed in July 2020. As the business combination was achieved in stages, the Company remeasured the previously held equity interest of IISI and recognized gain on disposal of \$1,412 thousand on the acquisition date. The Company treated IISI as a subsidiary starting from the acquisition date and included IISI and its subsidiaries in the consolidated financial statements. Please refer to Note 13(c).

UUPON reduced 95.44% of its capital to offset accumulated deficits in September 2020 and the Company did not participate in the capital increase of UUPON in October 2020. Therefore, the Company’s ownership interest in UUPON decreased to 5.36% and lost its significant influence over UUPON. Hence the Company discontinued to treat UUPON as an associate. Instead, the Company treated it as a financial asset at fair value through other comprehensive income and recognized gain on disposal of \$14,534 thousand.

The aforementioned gains on disposal were included under “other gains and losses” in the consolidated statements of comprehensive income.

The Company disposed of all shares of MeWorks in September 2020.

The Company invested and obtained 50% equity shares of CPFI. However, as the Company has only two out of five seats of the Board of Directors of CPFI and has no control but significant influence over CPFI, the Company recognized CPFI as an investment in associate.

The Company invested and obtained 49% equity shares of CVC. However, as the Company has only two out of five seats of the Board of Directors of CVC and has no control but significant influence over CVC. Therefore, the Company recognized CVC as an investment in associate.

The Company owns 14% equity shares of ADT. As the Company remains its seat in the Board of Directors of ADT and considers the relative size of ownership interest and the dispersion of shares owned by the other stockholders, the Company has significant influence over ADT. In June 2018, the stockholders of ADT approved to dissolve. The liquidation of ADT is still in process.

The Company’s share of profits and other comprehensive income (loss) of associates was recognized based on the audited financial statements.

b. Investment in joint venture

Investment in joint venture was as follows:

Name of Joint Venture	Carrying Amount		% of Ownership Interests and Voting Rights	
	December 31		December 31	
	2020	2019	2020	2019
<u>Non-listed</u>				
Chunghwa SEA Holdings (“CHT SEA”)	\$ 10,200	\$ -	51	-

The Company invested \$10,200 thousand to establish a joint venture, CHT SEA, with Delta Electronics, Inc. and Kwang Hsing Industrial Co., Ltd. in December 2020 and obtained 51% equity shares of CHT SEA. However, according to the mutual agreements among stockholders, the Company does not individually direct CHT SEA’s relevant activities and has joint control with the other party; therefore, the Company treated CHT SEA as a joint venture.

## 15. PROPERTY, PLANT AND EQUIPMENT

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Assets used by the Company	\$ 273,822,588	\$ 276,370,003
Assets subject to operating leases	<u>7,593,355</u>	<u>7,324,212</u>
	<u><b>\$ 281,415,943</b></u>	<u><b>\$ 283,694,215</b></u>

### a. Assets used by the Company

	Land	Land Improvements	Buildings	Computer Equipment	Telecommunications Equipment	Transportation Equipment	Miscellaneous Equipment	Construction in Progress and Equipment to be Accepted	Total
<b>Cost</b>									
Balance on January 1, 2019	\$ 100,354,425	\$ 1,599,634	\$ 69,328,236	\$ 14,258,485	\$ 711,863,697	\$ 3,882,534	\$ 9,873,589	\$ 18,644,766	\$ 929,805,366
Additions	-	-	1,220,691	56,699	120,559	1,122	148,949	21,611,786	23,159,806
Disposal	(37,951)	(6,630)	(3,101)	(1,915,939)	(30,417,855)	(50,653)	(404,834)	-	(32,836,963)
Effect of foreign exchange differences	-	-	-	(74)	(36,727)	(18)	(1,272)	(5,816)	(43,907)
Others	(1,214,223)	25,477	454,957	605,656	24,502,774	79,313	473,738	(26,498,539)	(1,570,847)
Balance on December 31, 2019	<u>\$ 99,102,251</u>	<u>\$ 1,618,481</u>	<u>\$ 71,000,783</u>	<u>\$ 13,004,827</u>	<u>\$ 706,032,448</u>	<u>\$ 3,912,298</u>	<u>\$ 10,090,170</u>	<u>\$ 13,752,197</u>	<u>\$ 918,513,455</u>
<b>Accumulated depreciation and impairment</b>									
Balance on January 1, 2019	\$ -	\$ (1,337,192)	\$ (26,861,627)	\$ (12,143,307)	\$ (596,850,343)	\$ (3,651,139)	\$ (7,291,742)	\$ -	\$ (648,135,350)
Depreciation expenses	-	(43,481)	(1,301,085)	(826,745)	(23,905,621)	(90,939)	(688,274)	-	(26,856,145)
Disposal	-	6,630	3,101	1,908,324	30,380,684	50,627	401,655	-	32,751,021
Impairment losses	-	-	-	-	-	-	(63,715)	(29,358)	(93,073)
Effect of foreign exchange differences	-	-	-	73	15,682	28	962	-	16,745
Others	-	(559)	182,879	(6,590)	21,707	(2,902)	(21,185)	-	173,350
Balance on December 31, 2019	<u>\$ -</u>	<u>\$ (1,374,602)</u>	<u>\$ (27,976,732)</u>	<u>\$ (11,068,245)</u>	<u>\$ (590,337,891)</u>	<u>\$ (3,694,325)</u>	<u>\$ (7,662,299)</u>	<u>\$ (29,358)</u>	<u>\$ (642,143,452)</u>
Balance on January 1, 2019, net	<u>\$ 100,354,425</u>	<u>\$ 262,442</u>	<u>\$ 42,466,609</u>	<u>\$ 2,115,178</u>	<u>\$ 115,013,354</u>	<u>\$ 231,395</u>	<u>\$ 2,581,847</u>	<u>\$ 18,644,766</u>	<u>\$ 281,670,016</u>
Balance on December 31, 2019, net	<u>\$ 99,102,251</u>	<u>\$ 243,879</u>	<u>\$ 43,024,051</u>	<u>\$ 1,936,582</u>	<u>\$ 115,694,557</u>	<u>\$ 217,973</u>	<u>\$ 2,427,871</u>	<u>\$ 13,722,839</u>	<u>\$ 276,370,003</u>
<b>Cost</b>									
Balance on January 1, 2020	\$ 99,102,251	\$ 1,618,481	\$ 71,000,783	\$ 13,004,827	\$ 706,032,448	\$ 3,912,298	\$ 10,090,170	\$ 13,752,197	\$ 918,513,455
Additions	66,712	-	18,113	54,402	117,441	1,309	150,385	24,786,365	25,194,727
Disposal	(270,268)	(19,306)	(48,748)	(1,243,844)	(20,618,652)	(45,287)	(520,411)	(29,358)	(22,795,874)
Effect of foreign exchange differences	-	-	-	(93)	(90,619)	(88)	267	(7,330)	(97,863)
Acquired by business combinations (Note 13)	-	-	-	69,814	-	-	72,400	-	142,214
Others	3,091,950	31,187	(80,570)	520,474	25,335,091	26,011	507,008	(29,972,458)	(541,307)
Balance on December 31, 2020	<u>\$ 101,990,645</u>	<u>\$ 1,630,362</u>	<u>\$ 70,889,578</u>	<u>\$ 12,405,580</u>	<u>\$ 710,775,709</u>	<u>\$ 3,894,243</u>	<u>\$ 10,299,819</u>	<u>\$ 8,529,416</u>	<u>\$ 920,415,352</u>
<b>Accumulated depreciation and impairment</b>									
Balance on January 1, 2020	\$ -	\$ (1,374,602)	\$ (27,976,732)	\$ (11,068,245)	\$ (590,337,891)	\$ (3,694,325)	\$ (7,662,299)	\$ (29,358)	\$ (642,143,452)
Depreciation expenses	-	(43,828)	(1,366,374)	(769,321)	(23,992,691)	(68,138)	(665,674)	-	(26,906,026)
Disposal	-	19,213	48,748	1,242,510	20,599,703	44,972	504,180	29,358	22,488,684
Effect of foreign exchange differences	-	-	-	92	40,361	37	222	-	40,712
Acquired by business combinations (Note 13)	-	-	-	(40,282)	-	-	(53,970)	-	(94,252)
Others	-	13	47,027	(3,721)	27,586	(938)	(48,397)	-	21,570
Balance on December 31, 2020	<u>\$ -</u>	<u>\$ (1,399,204)</u>	<u>\$ (29,247,331)</u>	<u>\$ (10,638,967)</u>	<u>\$ (593,662,932)</u>	<u>\$ (3,718,392)</u>	<u>\$ (7,925,938)</u>	<u>\$ -</u>	<u>\$ (646,592,764)</u>
Balance on January 1, 2020, net	<u>\$ 99,102,251</u>	<u>\$ 243,879</u>	<u>\$ 43,024,051</u>	<u>\$ 1,936,582</u>	<u>\$ 115,694,557</u>	<u>\$ 217,973</u>	<u>\$ 2,427,871</u>	<u>\$ 13,722,839</u>	<u>\$ 276,370,003</u>
Balance on December 31, 2020, net	<u>\$ 101,990,645</u>	<u>\$ 231,158</u>	<u>\$ 41,642,247</u>	<u>\$ 1,766,613</u>	<u>\$ 117,112,777</u>	<u>\$ 175,851</u>	<u>\$ 2,373,881</u>	<u>\$ 8,529,416</u>	<u>\$ 273,872,588</u>

There was no indication that property, plant and equipment was impaired; therefore, the Company did not recognize any impairment loss for the year ended December 31, 2020.

CHPT evaluated that certain miscellaneous equipment, construction in progress and equipment to be accepted used for manufacturing specific PCB will not be used in the future and there was no active market for sale; therefore, CHPT determined that the recoverable amount of such assets was nil and recognized impairment losses of \$89,207 thousand for the year ended December 31, 2019. CHSI evaluated that certain miscellaneous equipment will not be used in the future and there was no active market for sale; therefore, CHSI determined that the recoverable amount of such assets was nil and recognized impairment losses of \$3,866 thousand for the year ended December 31, 2019. The aforementioned impairment losses were included in other income and expenses of statement of comprehensive income.

Chunghwa signed a joint development agreement with the MOTC previously which stated that the MOTC would provide the national land and Chunghwa would be in charge of the planning and construction for the MOTC's office building, Chunghwa's Renai office building, etc. According to the agreement, the MOTC and Chunghwa would each own a certain percentage of the buildings, and Chunghwa is to pay or get the reimbursement for the difference between the assessed value of the land and the construction cost paid by Chunghwa on behalf of the MOTC. The difference amounting to \$1,056,680 thousand due to the MOTC was reported to Chunghwa's Board of Directors in May 2020 and Chunghwa will complete the property registration of the respective asset once the payment is made. Please refer to Table 4 for the details.

The Company participated in the government-led urban renewal project in Xingzheng Section, Xindian District, New Taipei City. The Company provided land as a building lot while Kindom Development Corp., chosen through public selection by the New Taipei City Government, acted as the urban renewal developer. The property registration was completed in 2020. With respect to the Company's trade-in share of land and buildings, only the trade-in buildings had commercial substance. Therefore, the gain on the asset exchange transaction of \$1,267,980 thousand (included in "gains and losses on disposal of property, plant and equipment") was recognized at the difference between the carrying amount of the trade-out land of \$37,087 thousand and the fair value of trade-in buildings of \$1,305,067 thousand (included in "investment properties"). The aforementioned gain on disposal was included under "other income and expenses" in the statements of comprehensive income.

Depreciation expense for assets used by the Company is computed using the straight-line method over the following estimated service lives:

Land improvements	10-30 years
Buildings	
Main buildings	20-60 years
Other building facilities	3-15 years
Computer equipment	2-8 years
Telecommunications equipment	
Telecommunication circuits	2-30 years
Telecommunication machinery and antennas equipment	2-30 years
Transportation equipment	3-10 years
Miscellaneous equipment	
Leasehold improvements	1-9 years
Mechanical and air conditioner equipment	3-16 years
Others	1-15 years

b. Assets subject to operating leases

	<b>Land</b>	<b>Land Improvements</b>	<b>Buildings</b>	<b>Total</b>
<u>Cost</u>				
Balance on January 1, 2019	\$ 3,617,627	\$ 689	\$ 3,582,774	\$ 7,201,090
Additions	-	-	4,478	4,478
Others	<u>1,362,023</u>	<u>(689)</u>	<u>254,308</u>	<u>1,615,642</u>
Balance on December 31, 2019	<u>\$ 4,979,650</u>	<u>\$ -</u>	<u>\$ 3,841,560</u>	<u>\$ 8,821,210</u>

(Continued)

	<b>Land</b>	<b>Land Improvements</b>	<b>Buildings</b>	<b>Total</b>
<u>Accumulated depreciation and impairment</u>				
Balance on January 1, 2019	\$ -	\$ (512)	\$ (1,265,356)	\$ (1,265,868)
Depreciation expenses	-	(47)	(73,996)	(74,043)
Others	-	559	(157,646)	(157,087)
Balance on December 31, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,496,998)</u>	<u>\$ (1,496,998)</u>
Balance on January 1, 2019, net	<u>\$ 3,617,627</u>	<u>\$ 177</u>	<u>\$ 2,317,418</u>	<u>\$ 5,935,222</u>
Balance on December 31, 2019, net	<u>\$ 4,979,650</u>	<u>\$ -</u>	<u>\$ 2,344,562</u>	<u>\$ 7,324,212</u>
<u>Cost</u>				
Balance on January 1, 2020	\$ 4,979,650	\$ -	\$ 3,841,560	\$ 8,821,210
Others	(6,730)	-	394,596	387,866
Balance on December 31, 2020	<u>\$ 4,972,920</u>	<u>\$ -</u>	<u>\$ 4,236,156</u>	<u>\$ 9,209,076</u>
<u>Accumulated depreciation and impairment</u>				
Balance on January 1, 2020	\$ -	\$ -	\$ (1,496,998)	\$ (1,496,998)
Depreciation expenses	-	-	(82,474)	(82,474)
Others	-	-	(36,249)	(36,249)
Balance on December 31, 2020	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,615,721)</u>	<u>\$ (1,615,721)</u>
Balance on January 1, 2020, net	<u>\$ 4,979,650</u>	<u>\$ -</u>	<u>\$ 2,344,562</u>	<u>\$ 7,324,212</u>
Balance on December 31, 2020, net	<u>\$ 4,972,920</u>	<u>\$ -</u>	<u>\$ 2,620,435</u>	<u>\$ 7,593,355</u>

(Concluded)

The Company leases out land and buildings with lease terms between 1 to 20 years. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

The future aggregate lease collection under operating lease for the freehold plant, property and equipment was as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Year 1	\$ 347,229	\$ 301,674
Year 2	288,184	272,899
Year 3	230,984	233,434

(Continued)

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Year 4	\$ 164,141	\$ 191,128
Year 5	124,845	130,066
Onwards	<u>1,179,493</u>	<u>1,224,416</u>
	<u>\$ 2,334,876</u>	<u>\$ 2,353,617</u> (Concluded)

The above items of property, plant and equipment subject to operating leases are depreciated on a straight-line basis over their estimated useful lives as follows:

Land improvements	10-30 years
Buildings	
Main buildings	35-60 years
Other building facilities	3-15 years

## 16. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Land and buildings		
Handsets base stations	\$ 7,095,883	\$ 6,844,687
Others	1,708,593	1,916,835
Equipment	<u>2,204,730</u>	<u>2,602,727</u>
	<u>\$ 11,009,206</u>	<u>\$ 11,364,249</u>
	<b>Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Additions to right-of-use assets	<u>\$ 3,796,370</u>	<u>\$ 3,803,042</u>
Depreciation charge for right-of-use assets		
Land and buildings		
Handsets base stations	\$ 2,729,441	\$ 2,727,871
Others	786,114	821,272
Equipment	<u>415,943</u>	<u>418,503</u>
	<u>\$ 3,931,498</u>	<u>\$ 3,967,646</u>

The Company did not have significant sublease or impairment of right-of-use assets for the years ended December 31, 2020 and 2019.

b. Lease liabilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Lease liabilities		
Current	\$ 3,381,571	\$ 3,291,330
Noncurrent	<u>6,215,096</u>	<u>6,466,808</u>
	<u>\$ 9,596,667</u>	<u>\$ 9,758,138</u>

Ranges of discount rates for lease liabilities were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Land and buildings		
Handsets base stations	0.46%-1.18%	0.58%-1.18%
Others	0.46%-9.00%	0.58%-9.00%
Equipment	0.46%-2.99%	0.58%-4.50%

c. Important lease-in activities and terms

The Company mainly enters into lease-in agreements of land and buildings for handsets base stations located throughout Taiwan with lease terms ranging from 1 to 20 years. The lease agreements do not contain bargain purchase options to acquire the assets at the expiration of the respective leases. For majority of the lease-in agreements on handsets base station, the Company has the right to terminate the agreement prior to the expiration date if the Company is unable to build the required telecommunication equipment, either due to legal restrictions, controversial events, or other events.

The Company also leases land and buildings for the use of offices, server rooms, and stores with lease terms from 1 to 30 years. Most of the lease agreements for national land adjust the lease payment according to the changes of the announced land values by the authority. At the expiry of the lease term, the Company does not have bargain purchase options to acquire the assets.

The lease agreements for equipment include a contract between Chunghwa and ST-2 Satellite Ventures Pte., Ltd. on March 12, 2010 to lease capacity on the ST-2 satellite. For the information of lease agreements with related parties, please refer to Note 38 to the consolidated financial statements for details.

d. Other lease information

	<b>Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Expenses relating to low-value asset leases	<u>\$ 8,314</u>	<u>\$ 6,664</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 5,119</u>	<u>\$ 6,603</u>
Total cash outflow for leases	<u>\$ 3,776,291</u>	<u>\$ 3,825,977</u>

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



Lease-out arrangements under operating leases for freehold property, plant, and equipment and investment properties were set out in Notes 15 and 17 to the consolidated financial statements.

## 17. INVESTMENT PROPERTIES

### Cost

Balance on January 1, 2019	\$ 9,392,452
Additions	523
Disposal	(5,831)
Reclassification	<u>(173,165)</u>
Balance on December 31, 2019	<u>\$ 9,213,979</u>

### Accumulated depreciation and impairment

Balance on January 1, 2019	\$ (1,105,240)
Depreciation expense	(25,157)
Disposal	5,831
Reclassification	23,363
Reversal of impairment loss	<u>56,617</u>
Balance on December 31, 2019	<u>\$ (1,044,586)</u>
Balance on January 1, 2019, net	<u>\$ 8,287,212</u>
Balance on December 31, 2019, net	<u>\$ 8,169,393</u>

### Cost

Balance on January 1, 2020	\$ 9,213,979
Additions (Note 15)	1,359,502
Disposal	(36,943)
Reclassification	<u>125,912</u>
Balance on December 31, 2020	<u>\$ 10,662,450</u>

### Accumulated depreciation and impairment

Balance on January 1, 2020	\$ (1,044,586)
Depreciation expense	(22,332)
Reclassification	(1,276)
Reversal of impairment loss	<u>27,066</u>
Balance on December 31, 2020	<u>\$ (1,041,128)</u>
Balance on January 1, 2020, net	<u>\$ 8,169,393</u>
Balance on December 31, 2020, net	<u>\$ 9,621,322</u>

After the evaluation of land and buildings, the Company concluded the recoverable amount which represented the fair value less costs to sell of some land and buildings was higher than the carrying amount. Therefore, the Company recognized reversal of impairment losses of \$27,066 thousand and \$56,617 thousand for the years ended December 31, 2020 and 2019, respectively, and the amounts were recognized only to the extent of impairment losses that had been recognized in prior years. The reversal of impairment loss was included in other income and expenses in the statements of comprehensive income.

Depreciation expense is computed using the straight-line method over the following estimated service lives:

Land improvements	10-30 years
Buildings	
Main buildings	35-60 years
Other building facilities	4-10 years

The fair values of the Company's investment properties as of December 31, 2020 and 2019 were determined by Level 3 fair value measurements inputs based on the appraisal reports conducted by independent appraisers. Those appraisal reports are based on the comparison approach, income approach or cost approach. Key assumptions and the fair values were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Fair value	<u>\$ 22,644,318</u>	<u>\$ 18,701,398</u>
Overall capital interest rate	0.93%-3.03%	1.03%-4.04%
Profit margin ratio	12%-20%	12%-20%
Discount rate	-	-
Capitalization rate	0.73%-2.20%	0.79%-1.74%

All of the Company's investment properties are held under freehold interest.

The future aggregate lease collection under operating lease for investment properties is as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Year 1	\$ 115,305	\$ 112,626
Year 2	95,223	90,701
Year 3	75,285	70,795
Year 4	52,544	61,115
Year 5	37,588	39,386
Onwards	<u>57,773</u>	<u>96,010</u>
	<u>\$ 433,718</u>	<u>\$ 470,633</u>

## 18. INTANGIBLE ASSETS

	<b>Mobile Broadband Concession</b>	<b>Computer Software</b>	<b>Goodwill</b>	<b>Others</b>	<b>Total</b>
<u>Cost</u>					
Balance on January 1, 2019	\$ 70,144,000	\$ 3,425,969	\$ 236,200	\$ 373,203	\$ 74,179,372
Additions-acquired separately	-	357,605	-	5,113	362,718
Disposal	(10,179,000)	(356,750)	-	(157)	(10,535,907)
Effect of foreign exchange differences	-	(117)	-	(96)	(213)
Others	<u>-</u>	<u>1,902</u>	<u>-</u>	<u>-</u>	<u>1,902</u>
Balance on December 31, 2019	<u>\$ 59,965,000</u>	<u>\$ 3,428,609</u>	<u>\$ 236,200</u>	<u>\$ 378,063</u>	<u>\$ 64,007,872</u>

(Continued)

	<b>Mobile Broadband Concession</b>	<b>Computer Software</b>	<b>Goodwill</b>	<b>Others</b>	<b>Total</b>
<u>Accumulated amortization and impairment</u>					
Balance on January 1, 2019	\$(20,632,474)	\$ (2,467,170)	\$ (26,677)	\$ (109,369)	\$(23,235,690)
Amortization expenses	(3,839,572)	(388,501)	-	(24,529)	(4,252,602)
Disposal	10,179,000	356,750	-	11	10,535,761
Impairment losses	-	-	(8,946)	-	(8,946)
Effect of foreign exchange differences	-	96	-	34	130
Balance on December 31, 2019	<u>\$(14,293,046)</u>	<u>\$ (2,498,825)</u>	<u>\$ (35,623)</u>	<u>\$ (133,853)</u>	<u>\$(16,961,347)</u>
Balance on January 1, 2019, net	<u>\$ 49,511,526</u>	<u>\$ 958,799</u>	<u>\$ 209,523</u>	<u>\$ 263,834</u>	<u>\$ 50,943,682</u>
Balance on December 31, 2019, net	<u>\$ 45,671,954</u>	<u>\$ 929,784</u>	<u>\$ 200,577</u>	<u>\$ 244,210</u>	<u>\$ 47,046,525</u>
<u>Cost</u>					
Balance on January 1, 2020	\$ 59,965,000	\$ 3,428,609	\$ 236,200	\$ 378,063	\$ 64,007,872
Additions-acquired separately	48,373,000	225,829	-	6,358	48,605,187
Disposal	-	(337,954)	-	(3,053)	(341,007)
Effect of foreign exchange differences	-	(106)	-	(40)	(146)
Acquired by business combinations (Note 13)	-	1,259	55,006	11,043	67,308
Others	-	1,586	-	(45)	1,541
Balance on December 31, 2020	<u>\$108,338,000</u>	<u>\$ 3,319,223</u>	<u>\$ 291,206</u>	<u>\$ 392,326</u>	<u>\$112,340,755</u>
<u>Accumulated amortization and impairment</u>					
Balance on January 1, 2020	\$(14,293,046)	\$ (2,498,825)	\$ (35,623)	\$ (133,853)	\$(16,961,347)
Amortization expenses	(5,025,796)	(371,694)	-	(26,877)	(5,424,367)
Disposal	-	337,948	-	1,201	339,149
Impairment losses	-	-	(9,303)	-	(9,303)
Effect of foreign exchange differences	-	102	-	12	114
Acquired by business combinations (Note 13)	-	(441)	-	-	(441)
Balance on December 31, 2020	<u>\$(19,318,842)</u>	<u>\$ (2,532,910)</u>	<u>\$ (44,926)</u>	<u>\$ (159,517)</u>	<u>\$(22,056,195)</u>
Balance on January 1, 2020, net	<u>\$ 45,671,954</u>	<u>\$ 929,784</u>	<u>\$ 200,577</u>	<u>\$ 244,210</u>	<u>\$ 47,046,525</u>
Balance on December 31, 2020, net	<u>\$ 89,019,158</u>	<u>\$ 786,313</u>	<u>\$ 246,280</u>	<u>\$ 232,809</u>	<u>\$ 90,284,560</u>

(Concluded)

For long-term business development, Chunghwa participated in the 5G mobile broadband license bidding hosted by the NCC and paid the deposit for 5G spectrum bidding amounting to \$1,000,000 thousand (included in other assets) in October 2019. Chunghwa paid \$48,373,000 thousand, including the aforementioned deposit, in February 2020 for the aforementioned license to obtain 90MHz in the 3.5GHz spectrum and 600MHz in the 28GHz spectrum.

The concessions are granted and issued by the NCC. The concession fees are amortized using the straight-line method over the period from the date operations commence through the date the license expires or the useful life, whichever is shorter. The 4G concession fees will be fully amortized by December 2030 and December 2033 and 5G concession fees will be fully amortized by December 2040.

The computer software is amortized using the straight-line method over the estimated useful lives of 1 to 10 years. Other intangible assets are amortized using the straight-line method over the estimated useful lives of 1 to 20 years. Goodwill is not amortized.

SENAO evaluated the goodwill that arose in the acquisition of Youth and its subsidiaries at the end of each year. SENAO determined the smallest identifiable group of assets that generates cash inflows as single cash generating units by business type and evaluated the recoverable amount of those cash generating units by their value in use. The management of SENAO estimated the cash flow projections based on the financial budgets for the following five years. Discount rates were 12.10% and 12.30% as of December 31, 2020 and 2019, respectively and were used to calculate the recoverable amount of related cash generating units by discounting aforementioned cash flows.

SENAO concluded the recoverable amount of the goodwill was lower than the carrying value and recognized impairment loss of \$9,303 thousand and \$8,946 thousand for the years ended December 31, 2020 and 2019, respectively. The aforementioned impairment losses were included in other income and expenses of statements of comprehensive income.

## 19. OTHER ASSETS

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Spare parts	\$ 2,156,136	\$ 2,336,082
Refundable deposits	2,009,796	1,879,109
Other financial assets	1,000,000	1,000,000
Deposit for mobile broadband license bidding (Note 18)	-	1,000,000
Others	<u>2,450,006</u>	<u>2,316,177</u>
	<u>\$ 7,615,938</u>	<u>\$ 8,531,368</u>
<b>Current</b>		
Spare parts	\$ 2,156,136	\$ 2,336,082
Others	<u>192,961</u>	<u>93,582</u>
	<u>\$ 2,349,097</u>	<u>\$ 2,429,664</u>
<b>Noncurrent</b>		
Refundable deposits	\$ 2,009,796	\$ 1,879,109
Other financial assets	1,000,000	1,000,000
Deposit for mobile broadband license bidding	-	1,000,000
Others	<u>2,257,045</u>	<u>2,222,595</u>
	<u>\$ 5,266,841</u>	<u>\$ 6,101,704</u>

Other financial assets - noncurrent was Piping Fund. As part of the government's effort to upgrade the existing telecommunications infrastructure, Chunghwa and other public utility companies were required by the ROC government to contribute to a Piping Fund administered by the Taipei City Government. This fund was used to finance various telecommunications infrastructure projects. Net assets of this fund will be returned proportionately after the project is completed.

Chunghwa evaluated that certain other assets will not be used in the future and there was no active market for sale; therefore, the Company determined that the recoverable amount of such assets was nil and recognized impairment losses of \$43,971 thousand for the year ended December 31, 2019. The aforementioned impairment loss was included in other income and expenses in the statements of comprehensive income.

## 20. HEDGING FINANCIAL INSTRUMENTS

Chunghwa's hedge strategy is to enter into forward exchange contracts - buy to avoid its foreign currency exposure to certain foreign currency denominated equipment payments in the following six months. In addition, Chunghwa's management considers the market condition to determine the hedge ratio and enters into forward exchange contracts with the banks to avoid the foreign currency risk.

Chunghwa signed equipment purchase contracts with suppliers and entered into forward exchange contracts to avoid foreign currency risk exposure to Euro-denominated purchase commitments. Those forward exchange contracts were designated as cash flow hedges. When forecast purchases actually take place, basis adjustments are made to the initial carrying amounts of hedged items.

For the hedges of highly probable forecast sales and purchases, as the critical terms (i.e. the notional amount, life and underlying) of the forward foreign exchange contracts and their corresponding hedged items are the same, the Company performs a qualitative assessment of effectiveness and it is expected that the value of the forward contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying exchange rates.

The main source of hedge ineffectiveness in these hedging relationships is the effect of credit risks of the Company and the counterparty on the fair value of the forward exchange contracts. Such credit risks do not impact the fair value of the hedged item attributable to changes in foreign exchange rates. No other sources of ineffectiveness emerged from these hedging relationships.

The following tables summarized the information relating to the hedges for foreign currency risk.

### December 31, 2020

Hedging Instruments	Currency	Notional Amount (In Thousands)	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount		Change in Fair Values of Hedging Instruments Used for Calculating Hedge Ineffectiveness	
						Asset	Liability		
Cash flow hedge Forecast purchases - forward exchange contracts	NT\$/EUR	NT\$ 200,867/ EUR 5,831	2021.03	\$ 34.45	Hedging financial assets (liabilities)	\$ 1,752	\$ -	\$ 1,425	
						<b>Change in Value of Hedged Item Used for Calculating Hedge Ineffectiveness</b>		<b>Accumulated Gain or Loss on Hedging Instruments in Other Equity</b>	
								<b>Continuing Hedges</b>	<b>Hedge Accounting No Longer Applied</b>
Cash flow hedge Forecast equipment purchases						\$ (1,425)	\$ 1,752	\$ -	

### December 31, 2019

Hedging Instruments	Currency	Notional Amount (In Thousands)	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount		Change in Fair Values of Hedging Instruments Used for Calculating Hedge Ineffectiveness
						Asset	Liability	
Cash flow hedge Forecast purchases - forward exchange contracts	NT\$/EUR	NT\$ 84,066/ EUR 2,498	2020.03	\$ 33.66	Hedging financial assets (liabilities)	\$ 327	\$ -	\$ (742)

Hedged Items	Change in Value of Hedged Item Used for Calculating Hedge Ineffectiveness	Accumulated Gain or Loss on Hedging Instruments in Other Equity	
		Continuing Hedges	Hedge Accounting no Longer Applied
Cash flow hedge			
Forecast equipment purchases	\$ 742	\$ 327	\$ -

Year ended December 31, 2020

Hedge Transaction	Comprehensive Income				
	Hedging Gain or Loss Recognized in OCI	Amount of Hedge Ineffectiveness Recognized in Profit or Loss	Line Item in Which Hedge Ineffectiveness is Included	Reclassification from Equity to Profit or Loss and the Adjusted Line Item	
				Amount Reclassified to P/L and the Adjusted Line Item	Due to Hedged Future Cash Flows No Longer Expected to Occur
Cash flow hedge					
Forecast equipment purchases	\$ 1,425	\$ -	-	\$ 20,564 Construction in progress and equipment to be accepted	\$ - Other gains and losses

Year ended December 31, 2019

Hedge Transaction	Comprehensive Income				
	Hedging Gain or Loss Recognized in OCI	Amount of Hedge Ineffectiveness Recognized in Profit or Loss	Line Item in Which Hedge Ineffectiveness is Included	Reclassification from Equity to Profit or Loss and the Adjusted Line Item	
				Amount Reclassified to P/L and the Adjusted Line Item	Due to Hedged Future Cash Flows No Longer Expected to Occur
Cash flow hedge					
Forecast equipment purchases	\$ (742)	\$ -	-	\$ (2,026) Construction in progress and equipment to be accepted	\$ - Other gains and losses

## 21. SHORT-TERM LOANS

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Unsecured bank loans	<u>\$ 67,000</u>	<u>\$ 90,000</u>

The annual interest rates of bank loans were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Unsecured bank loans	1.12%-2.33%	1.20%-2.50%

## 22. SHORT-TERM BILLS PAYABLE

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Commercial paper payable	\$ 7,000,000	\$ -
Less: Discounts on commercial paper payable	<u>(802)</u>	<u>-</u>
	<u>\$ 6,999,198</u>	<u>\$ -</u>

The annual interest rates of commercial paper payable were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Commercial paper payable	0.34%-0.36%	-

## 23. LONG-TERM LOANS

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Secured bank loans (Note 39)	\$ 1,600,000	\$ 1,600,000
Less: Current portion	<u>(1,600,000)</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 1,600,000</u>

The annual interest rates of loans were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Secured bank loans	0.72%	0.92%

LED obtained a secured loan from Chang Hwa Bank in September 2010. Interest is paid monthly. \$300,000 thousand and \$1,350,000 thousand were originally due in December 2014 and September 2015, respectively. In October 2014, the bank borrowing mentioned above was extended to September 2018 for one time repayment. LED made an early repayment of \$50,000 thousand in April 2015. LED entered into a contract with Chang Hwa Bank to renew the contract upon the maturity of the aforementioned contract in December 2017 and the due date of the renew contract is September 2021.

## 24. BONDS PAYABLE

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Unsecured domestic bonds	\$ 20,000,000	\$ -
Less: Discounts on bonds payable	<u>(19,728)</u>	<u>-</u>
	<u>\$ 19,980,272</u>	<u>\$ -</u>

The major terms of unsecured domestic bonds issued by Chunghwa were as follows:

Issuance	Tranche	Issuance Period	Total Amount	Coupon Rate	Repayment and Interest Payment
2020-1	A	July 2020 to July 2025	\$ 8,800,000	0.50%	One-time repayment upon maturity; interest payable annually
	B	July 2020 to July 2027	7,500,000	0.54%	The same as above
	C	July 2020 to July 2030	3,700,000	0.59%	The same as above

## 25. TRADE NOTES AND ACCOUNTS PAYABLE

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Trade notes and accounts payable	<u>\$ 15,590,814</u>	<u>\$ 15,312,274</u>

Trade notes and accounts payable were attributable to operating activities and the trading conditions were agreed separately.

## 26. OTHER PAYABLES

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Accrued salary and compensation	\$ 9,449,659	\$ 9,482,606
Payables to contractors	1,778,735	1,892,188
Accrued compensation to employees and remuneration to directors and supervisors	1,690,796	1,440,573
Amounts collected for others	1,307,728	1,278,796
Payable on land (Note 15)	1,056,680	-
Payables to equipment suppliers	1,049,008	295,816
Accrued maintenance costs	1,039,689	954,761
Accrued franchise fees	785,352	1,091,148
Others	<u>5,830,315</u>	<u>6,516,600</u>
	<u>\$ 23,987,962</u>	<u>\$ 22,952,488</u>



## 27. PROVISIONS

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Warranties	\$ 182,431	\$ 173,275
Onerous contracts	170,433	66,907
Employee benefits	57,210	59,745
Others	<u>4,097</u>	<u>4,397</u>
	<u>\$ 414,171</u>	<u>\$ 304,324</u>
Current	\$ 313,555	\$ 206,942
Noncurrent	<u>100,616</u>	<u>97,382</u>
	<u>\$ 414,171</u>	<u>\$ 304,324</u>

	<b>Warranties</b>	<b>Onerous Contracts</b>	<b>Employee Benefits</b>	<b>Others</b>	<b>Total</b>
Balance on January 1, 2019	\$ 131,664	\$ 19,323	\$ 51,393	\$ 4,447	\$ 206,827
Additional provisions recognized	127,517	47,584	9,194	-	184,295
Used / forfeited during the year	<u>(85,906)</u>	<u>-</u>	<u>(842)</u>	<u>(50)</u>	<u>(86,798)</u>
Balance on December 31, 2019	<u>\$ 173,275</u>	<u>\$ 66,907</u>	<u>\$ 59,745</u>	<u>\$ 4,397</u>	<u>\$ 304,324</u>
Balance on January 1, 2020	\$ 173,275	\$ 66,907	\$ 59,745	\$ 4,397	\$ 304,324
Additional / (reversal of) provisions recognized	130,984	91,990	(1,841)	(200)	220,933
Used / forfeited during the year	(121,828)	(3,722)	(694)	(100)	(126,344)
Acquired by business combinations (Note 13)	<u>-</u>	<u>15,258</u>	<u>-</u>	<u>-</u>	<u>15,258</u>
Balance on December 31, 2020	<u>\$ 182,431</u>	<u>\$ 170,433</u>	<u>\$ 57,210</u>	<u>\$ 4,097</u>	<u>\$ 414,171</u>

- a. The provision for warranty claims represents the present value of the management's best estimate of the future outflow of economic benefits that will be required under the Company's obligation for warranties in sales agreements. The estimate has been made based on the historical warranty experience.
- b. The provision for employee benefits represents vested long-term service compensation accrued.
- c. The provision for onerous contracts represents the present obligation resulting from the measurement for the unavoidable costs of meeting the Company's contractual obligations exceed the economic benefits expected to be received from the contracts.

## 28. RETIREMENT BENEFIT PLANS

- a. Defined contribution plans

The pension plan under the Labor Pension Act of ROC (the "LPA") is considered as a defined contribution plan. Based on the LPA, Chunghwa and its domestic subsidiaries make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. Its foreign subsidiaries would make monthly contributions based on the local pension requirements.

b. Defined benefit plans

Chunghwa completed its privatization plans on August 12, 2005. Chunghwa is required to pay all accrued pension obligations including service clearance payment, lump sum payment under civil service plan, additional separation payments, etc. upon the completion of the privatization in accordance with the Statute Governing Privatization of Stated-owned Enterprises. After paying all pension obligations for privatization, the plan assets of Chunghwa should be transferred to the Fund for Privatization of Government-owned Enterprises (the "Privatization Fund") under the Executive Yuan. On August 7, 2006, Chunghwa transferred the remaining balance of fund to the Privatization Fund. However, according to the instructions of MOTC, Chunghwa was requested to administer the distributions to employees for pension obligations including service clearance payment, lump sum payment under civil service plan, additional separation payments, etc. upon the completion of the privatization and recognized in other current monetary assets.

Chunghwa and its subsidiaries SENA0, CHIEF, CHSI, SHE, IISI and UTC with the pension mechanism under the Labor Standards Law in the ROC are considered as defined benefit plans. These pension plans provide benefits based on an employee's length of service and average six-month salary prior to retirement. Chunghwa and its subsidiaries contribute an amount no more than 15% of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the names of the Committees in the Bank of Taiwan. The plan assets are held in a commingled fund which is operated and managed by the government's designated authorities; as such, the Company does not have any right to intervene in the investments of the funds. According to the Article 56 of the Labor Standards Law, entities are required to contribute the difference in one appropriation to their pension funds before the end of next March when the balance of the Funds is insufficient to pay the eligible employees who meet the retirement criteria in the following year.

The amounts included in the consolidated balance sheets arising from the Company's obligation in respect of its defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Present value of funded defined benefit obligations	\$ 39,536,563	\$ 41,197,226
Fair value of plan assets	<u>(39,493,787)</u>	<u>(39,819,944)</u>
Funded status - deficit	<u>\$ 42,776</u>	<u>\$ 1,377,282</u>
Net defined benefit liabilities	\$ 3,415,331	\$ 3,504,617
Net defined benefit assets	<u>(3,372,555)</u>	<u>(2,127,335)</u>
	<u>\$ 42,776</u>	<u>\$ 1,377,282</u>

Movements in the defined benefit obligations and the fair value of plan assets were as follows:

	<b>Present Value of Funded Defined Benefit Obligations</b>	<b>Fair Value of Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Balance on January 1, 2019	\$ 41,396,992	\$ 39,027,144	\$ 2,369,848
Current service cost	2,927,021	-	2,927,021
Interest expense / interest income	<u>400,314</u>	<u>390,272</u>	<u>10,042</u>
Amounts recognized in profit or loss	<u>3,327,335</u>	<u>390,272</u>	<u>2,937,063</u>

(Continued)

	<b>Present Value of Funded Defined Benefit Obligations</b>	<b>Fair Value of Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Remeasurement on the net defined benefit liability			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ 1,337,771	\$ (1,337,771)
Actuarial losses recognized from changes in demographic assumptions	5,746	-	5,746
Actuarial losses recognized from changes in financial assumptions	647,236	-	647,236
Actuarial gains recognized from experience adjustments	<u>(841,564)</u>	<u>-</u>	<u>(841,564)</u>
Amounts recognized in other comprehensive income	<u>(188,582)</u>	<u>1,337,771</u>	<u>(1,526,353)</u>
Contributions from employer	-	2,098,912	(2,098,912)
Benefits paid	(3,034,155)	(3,034,155)	-
Benefits paid directly by the Company	<u>(304,364)</u>	<u>-</u>	<u>(304,364)</u>
Balance on December 31, 2019	41,197,226	39,819,944	1,377,282
Current service cost	2,052,402	-	2,052,402
Interest expense / interest income	<u>298,162</u>	<u>297,324</u>	<u>838</u>
Amounts recognized in profit or loss	<u>2,350,564</u>	<u>297,324</u>	<u>2,053,240</u>
Remeasurement on the net defined benefit liability			
Return on plan assets (excluding amounts included in net interest)	-	1,307,772	(1,307,772)
Actuarial losses recognized from changes in financial assumptions	589,818	-	589,818
Actuarial gains recognized from experience adjustments	<u>(475,195)</u>	<u>-</u>	<u>(475,195)</u>
Amounts recognized in other comprehensive income	<u>114,623</u>	<u>1,307,772</u>	<u>(1,193,149)</u>
Contributions from employer	-	1,964,480	(1,964,480)
Benefits paid	(3,919,555)	(3,919,555)	-
Benefits paid directly by the Company	(262,730)	-	(262,730)
Acquired by business combinations (Note 13)	<u>56,435</u>	<u>23,822</u>	<u>32,613</u>
Balance on December 31, 2020	<u>\$ 39,536,563</u>	<u>\$ 39,493,787</u>	<u>\$ 42,776</u> (Concluded)

Relevant pension costs recognized in profit and loss for defined benefit plans were as follows:

	<b>Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Operating costs	\$ 1,205,545	\$ 1,725,644
Marketing expenses	602,754	866,412
General and administrative expenses	121,050	164,255
Research and development expenses	<u>72,125</u>	<u>103,156</u>
	<u>\$ 2,001,474</u>	<u>\$ 2,859,467</u>

The Company is exposed to following risks for the defined benefits plans under the Labor Standards Law:

a. Investment risk

Under the Labor Standards Law, the rate of return on assets shall not be lower than the average interest rate on a two-year time deposit published by the local banks and the government is responsible for any shortfall in the event that the rate of return is less than the required rate of return. The plan assets are held in a commingled fund mainly invested in foreign and domestic equity and debt securities and bank deposits which is operated and managed by the government's designated authorities; as such, the Company does not have any right to intervene in the investments of the funds.

b. Interest rate risk

The decline in government bond interest rate will increase the present value of the obligation on the defined benefit plan, while the return on plan assets will increase. The net effect on the present value of the obligation on defined benefit plan is partially offset by the return on plan assets.

c. Salary risk

The calculation of the present value of defined benefit obligations is referred to the plan participants' future salary. Hence, the increase in plan participants' salary will increase the present value of the defined benefit obligations.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligations were carried out by the independent actuary.

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	<u>Measurement Date</u>	
	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Discount rates	0.50%	0.75%
Expected rates of salary increase	1.00%-2.00%	1.20%-2.00%

If reasonably possible changes of the respective significant actuarial assumptions occur at the end of reporting periods, while holding all other assumptions constant, the present values of the defined benefit obligations would increase (decrease) as follows:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Discount rates		
0.5% increase	<u>\$ (1,208,082)</u>	<u>\$ (1,275,319)</u>
0.5% decrease	<u>\$ 1,284,034</u>	<u>\$ 1,356,153</u>
Expected rates of salary increase		
0.5% increase	<u>\$ 1,372,403</u>	<u>\$ 1,448,264</u>
0.5% decrease	<u>\$ (1,302,983)</u>	<u>\$ (1,374,156)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. There is no change in the methods and assumptions used in preparing the sensitivity analysis from the previous period.

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
The expected contributions to the plan for the next year	\$ <u>1,931,842</u>	\$ <u>2,076,027</u>
The average duration of the defined benefit obligations	6.4-13 years	6.5-14 years

As of December 31, 2020, the Company's maturity analysis of the undiscounted benefit payments was as follows:

<b>Year</b>	<b>Amount</b>
2021	\$ 3,285,245
2022	7,055,727
2023	10,669,441
2024	11,798,911
2025 and thereafter	<u>39,496,567</u>
	<u>\$ 72,305,891</u>

## 29. EQUITY

### a. Share capital

#### 1) Common stocks

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Number of authorized shares (thousand)	<u>12,000,000</u>	<u>12,000,000</u>
Authorized shares	\$ <u>120,000,000</u>	\$ <u>120,000,000</u>
Number of issued and paid shares (thousand)	<u>7,757,447</u>	<u>7,757,447</u>
Issued shares	\$ <u>77,574,465</u>	\$ <u>77,574,465</u>

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

#### 2) Global depositary receipts

The MOTC and some stockholders sold some common stocks of Chunghwa in an international offering of securities in the form of American Depositary Shares ("ADS") (one ADS represents 10 common stocks) in July 2003, August 2005, and September 2006. The ADSs were traded on the New York Stock Exchange since July 17, 2003. As of December 31, 2020, the outstanding ADSs were 220,439 thousand common stocks, which equaled 22,044 thousand units and represented 2.84% of Chunghwa's total outstanding common stocks.

The ADS holders generally have the same rights and obligations as other common stockholders, subject to the provision of relevant laws. The exercise of such rights and obligations shall comply with the related regulations and deposit agreement, which stipulate, among other things, that ADS holders are entitled to, through deposit agents:

- a) Exercise their voting rights,
- b) Sell their ADSs, and

c) Receive dividends declared and subscribe to the issuance of new shares.

b. Additional paid-in capital

The adjustments of additional paid-in capital for the years ended December 31, 2020 and 2019 were as follows:

	Share Premium	Movements of Additional Paid-in Capital for Associates Accounted for Using Equity Method	Movements of Additional Paid-in Capital Arising from Changes in Equities of Subsidiaries	Difference between Consideration Received and Carrying Amount of the Subsidiaries' Net Assets upon Disposal	Donated Capital	Stockholders' Contribution due to Privatization	Total
Balance on January 1, 2019	\$ 147,329,386	\$ 89,893	\$ 2,063,148	\$ 987,611	\$ 18,648	\$ 20,648,078	\$ 171,136,764
Unclaimed dividend	-	-	-	-	1,266	-	1,266
Change in additional paid-in capital from investments in associates and joint ventures accounted for using equity method	-	118,853	-	-	-	-	118,853
Share-based payment transactions of subsidiaries	-	-	(898)	-	-	-	(898)
Balance on December 31, 2019	147,329,386	208,746	2,062,250	987,611	19,914	20,648,078	171,255,985
Unclaimed dividend	-	-	-	-	1,605	-	1,605
Change in additional paid-in capital from investments in associates and joint ventures accounted for using equity method	-	(21,918)	-	-	-	-	(21,918)
Change in additional paid-in capital for not proportionately participating in the capital increase of subsidiaries	-	-	(103)	-	-	-	(103)
Share-based payment transactions of subsidiaries	-	-	25,810	-	-	-	25,810
Balance on December 31, 2020	\$ 147,329,386	\$ 186,828	\$ 2,087,957	\$ 987,611	\$ 21,519	\$ 20,648,078	\$ 171,261,379

Additional paid-in capital from share premium, donated capital and the difference between consideration received and the carrying amount of the subsidiaries' net assets upon disposal may be utilized to offset deficits. Furthermore, when Chunghwa has no deficit, it may be distributed in cash or capitalized, which however is limited to a certain percentage of Chunghwa's paid-in capital except the additional paid-in capital arising from unclaimed dividend can only be utilized to offset deficits.

The additional paid-in capital from movements of paid-in capital arising from changes in equities of subsidiaries may only be utilized to offset deficits.

Among additional paid-in capital from movements of investments in associates and joint ventures accounted for using equity method, the portion arising from the difference between consideration received and the carrying amount of the subsidiaries' net assets upon disposal may be utilized to offset deficits; furthermore, when the Company has no deficit, it may be distributed in cash or capitalized. However, other additional paid-in capital recognized in proportion of share ownership may only be utilized to offset deficits.

c. Retained earnings and dividends policy

In accordance with the Chunghwa's Articles of Incorporation, Chunghwa must pay all outstanding taxes, offset deficits in prior years and set aside a legal reserve equal to 10% of its net income before distributing a dividend or making any other distribution to stockholders, except when the accumulated amount of such legal reserve equals to Chunghwa's total issued capital, and depending on its business needs or requirements, may also set aside or reverse special reserves. No less than 50% of the remaining earnings comprising remaining balance of net income, if any, plus cumulative undistributed earnings shall be distributed as stockholders' dividends, of which cash dividends to be distributed shall not be less than 50% of the total amount of dividends to be distributed. If cash dividend to be distributed is less than \$0.10 per share, such cash dividend shall be distributed in the form of common stocks.

Chunghwa should appropriate or reverse a special reserve in accordance with Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive entitled “Questions and Answers on Special Reserves Appropriated Following the Adoption of Taiwan-IFRSs”. Distributions can be made out of any subsequent reversal of the debit to other equity items.

The appropriation for legal reserve shall be made until the accumulated reserve equals the aggregate par value of the outstanding capital stock of Chunghwa. This reserve can only be used to offset a deficit, or when the legal reserve has exceeded 25% of Chunghwa’s paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of the 2019 and 2018 earnings of Chunghwa approved by the stockholders in their meetings on May 29, 2020 and June 21, 2019 were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>For Fiscal Year 2019</u>	<u>For Fiscal Year 2018</u>	<u>For Fiscal Year 2019</u>	<u>For Fiscal Year 2018</u>
Cash dividends	\$ 32,782,969	\$ 34,745,603	\$ 4.226	\$ 4.479

The appropriations of earnings for 2020 had been proposed by Chunghwa’s Board of Directors on February 23, 2021. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>	<u>Dividends Per Share (NT\$)</u>
Cash dividends	\$ 33,403,565	\$ 4.306

The appropriations of earnings for 2020 are subject to the resolution of the stockholders’ meeting planned to be held on May 28, 2021. Information of the appropriation of Chunghwa’s earnings proposed by the Board of Directors and approved by the stockholders is available on the Market Observation Post System website.

d. Others

1) Exchange differences arising from the translation of the foreign operations

The exchange differences arising from the translation of the foreign operations from their functional currency to New Taiwan dollars were recognized as exchange differences arising from the translation of the foreign operations in other comprehensive income.

2) Unrealized gain or loss on financial assets at FVOCI

	<u>Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 836,598	\$ 538,272
Unrealized gain or loss for the year		
Equity instruments	419,989	298,326
Transferred accumulated gain or loss to unappropriated earnings resulting from the disposal of equity instruments (Note 8)	<u>(16,686)</u>	<u>-</u>
Ending balance	<u>\$1,239,901</u>	<u>\$ 836,598</u>

e. Noncontrolling interests

	<b>Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Beginning balance	\$ 10,283,552	\$ 9,990,345
Shares attributed to noncontrolling interests		
Net income for the year	1,299,413	975,397
Exchange differences arising from the translation of the foreign operations	(13,866)	7,753
Unrealized gain or loss on financial assets at FVOCI	(15,034)	(11,918)
Remeasurements of defined benefit pension plans	17,395	14,340
Income tax relating to exchange differences arising from the translation of the foreign operations	(128)	-
Income tax relating to remeasurements of defined benefit pension plans	(3,479)	(2,874)
Share of other comprehensive loss of associates and joint ventures accounted for using equity method	(2,190)	(1,325)
Cash dividends distributed by subsidiaries	(775,420)	(709,817)
Changes in additional paid-in capital from investments in associates and joint ventures accounted for using equity method	(1,817)	1,064
Non-controlling interests increased by business combination of IISI (Note 13)	475,879	-
Share-based payment transactions of subsidiaries	63,063	21,320
Change in additional paid-in capital for not proportionately participating in the capital increase of subsidiaries	103	-
Net decrease in noncontrolling interests	<u>-</u>	<u>(763)</u>
Ending balance	<u>\$ 11,327,441</u>	<u>\$ 10,283,522</u>

**30. REVENUES**

	<b>Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Revenue from contracts with customers	<u>\$ 206,395,581</u>	<u>\$ 206,359,673</u>
Other revenues		
Rental income	842,941	817,553
Others	<u>370,476</u>	<u>342,835</u>
	<u>1,213,417</u>	<u>1,160,388</u>
	<u>\$ 207,608,998</u>	<u>\$ 207,520,061</u>

For the information of performance obligations related to customer contracts, please refer to Note 3 Summary of Significant Accounting Policies for details.



a. Disaggregation of revenue

2020

	Domestic Fixed Communi- cations Business	Mobile Communi- cations Business	Internet Business	International Fixed Communi- cations Business	Others	Total
<u>Main Products and Service Revenues</u>						
Mobile services revenue	\$ -	\$ 56,724,433	\$ -	\$ -	\$ -	\$ 56,724,433
Sales of products	2,214,161	32,111,502	106,672	313,214	4,645,167	39,390,716
Local telephone and domestic long distance telephone services revenue	26,474,747	-	-	-	-	26,474,747
Broadband access and domestic leased line services revenue	22,420,164	-	-	-	-	22,420,164
Data communications internet services revenue	-	-	21,446,960	-	-	21,446,960
International network and leased line services revenue	-	-	-	3,884,182	-	3,884,182
Others	<u>17,694,619</u>	<u>1,307,382</u>	<u>10,254,599</u>	<u>4,484,648</u>	<u>2,313,131</u>	<u>36,054,379</u>
	<u>\$ 68,803,691</u>	<u>\$ 90,143,317</u>	<u>\$ 31,808,231</u>	<u>\$ 8,682,044</u>	<u>\$ 6,958,298</u>	<u>\$206,395,581</u>

2019

	Domestic Fixed Communi- cations Business	Mobile Communi- cations Business	Internet Business	International Fixed Communi- cations Business	Others	Total
<u>Main Products and Service Revenues</u>						
Mobile services revenue	\$ -	\$ 58,703,003	\$ -	\$ -	\$ -	\$ 58,703,003
Sales of products	1,957,460	35,545,256	40,873	264,949	3,784,586	41,593,124
Local telephone and domestic long distance telephone services revenue	27,929,263	-	-	-	-	27,929,263
Broadband access and domestic leased line services revenue	22,115,908	-	-	-	-	22,115,908
Data communications internet services revenue	-	-	21,002,699	-	-	21,002,699
International network and leased line services revenue	-	-	-	7,066,361	-	7,066,361
Others	<u>13,063,469</u>	<u>1,141,584</u>	<u>8,789,794</u>	<u>4,143,885</u>	<u>810,583</u>	<u>27,949,315</u>
	<u>\$ 65,066,100</u>	<u>\$ 95,389,843</u>	<u>\$ 29,833,366</u>	<u>\$ 11,475,195</u>	<u>\$ 4,595,169</u>	<u>\$206,359,673</u>

b. Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Trade notes and accounts receivable (Note 9)	<u>\$ 22,621,902</u>	<u>\$ 26,407,783</u>	<u>\$ 30,075,503</u>
Contract assets			
Products and service bundling	\$ 7,232,134	\$ 6,942,974	\$ 7,122,875
Others	612,206	115,993	108,581
Less: Loss allowance	<u>(17,792)</u>	<u>(16,858)</u>	<u>(18,770)</u>
	<u>\$ 7,826,548</u>	<u>\$ 7,042,109</u>	<u>\$ 7,212,686</u>
Current	\$ 5,331,246	\$ 4,441,196	\$ 4,868,728
Noncurrent	<u>2,495,302</u>	<u>2,600,913</u>	<u>2,343,958</u>
	<u>\$ 7,826,548</u>	<u>\$ 7,042,109</u>	<u>\$ 7,212,686</u>

(Continued)

	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>January 1, 2019</b>
Contract liabilities			
Telecommunications business	\$ 13,601,662	\$ 12,771,621	\$ 8,193,215
Project business	6,686,561	10,360,428	4,508,200
Products and service bundling	16,404	38,570	105,559
Others	<u>421,166</u>	<u>510,696</u>	<u>475,947</u>
	<u>\$ 20,725,793</u>	<u>\$ 23,681,315</u>	<u>\$ 13,282,921</u>
Current	\$ 13,436,706	\$ 16,839,830	\$ 10,687,772
Noncurrent	<u>7,289,087</u>	<u>6,841,485</u>	<u>2,595,149</u>
	<u>\$ 20,725,793</u>	<u>\$ 23,681,315</u>	<u>\$ 13,282,921</u>

(Concluded)

The changes in the contract asset and the contract liability balances primarily result from the timing difference between the satisfaction of performance obligations and the payments collected from customers. Significant changes of contract assets and liabilities recognized resulting from product and service bundling were as follows:

	<b>Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Contract assets		
Net increase of customer contracts	\$ 5,972,451	\$ 6,066,406
Reclassified to trade receivables	<u>(5,681,532)</u>	<u>(6,405,198)</u>
	<u>\$ 290,919</u>	<u>\$ (338,792)</u>
Contract liabilities		
Net increase of customer contracts	\$ 7,370	\$ 21,844
Recognized as revenues	<u>(29,536)</u>	<u>(88,833)</u>
	<u>\$ (22,166)</u>	<u>\$ (66,989)</u>

The Company applies the simplified approach to recognize expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for receivables. Contract assets will be reclassified to trade receivables when the corresponding invoice is billed to the client. Contract assets have substantially the same risk characteristics as the trade receivables of the same types of contracts. Therefore, the Company concluded that the expected loss rates for trade receivables can be applied to the contract assets.

Revenue recognized for the period that was included in the contract liability at the beginning of the year was as follows:

	<b>Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Telecommunications business	\$ 5,492,271	\$ 6,185,997
Project business	6,091,951	3,973,559
Others	<u>511,619</u>	<u>403,921</u>
	<u>\$ 12,095,841</u>	<u>\$ 10,563,477</u>

c. Incremental costs of obtaining contracts

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Noncurrent		
Incremental costs of obtaining contracts	<u>\$ 999,593</u>	<u>\$ 942,652</u>

The Company considered the past experience and the default clauses in the telecommunications service contracts and believes the commissions and equipment subsidies paid for obtaining such contracts are expected to be recoverable; therefore, such costs were capitalized. Amortization expenses for the years ended December 31, 2020 and 2019 were \$771,875 thousand and \$1,173,492 thousand, respectively.

d. Remaining Performance Obligations

As of December 31, 2020, the aggregate amount of transaction price allocated to performance obligations for non-cancellable telecommunications service contracts that are unsatisfied is \$29,501,357 thousand. The Company recognizes revenue when service is provided over contract terms. The Company expects to recognize such revenue of \$18,728,796 thousand, \$9,081,973 thousand and \$1,690,588 thousand in 2021, 2022 and 2023, respectively. The variable consideration collected from customers on nonrecurring basis resulting from exceeded usage from monthly fee and revenue recognized for contracts that the Company has a right to consideration from customers in the amount corresponding directly with the value to the customers of the Company's performance completed to date have been excluded from the disclosure of remaining performance obligations.

As of December 31, 2020, the aggregate amount of transaction price allocated to performance obligations for non-cancellable project business contracts that are unsatisfied is \$18,554,982 thousand. The Company recognizes revenues when the project business contract is completed and accepted by customers. The Company expects to recognize such revenue of \$7,977,505 thousand, \$5,896,740 thousand and \$4,680,737 thousand in 2021, 2022 and 2023, respectively. Project business contracts whose expected duration are less than a year have been excluded from the aforementioned disclosure.

### 31. NET INCOME

a. Other income and expenses

	<b>Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Gain (loss) on disposal of property, plant and equipment	\$1,427,984	\$ (37,785)
Impairment loss on property, plant and equipment	-	(93,073)
Gain on disposal of investment properties	151,357	-
Reversal of impairment loss on investment properties	27,066	56,617
Loss on disposal of intangible assets	(1,858)	(146)
Impairment loss on intangible assets	(9,303)	(8,946)
Impairment loss on other assets	<u>-</u>	<u>(43,971)</u>
	<u>\$1,595,246</u>	<u>\$ (127,304)</u>

b. Other income

	<b>Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Dividend income	\$ 246,084	\$ 296,360
Rental income	70,123	84,870
Others	<u>153,401</u>	<u>150,394</u>
	<u>\$ 469,608</u>	<u>\$ 531,624</u>

c. Other gains and losses

	<b>Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Foreign currency exchange gain or loss, net	\$ (46,535)	\$ 15,823
Gain on disposal of investments accounted for using equity method	15,946	30,152
Gain (loss) on disposal of financial instruments	(1,788)	3,944
Valuation loss on financial assets and liabilities at fair value through profit or loss, net	(99,150)	(38,314)
Others	<u>(21,440)</u>	<u>(48,076)</u>
	<u>\$ (152,967)</u>	<u>\$ (36,471)</u>

d. Interest expenses

	<b>Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest paid to financial institutions	\$ 79,067	\$ 17,496
Interest on lease liabilities	79,654	84,918
Interest on bonds payable	45,614	-
Others	<u>1,728</u>	<u>1,728</u>
	<u>\$ 206,063</u>	<u>\$ 104,142</u>

e. Impairment loss (reversal of impairment loss)

	<b>Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Contract assets	<u>\$ 934</u>	<u>\$ (1,912)</u>
Trade notes and accounts receivable	<u>\$ 48,708</u>	<u>\$ (53,952)</u>
Other receivables	<u>\$ (4,757)</u>	<u>\$ (69,247)</u>
Inventories	<u>\$1,161,281</u>	<u>\$ 474,709</u>
Property, plant and equipment	<u>\$ -</u>	<u>\$ 93,073</u>
Investment properties	<u>\$ (27,066)</u>	<u>\$ (56,617)</u>
Intangible assets	<u>\$ 9,303</u>	<u>\$ 8,946</u>
Other assets	<u>\$ -</u>	<u>\$ 43,971</u>

f. Depreciation and amortization expenses

	<b>Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Property, plant and equipment	\$ 26,988,500	\$ 26,930,188
Right-of-use assets	3,931,498	3,967,646
Investment properties	22,332	25,157
Intangible assets	5,424,367	4,252,602
Incremental costs of obtaining contracts	<u>771,875</u>	<u>1,173,492</u>
<b>Total depreciation and amortization expenses</b>	<b><u>\$ 37,138,572</u></b>	<b><u>\$ 36,349,085</u></b>
Depreciation expenses summarized by functions		
Operating costs	\$ 29,056,306	\$ 28,956,751
Operating expenses	<u>1,886,024</u>	<u>1,966,240</u>
	<b><u>\$ 30,942,330</u></b>	<b><u>\$ 30,922,991</u></b>
Amortization expenses summarized by functions		
Operating costs	\$ 5,971,033	\$ 5,196,298
Marketing expenses	99,881	96,477
General and administrative expenses	82,436	94,487
Research and development expenses	<u>42,892</u>	<u>38,832</u>
	<b><u>\$ 6,196,242</u></b>	<b><u>\$ 5,426,094</u></b>

g. Employee benefit expenses

	<b>Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Post-employment benefit		
Defined contribution plans	\$ 708,230	\$ 654,449
Defined benefit plans	<u>2,001,474</u>	<u>2,859,467</u>
	<u>2,709,704</u>	<u>3,513,916</u>
Share-based payment		
Equity-settled share-based payment	<u>7,578</u>	<u>1,597</u>
Other employee benefit		
Salaries	26,630,387	25,463,967
Insurance	2,712,327	2,746,088
Others	<u>12,903,211</u>	<u>14,429,853</u>
	<u>42,245,925</u>	<u>42,639,908</u>
<b>Total employee benefit expenses</b>	<b><u>\$ 44,963,207</u></b>	<b><u>\$ 46,155,421</u></b>
Summary by functions		
Operating costs	\$ 23,005,380	\$ 23,586,735
Operating expenses	<u>21,957,827</u>	<u>22,568,686</u>
	<b><u>\$ 44,963,207</u></b>	<b><u>\$ 46,155,421</u></b>

Chunghwa distributes employees' compensation at the rates from 1.7% to 4.3% and remuneration to directors not higher than 0.17%, respectively, of pre-tax income. As of December 31, 2020, the payables of the employees' compensation and the remuneration to directors were \$1,202,448 thousand and \$35,803 thousand, respectively. Such amounts have been approved by the Chunghwa's Board of Directors on February 23, 2021 and will be reported to the stockholders in their meeting planned to be held on May 28, 2021.

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

The compensation to the employees and remuneration to the directors of 2019 and 2018 approved by the Board of Directors on February 26, 2020 and March 19, 2019, respectively, were as follows:

	<u>2019</u>	<u>2018</u>
	Cash	Cash
Compensation distributed to the employees	\$ 1,126,194	\$ 1,404,264
Remuneration paid to the directors	35,210	38,216

There was no difference between the initial accrued amounts recognized in 2019 and 2018 and the amounts approved by the Board of Directors in 2020 and 2019 of the aforementioned compensation to employees and the remuneration to directors.

Information of the appropriation of Chunghwa's employees compensation and remuneration to directors and those approved by the Board of Directors is available on the Market Observation Post System website.

## 32. INCOME TAX

### a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	<u>Year Ended December 31</u>	
	2020	2019
Current tax		
Current tax expenses recognized for the year	\$ 8,172,184	\$ 8,109,261
Income tax on unappropriated earnings	11,329	19,523
Income tax adjustments on prior years	(22,436)	(90,531)
Others	<u>19,661</u>	<u>11,574</u>
	8,180,738	8,049,827
Deferred tax		
Deferred tax benefits recognized for the year	(81,618)	(63,119)
Income tax adjustments on prior years	<u>26,308</u>	<u>(859)</u>
	<u>(55,310)</u>	<u>(63,978)</u>
Income tax recognized in profit or loss	<u>\$ 8,125,428</u>	<u>\$ 7,985,849</u>

Reconciliation of accounting profit and income tax expense was as follows:

	<b>Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Income before income tax	<u>\$ 42,830,971</u>	<u>\$ 41,749,792</u>
Income tax expense calculated at the statutory rate	\$ 8,566,194	\$ 8,349,958
Nondeductible income and expenses in determining taxable income	14,975	17,616
Unrecognized deductible temporary differences	(4,708)	3,243
Unrecognized loss carryforwards	3,515	7,221
Tax-exempt income	(367,817)	(125,004)
Income tax on unappropriated earnings	11,329	19,523
Investment credits	(130,888)	(202,921)
Effect of different tax rates of group entities operating in other jurisdictions	10,324	(8,981)
Income tax adjustments on prior years	3,872	(91,390)
Others	<u>18,632</u>	<u>16,584</u>
Income tax expense recognized in profit or loss	<u>\$ 8,125,428</u>	<u>\$ 7,985,849</u>

The applicable tax rate used by the entities subject to the Income Tax Act of the Republic of China is 20%, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other entities of the Company operating in other jurisdictions are based on the tax laws in those jurisdictions.

In July 2019, the President of the ROC announced the amendments to the Statute of Industrial Innovation, which stipulate that the unappropriated earnings in 2018 and thereafter that are used to build or acquire certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. The Company has deducted the reinvested capital expenditure while calculating income tax on unappropriated earnings.

b. Income tax recognized in other comprehensive income

	<b>Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Deferred tax		
Remeasurement on defined benefit pension plans	\$ 238,630	\$ 305,271
Exchange differences arising from the translation of the foreign operations	<u>263</u>	<u>-</u>
Total income tax expense recognized in other comprehensive income	<u>\$ 238,893</u>	<u>\$ 305,271</u>

c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Current tax assets		
Tax refund receivable (included in other current assets - other)	<u>\$ 774</u>	<u>\$ 897</u>
Current tax liabilities		
Income tax payable	<u>\$4,369,241</u>	<u>\$4,020,670</u>

d. Deferred income tax assets and liabilities

The movements of deferred income tax assets and liabilities were as follows:

For the year ended December 31, 2020

	<b>Beginning Balance</b>	<b>Acquired by business combinations (Note 13)</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Ending Balance</b>
<u>Deferred income tax assets</u>					
Temporary differences					
Defined benefit pension plans	\$ 2,034,357	\$ 1,366	\$ 18,960	\$ (238,525)	\$ 1,816,158
Share of profit or loss of associates and joint ventures accounted for using equity method	402,059	-	(1,283)	-	400,776
Allowance for doubtful receivables over quota	403,712	-	(39,105)	-	364,607
Valuation loss on inventory	140,838	2,710	155,651	-	299,199
Deferred revenue	97,457	-	(24,390)	-	73,067
Estimated warranty liabilities	34,461	-	1,704	-	36,165
Accrued award credits liabilities	17,318	-	1,091	-	18,409
Others	<u>100,033</u>	<u>1,589</u>	<u>2,102</u>	<u>(263)</u>	<u>103,461</u>
	3,230,235	5,665	114,730	(238,788)	3,111,842
Loss carryforwards	<u>28,372</u>	<u>-</u>	<u>(7,501)</u>	<u>-</u>	<u>20,871</u>
	<u>\$ 3,258,607</u>	<u>\$ 5,665</u>	<u>\$ 107,229</u>	<u>\$ (238,788)</u>	<u>\$ 3,132,713</u>
<u>Deferred income tax liabilities</u>					
Temporary differences					
Defined benefit pension plans	\$ 1,758,131	\$ -	\$ 53,957	\$ 105	\$ 1,812,193
Land value incremental tax	94,986	-	-	-	94,986
Deferred revenue for award credits	28,543	-	1,664	-	30,207
Intangible assets	29,513	-	(2,514)	-	26,999
Others	<u>1,132</u>	<u>2,209</u>	<u>(1,188)</u>	<u>-</u>	<u>2,153</u>
	<u>\$ 1,912,305</u>	<u>\$ 2,209</u>	<u>\$ 51,919</u>	<u>\$ 105</u>	<u>\$ 1,966,538</u>

For the year ended December 31, 2019

	<b>Beginning Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Ending Balance</b>
<u>Deferred income tax assets</u>				
Temporary differences				
Defined benefit pension plans	\$ 2,307,057	\$ 32,475	\$ (305,175)	\$ 2,034,357
Share of profit or loss of associates and joint ventures accounted for using equity method	389,379	12,680	-	402,059
Allowance for doubtful receivables over quota	435,445	(31,733)	-	403,712
Valuation loss on inventory	87,474	53,364	-	140,838
Deferred revenue	110,929	(13,472)	-	97,457
Estimated warranty liabilities	25,989	8,472	-	34,461
				(Continued)



	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
Accrued award credits liabilities	\$ 13,912	\$ 3,406	\$ -	\$ 17,318
Others	<u>168,317</u>	<u>(68,284)</u>	<u>-</u>	<u>100,033</u>
	3,538,502	(3,092)	(305,175)	3,230,235
Loss carryforwards	<u>40,942</u>	<u>(12,570)</u>	<u>-</u>	<u>28,372</u>
	<u>\$ 3,579,444</u>	<u>\$ (15,662)</u>	<u>\$ (305,175)</u>	<u>\$ 3,258,607</u>
<u>Deferred income tax liabilities</u>				
Temporary differences				
Defined benefit pension plans	\$ 1,832,669	\$ (74,634)	\$ 96	\$ 1,758,131
Land value incremental tax	94,986	-	-	94,986
Deferred revenue for award credits	30,690	(2,147)	-	28,543
Intangible assets	32,028	(2,515)	-	29,513
Others	<u>1,476</u>	<u>(344)</u>	<u>-</u>	<u>1,132</u>
	<u>\$ 1,991,849</u>	<u>\$ (79,640)</u>	<u>\$ 96</u>	<u>\$ 1,912,305</u>

(Concluded)

- e. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Loss carryforwards		
Expire in 2021	\$ 11,826	\$ 12,406
Expire in 2022	9,997	10,264
Expire in 2023	8,251	8,251
Expire in 2024	8,364	8,189
Expire in 2025	19,106	15,438
Expire in 2026	8,423	8,423
Expire in 2027	2,585	2,585
Expire in 2028	930	930
Expire in 2029	697	293
Expire in 2030	<u>198</u>	<u>-</u>
	<u>\$ 70,377</u>	<u>\$ 66,779</u>
Deductible temporary differences	<u>\$ -</u>	<u>\$ 813</u>

f. Information about unused loss carryforwards

As of December 31, 2020, information about loss carryforwards was as follows:

<b>Remaining Creditable Amount</b>	<b>Expiry Year</b>
\$ 13,791	2021
10,848	2022
8,923	2023
8,547	2024
21,900	2025
15,529	2026
3,503	2027
4,556	2028
2,034	2029
<u>1,617</u>	2030
<u>\$ 91,248</u>	

g. Income tax examinations

Income tax returns of Chunghwa have been examined by the tax authorities through 2017. Income tax returns of SENA0, ISPOT, Youth, Youyi, SENYOUNG, Aval, CHIEF, CHSI, SHE, CHI, CHPT, SFD, CLPT, CHTSC, HHI, IISI and UTC have been examined by the tax authorities through 2018. Income tax returns of CHYP, LED, Unigate and CHST have been examined by the tax authorities through 2019.

**33. EARNINGS PER SHARE (“EPS”)**

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

**Net Income**

	<u>Year Ended December 31</u>	
	<b>2020</b>	<b>2019</b>
Net income used to compute the basic earnings per share		
Net income attributable to the parent	\$ 33,406,130	\$ 32,788,546
Assumed conversion of all dilutive potential common stocks		
Employee stock options and employee compensation of subsidiaries	<u>(7,241)</u>	<u>(3,617)</u>
Net income used to compute the diluted earnings per share	<u>\$ 33,398,889</u>	<u>\$ 32,784,929</u>

## Weighted Average Number of Common Stocks

(Thousand Shares)

	Year Ended December 31	
	2020	2019
Weighted average number of common stocks used to compute the basic earnings per share	7,757,447	7,757,447
Assumed conversion of all dilutive potential common stocks		
Employee compensation	<u>7,108</u>	<u>7,862</u>
Weighted average number of common stocks used to compute the diluted earnings per share	<u>7,764,555</u>	<u>7,765,309</u>

As Chunghwa may settle the employee compensation in shares or cash, Chunghwa shall presume that it will be settled in shares and take those shares into consideration when calculating the weighted average number of outstanding shares used in the calculation of diluted EPS if the shares have a dilutive effect. The dilutive effect of the shares needs to be considered until the approval of the number of shares to be distributed to employees as compensation in the following year.

### 34. SHARE-BASED PAYMENT ARRANGEMENT

a. SENAO share-based compensation plan (“SENAO Plan”) described as follows:

Effective Date for Plan Registration	Resolution Date by SENAO’s Board of Directors	Stock Options Units (Thousand)	Exercise Price (NT\$)
2012.05.28	2013.04.29	10,000	\$66.20 (Original price \$93.00)

Each option is eligible to subscribe for one common share when exercisable. Under the terms of the SENAO Plan, the options are granted at an exercise price equal to the closing price of SENAO’s common stocks listed on the TWSE on the higher of closing price or par value. The SENAO Plan has an exercise price adjustment formula upon the changes in common stocks equity (including cash capital increase, new share issue through capitalization of earnings and additional paid-in capital, merger, spin off and new share issue for Global Depositary Shares, and so on) or distribution of cash dividends. The options of the SENAO Plan are valid for six years and the graded vesting schedule for which 50% of options granted will vest two years after the grant date and another two tranches of 25%, each will vest three and four years after the grant date respectively.

No compensation cost of stock options granted on May 7, 2013 was recognized for the years ended December 31, 2020 and 2019.

Information about SENAO's outstanding stock options for the year ended December 31, 2019 was as follows:

	<b>Year Ended December 31, 2019</b>	
	<b>Granted on May 7, 2013</b>	
	<b>Number of Options (Thousand)</b>	<b>Weighted Average Exercise Price (NT\$)</b>
<u>Employee stock options</u>		
Options outstanding at beginning of the year	5,318	\$ 66.20
Options forfeited	<u>(5,318)</u>	-
Options outstanding at end of the year	<u>          -</u>	-
Options exercisable at end of the year	<u>          -</u>	-

As of December 31, 2020 and 2019, there were no outstanding stock options.

SENAO used the fair value method to evaluate the options using the Black-Scholes model and the related assumptions and the fair value of the options were as follows:

	<b>Stock Options Granted on May 7, 2013</b>
Grant-date share price (NT\$)	\$93.00
Exercise price (NT\$)	\$93.00
Dividend yield	-
Risk-free interest rate	0.91%
Expected life	4.375 years
Expected volatility	36.22%
Weighted average fair value of grants (NT\$)	\$28.72

Expected volatility was based on the historical share price volatility of SENAO over the period equal to the expected life of the SENAO Plan.

- b. CHIEF share-based compensation plan ("CHIEF Plan") described as follows:

<b>Effective Date for Plan Registration</b>	<b>Resolution Date by CHIEF's Board of Directors</b>	<b>Stock Options Units</b>	<b>Exercise Price (NT\$)</b>
2020.09.16	2020.10.26	200.00	\$ 206.00
2017.12.18	2018.10.31	50.00	\$ 138.70
	2017.12.19	950.00	(Original price \$ 147.00) \$ 132.70
2015.11.17	2015.10.22	2,000.00	(Original price \$ 147.00) \$ 34.40 (Original price \$ 43.00)

Each option is eligible to subscribe for one thousand common stocks when exercisable. The options are granted to specific employees that meet the vesting conditions. The CHIEF Plan has an exercise price adjustment formula upon the changes in common stocks or distribution of cash dividends. The options of the CHIEF Plan are valid for five years and the graded vesting schedule will vest two years after the grant date.

The Board of Directors of CHIEF resolved to issue stock options in October 26, 2020 and authorized the chairman to decide the grant date. Afterwards, the grant date was decided as November 13, 2020. The compensation costs were \$1,297 thousand for the year ended December 31, 2020.

The compensation costs for stock options granted on October 31, 2018 were \$312 thousand and \$552 thousand for the years ended December 31, 2020 and 2019, respectively.

The compensation costs for stock options granted on December 19, 2017 were \$226 thousand and \$582 thousand for the years ended December 31, 2020 and 2019, respectively.

The compensation costs for stock options granted on October 22, 2015 was \$272 thousand for the year ended December 31, 2019. No compensation cost was recognized for the year ended December 31, 2020.

CHIEF modified the plan terms of stock options granted on October 31, 2018 in June 2019 and July 2020; therefore, the exercise price changed from \$147.00 to \$141.70 and \$138.70 per share. The modification did not cause any incremental fair value granted.

CHIEF modified the plan terms of stock options granted on December 19, 2017 in June 2019 and July 2020; therefore, the exercise price changed from \$140.60 to \$135.60 and \$132.70 per share. The modification did not cause any incremental fair value granted.

Information about CHIEF's outstanding stock options for the years ended December 31, 2020 and 2019 was as follows:

	Year Ended December 31, 2020							
	Granted on November 13, 2020		Granted on October 31, 2018		Granted on December 19, 2017		Granted on October 22, 2015	
	Number of Options	Weighted Average Exercise Price (NT\$)	Number of Options	Weighted Average Exercise Price (NT\$)	Number of Options	Weighted Average Exercise Price (NT\$)	Number of Options	Weighted Average Exercise Price (NT\$)
Options outstanding at beginning of the year	-	\$ -	46.00	\$ 141.70	897.00	\$ 135.60	314.25	\$ 34.40
Options granted	200.00	206.00	-	-	-	-	-	-
Options exercised	-	-	(21.00)	138.70	(448.50)	135.60	(314.25)	34.40
Options forfeited	-	-	(4.00)	-	(21.00)	-	-	-
Options outstanding at end of the year	<u>200.00</u>	206.00	<u>21.00</u>	138.70	<u>427.50</u>	132.70	<u>-</u>	-
Options exercisable at end of the year	<u>-</u>	-	<u>-</u>	-	<u>213.75</u>	132.70	<u>-</u>	-

**Year Ended December 31, 2019**

	<b>Granted on October 31, 2018</b>		<b>Granted on December 19, 2017</b>		<b>Granted on October 22, 2015</b>	
	<b>Number of Options</b>	<b>Weighted Average Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted Average Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted Average Exercise Price (NT\$)</b>
<u>Employee stock options</u>						
Options outstanding at beginning of the year	50.00	\$ 147.00	925.00	\$ 140.60	882.75	\$ 34.40
Options exercised	-	-	-	-	(547.25)	34.40
Options forfeited	<u>(4.00)</u>	-	<u>(28.00)</u>	-	<u>(21.25)</u>	-
Options outstanding at end of the year	<u>46.00</u>	141.70	<u>897.00</u>	135.60	<u>314.25</u>	34.40
Options exercisable at end of the year	<u>-</u>	-	<u>448.50</u>	135.60	<u>314.25</u>	34.40

As of December 31, 2020, information about employee stock options outstanding was as follows:

<b>Granted on November 13, 2020</b>					
<b>Options Outstanding</b>			<b>Options Exercisable</b>		
<b>Range of Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted Average Remaining Contractual Life (Years)</b>	<b>Weighted Average Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted Average Exercise Price (NT\$)</b>
\$206.00	200.00	4.87	\$206.00	-	\$ -

<b>Granted on October 31, 2018</b>					
<b>Options Outstanding</b>			<b>Options Exercisable</b>		
<b>Range of Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted Average Remaining Contractual Life (Years)</b>	<b>Weighted Average Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted Average Exercise Price (NT\$)</b>
\$138.70	21.00	2.83	\$138.70	-	\$ -

<b>Granted on December 19, 2017</b>					
<b>Options Outstanding</b>			<b>Options Exercisable</b>		
<b>Range of Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted Average Remaining Contractual Life (Years)</b>	<b>Weighted Average Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted Average Exercise Price (NT\$)</b>
\$132.70	427.50	1.96	\$132.70	213.75	\$132.70

As of December 31, 2020, all the stock options granted on October 22, 2015 were exercised or forfeited.

As of December 31, 2019, information about employee stock options outstanding was as follows:

<b>Granted on October 31, 2018</b>					
<b>Options Outstanding</b>				<b>Options Exercisable</b>	
<b>Range of Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted Average Remaining Contractual Life (Years)</b>	<b>Weighted Average Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted Average Exercise Price (NT\$)</b>
\$141.70	46.00	3.83	\$141.70	-	\$ -

<b>Granted on December 19, 2017</b>					
<b>Options Outstanding</b>				<b>Options Exercisable</b>	
<b>Range of Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted Average Remaining Contractual Life (Years)</b>	<b>Weighted Average Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted Average Exercise Price (NT\$)</b>
\$135.60	897.00	2.96	\$135.60	448.50	\$135.60

<b>Granted on October 22, 2015</b>					
<b>Options Outstanding</b>				<b>Options Exercisable</b>	
<b>Range of Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted Average Remaining Contractual Life (Years)</b>	<b>Weighted Average Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted Average Exercise Price (NT\$)</b>
\$ 34.40	314.25	0.81	\$ 34.40	314.25	\$ 34.40

CHIEF used the fair value method to evaluate the options using the Black-Scholes model and binomial option pricing model and the related assumptions and the fair value of the options were as follows:

	<b>Stock Options Granted on November 13, 2020</b>	<b>Stock Options Granted on October 31, 2018</b>	<b>Stock Options Granted on December 19, 2017</b>	<b>Stock Options Granted on October 22, 2015</b>
Grant-date share price (NT\$)	\$356.00	\$166.00	\$95.92	\$39.55
Exercise price (NT\$)	\$206.00	\$147.00	\$147.00	\$43.00
Dividend yield	-	-	-	-
Risk-free interest rate	0.18%	0.72%	0.62%	0.86%
Expected life	5 years	5 years	5 years	5 years
Expected volatility	34.61%	16.60%	17.35%	21.02%
Weighted average fair value of grants (NT\$)	\$173,893	\$33,540	\$2,318	\$4,863

The expected volatility for the options granted in 2020 was based on CHIEF's average annualized historical share price volatility from June 5, 2018, CHIEF's listing date on Taipei Exchange, to the grant date. The expected volatilities for the options granted from 2015 to 2018 were based on the average annualized historical share price volatility of CHIEF's comparable companies before the grant date.

c. CHTSC share-based compensation plan (“CHTSC Plan”) described as follows:

The Board of Directors of CHTSC resolved to issue 4,500 stock options that are granted to specific employees that meet the vesting conditions on December 20, 2019. Each option is eligible to subscribe for one thousand common stocks when exercisable, and the exercise price is \$19.085. The CHTSC Plan has an exercise price adjustment formula upon the changes in common stocks. The options of the CHTSC Plan are valid for five years and the graded vesting schedule will vest one year after the grant date.

The compensation costs were \$5,743 thousand and \$191 thousand for the years ended December 31, 2020 and 2019, respectively.

Information about CHTSC’s outstanding stock options for the years ended December 31, 2020 and 2019 were as follows:

	<b>Year Ended December 31</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Granted on December 20, 2019</b>		<b>Granted on December 20, 2019</b>	
	<b>Number of Options</b>	<b>Weighted Average Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted Average Exercise Price (NT\$)</b>
<u>Employee stock options</u>				
Options outstanding at beginning of the year	4,500	\$ 19.085	-	\$ -
Options granted	-	-	4,500	19.085
Options forfeited	<u>(172)</u>	-	<u>-</u>	-
Options outstanding at end of the year	<u>4,328</u>	19.085	<u>4,500</u>	19.085
Options exercisable at end of the year	<u>1,082</u>	19.085	<u>-</u>	-

As of December 31, 2020, information about employee stock options outstanding was as follows:

	<b>Options Outstanding</b>			<b>Options Exercisable</b>	
	<b>Range of Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted Average Remaining Contractual Life (Years)</b>	<b>Number of Options</b>	<b>Weighted Average Exercise Price (NT\$)</b>
	\$19.085	4,328	3.97	1,082	\$19.085



As of December 31, 2019, information about employee stock options outstanding was as follows:

Options Outstanding			Options Exercisable		
Range of Exercise Price (NT\$)	Number of Options	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price (NT\$)	Number of Options	Weighted Average Exercise Price (NT\$)
\$19.085	4,500	4.97	\$19.085	-	\$ -

CHTSC used the fair value method to evaluate the options using the Black-Scholes model and the related assumptions and the fair value of the options were as follows:

	<b>Stock Options Granted on December 20, 2019</b>
Grant-date share price (NT\$)	\$20.17
Exercise price (NT\$)	\$19.085
Dividend yield	12.49%
Risk-free interest rate	0.54%
Expected life	5 years
Expected volatility	42.41%
Weighted average fair value of grants (NT\$)	\$2,470

Expected volatility was based on the average annualized historical share price volatility of CHTSC's comparable companies before the grant date.

d. IISI share-based compensation plan ("IISI Plan") described as follows:

IISI issued 1,665 and 1,335 options in January 2014 and August 2013, respectively. Each option is eligible to subscribe for one thousand common stocks when exercisable. The options are granted to specific employees of IISI and its subsidiaries that meet the vesting conditions. The options of the IISI Plan are valid for seven years and the graded vesting schedule will vest two years after the grant date. The exercise price of the original options is \$14 per share. After the options are issued, if the common stocks of IISI change, the exercise price of the options should be adjusted according to the prescribed formula.

No compensation cost of stock options granted was recognized for the six months ended December 31, 2020.

Information about IISI's outstanding stock options for the year ended December 31, 2020 was as follows:

	<b>Year Ended December 31, 2020</b>			
	<b>Granted in January 2014</b>		<b>Granted in August 2013</b>	
	<b>Number of Options</b>	<b>Weighted Average Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted Average Exercise Price (NT\$)</b>
Options outstanding at beginning of the year	-	\$ -	-	\$ -
Options outstanding upon the date of business combination	580.00	14.00	1,022.96	14.00
Options exercised	(50.00)	14.00	(432.50)	14.00
Options forfeited	-	-	(590.46)	-
Options outstanding at end of the year	<u>530.00</u>	14.00	<u>-</u>	-
Options exercisable at end of the year	<u>530.00</u>	14.00	<u>-</u>	-

As of December 31, 2020, information about employee stock options outstanding was as follows:

<b>Granted in January 2014</b>					
<b>Options Outstanding</b>			<b>Options Exercisable</b>		
<b>Range of Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted Average Remaining Contractual Life (Years)</b>	<b>Weighted Average Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted Average Exercise Price (NT\$)</b>
\$ 14.00	530.00	0.04	\$ 14.00	530.00	\$ 14.00

As of December 31, 2020, the options granted to employees in 2013 have been fully exercised or forfeited.

IISI used the fair value method to evaluate the options using the Black-Scholes model and the related assumptions and the fair value of the options were as follows:

	<b>Stock Options Granted in January 2014</b>	<b>Stock Options Granted in August 2013</b>
Grant-date share price (NT\$)	\$14.51	\$12.51
Exercise price (NT\$)	\$14.00	\$14.00
Dividend yield	6%	6%
Risk-free interest rate	1.16%-1.32%	1.20%-1.39%
Expected life	4.5-5.5 years	4.5-5.5 years
Expected volatility	35.28%-35.97%	36.01%-36.62%
Weighted average fair value of grants (NT\$)	\$14.51	\$12.51

Expected volatility was based on the average annualized historical share price volatility of IISI's comparable companies before the grant date.

### 35. CASH FLOW INFORMATION

Except for those disclosed in other notes, the Company entered into the following non-cash investing and financing activities:

Investing activities	Year Ended December 31	
	2020	2019
Increase in property, plant and equipment	\$ 25,194,727	\$ 23,164,284
Changes in other payables	<u>(1,683,907)</u>	<u>1,001,573</u>
Acquisition of property, plant and equipment	<u>\$ 23,510,820</u>	<u>\$ 24,165,857</u>
Increase in investment properties	\$ 1,359,502	\$ 523
Trade-in investment properties from asset exchange transaction (Note 15)	<u>(1,305,067)</u>	<u>-</u>
Acquisition of investment properties	<u>\$ 54,435</u>	<u>\$ 523</u>
Increase in intangible assets	\$ 48,605,187	\$ 362,718
Changes in other assets	<u>(1,000,000)</u>	<u>-</u>
Acquisition of intangible assets	<u>\$ 47,605,187</u>	<u>\$ 362,718</u>
Disposal of property, plant and equipment, net	\$ 307,190	\$ 85,942
Gain (loss) on disposal of property, plant and equipment	1,427,984	(37,785)
Trade-in investment properties from asset exchange transaction (Note 15)	(1,305,067)	-
Changes in other payables	(79,986)	-
Changes in other current monetary assets	<u>(31,032)</u>	<u>-</u>
Proceeds from disposal of property, plant and equipment	<u>\$ 319,089</u>	<u>\$ 48,157</u>

### Financing Activities

	Balance on January 1, 2020	Cash Flows from Financing Activities	Changes in Non-Cash Transactions			Cash Flows from Operation Activities - Interest Paid	Balance on December 31, 2020
			New Leases	Acquired by Business Combination (Note 13)	Others		
Lease liabilities	<u>\$ 9,758,138</u>	<u>\$ (3,683,204)</u>	<u>\$ 3,796,370</u>	<u>\$ 70,905</u>	<u>\$ (265,888)</u>	<u>\$ (79,654)</u>	<u>\$ 9,596,667</u>

	Balance on January 1, 2019	Cash Flows from Financing Activities	Changes in Non-Cash Transactions		Cash Flows from Operation Activities - Interest Paid	Balance on December 31, 2019
			New Leases	Others		
Lease liabilities	<u>\$10,340,057</u>	<u>\$ (3,727,792)</u>	<u>\$ 3,803,042</u>	<u>\$ (572,251)</u>	<u>\$ (84,918)</u>	<u>\$ 9,758,138</u>

### 36. CAPITAL MANAGEMENT

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

The capital structure of the Company consists of debt of the Company and the equity attributable to the parent.

Some consolidated entities are required to maintain minimum paid-in capital amount as prescribed by the applicable laws.

The management reviews the capital structure of the Company as needed. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. According to the management's suggestions, the Company maintains a balanced capital structure through paying cash dividends, increasing its share capital, purchasing outstanding shares, and issuing new debt or repaying debt.

### 37. FINANCIAL INSTRUMENTS

#### Fair Value Information

The fair value measurement guidance establishes a framework for measuring fair value and expands disclosure about fair value measurements. The standard describes a fair value hierarchy based on three levels of inputs that may be used to measure fair value. These levels are:

Level 1 fair value measurements: These measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements: These measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements: These measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

- a. Financial instruments that are not measured at fair value but for which fair value is disclosed

Except those listed in the table below, the Company considers that the carrying amounts of financial assets and liabilities not measured at fair value approximate their fair values or the fair values cannot be reliably estimated.

	December 31			
	2020		2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<u>Financial liabilities</u>				
Financial liabilities measured at amortized cost				
Bonds payable	\$ 19,980,272	\$ 20,078,098	\$ -	\$ -

The fair value of bonds payable is measured using Level 2 inputs. The valuation of fair value is based on the weighted-average per-hundred price of Taipei Exchange at the end of reporting period.

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

December 31, 2020

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Derivatives	\$ -	\$ 2,271	\$ -	\$ 2,271
Listed stocks	7,626	-	-	7,626
Non-listed stocks	<u>-</u>	<u>-</u>	<u>677,202</u>	<u>677,202</u>
	<u>\$ 7,626</u>	<u>\$ 2,271</u>	<u>\$ 677,202</u>	<u>\$ 687,099</u>
Hedging financial assets	<u>\$ -</u>	<u>\$ 1,752</u>	<u>\$ -</u>	<u>\$ 1,752</u>
Financial assets at FVOCI				
Listed stocks	\$ 2,754,175	\$ -	\$ -	\$ 2,754,175
Non-listed stocks	<u>-</u>	<u>-</u>	<u>4,438,999</u>	<u>4,438,999</u>
	<u>\$ 2,754,175</u>	<u>\$ -</u>	<u>\$ 4,438,999</u>	<u>\$ 7,193,174</u>
Financial liabilities at FVTPL				
Derivatives	<u>\$ -</u>	<u>\$ 143</u>	<u>\$ -</u>	<u>\$ 143</u>

December 31, 2019

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Derivatives	\$ -	\$ 53	\$ -	\$ 53
Listed stocks	463	-	-	463
Non-listed stocks	<u>-</u>	<u>-</u>	<u>778,105</u>	<u>778,105</u>
	<u>\$ 463</u>	<u>\$ 53</u>	<u>\$ 778,105</u>	<u>\$ 778,621</u>
Hedging financial assets	<u>\$ -</u>	<u>\$ 327</u>	<u>\$ -</u>	<u>\$ 327</u>
Financial assets at FVOCI				
Listed stocks	\$ 2,453,616	\$ -	\$ -	\$ 2,453,616
Non-listed stocks	<u>-</u>	<u>-</u>	<u>4,815,301</u>	<u>4,815,301</u>
	<u>\$ 2,453,616</u>	<u>\$ -</u>	<u>\$ 4,815,301</u>	<u>\$ 7,268,917</u>
Financial liabilities at FVTPL				
Derivatives	<u>\$ -</u>	<u>\$ 239</u>	<u>\$ -</u>	<u>\$ 239</u>

There were no transfers between Levels 1 and 2 for the years ended December 31, 2020 and 2019.

The reconciliations for financial assets measured at Level 3 were listed below:

2020

<b>Financial Assets</b>	<b>Measured at Fair Value through Profit or Loss</b>	<b>Measured at Fair Value through Other Comprehensive Income</b>	<b>Total</b>
Balance on January 1, 2020	\$ 778,105	\$ 4,815,301	\$ 5,593,406
Reclassified from investments accounted for using equity method	-	1,853	1,853
Recognized in profit or loss under “Other gains and losses”	(100,903)	-	(100,903)
Recognized in other comprehensive income under “Unrealized gain or loss on financial assets at fair value through other comprehensive income”	<u>-</u>	<u>(378,155)</u>	<u>(378,155)</u>
Balance on December 31, 2020	<u>\$ 677,202</u>	<u>\$ 4,438,999</u>	<u>\$ 5,116,201</u>
Unrealized loss in 2020	<u>\$ (100,903)</u>		

2019

<b>Financial Assets</b>	<b>Measured at Fair Value through Profit or Loss</b>	<b>Measured at Fair Value through Other Comprehensive Income</b>	<b>Total</b>
Balance on January 1, 2019	\$ 517,362	\$ 4,032,660	\$ 4,550,022
Acquisition	300,000	-	300,000
Recognized in profit or loss under “Other gains and losses”	(39,257)	-	(39,257)
Recognized in other comprehensive income under “Unrealized gain or loss on financial assets at fair value through other comprehensive income”	-	791,808	791,808
Proceed from return of investments	<u>-</u>	<u>(9,167)</u>	<u>(9,167)</u>
Balance on December 31, 2019	<u>\$ 778,105</u>	<u>\$ 4,815,301</u>	<u>\$ 5,593,406</u>
Unrealized loss in 2019	<u>\$ (39,257)</u>		

The fair values of financial assets and financial liabilities of Level 2 are determined as follows:

- 1) The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market prices.
- 2) For derivatives, fair values are estimated using discounted cash flow model. Future cash flows are estimated based on observable inputs including forward exchange rates at the end of the reporting periods and the forward and spot exchange rates stated in the contracts, discounted at a rate that reflects the credit risk of various counterparties.

The fair values of non-listed domestic and foreign equity investments were Level 3 financial assets, and determined using the market approach by reference the Price-to-Book ratios (P/B ratios) of peer companies that traded in active market or using assets approach. The significant unobservable inputs used were listed in the table below. A decrease in discount for the lack of marketability or noncontrolling interests discount would result in increases in the fair values.

	<u>December 31</u>	
	2020	2019
Discount for lack of marketability	14.73%-20.00%	13.73%-20.00%
Noncontrolling interests discount	17.29%-25.00%	21.45%-25.00%

If the inputs to the valuation model were changed to reflect reasonably possible alternative assumptions while all the other variables were held constant, the fair values of equity investments would increase as below table. When related discounts increase, the fair value of equity investments would be the negative amount of the same amount.

	<u>December 31</u>	
	2020	2019
Discount for lack of marketability		
5% decrease	<u>\$ 319,758</u>	<u>\$ 349,584</u>
Noncontrolling interests discount		
5% decrease	<u>\$ 47,018</u>	<u>\$ 53,646</u>

#### Categories of Financial Instruments

	<u>December 31</u>	
	2020	2019
<u>Financial assets</u>		
Measured at FVTPL		
Mandatorily measured at FVTPL	\$ 687,099	\$ 778,621
Hedging financial assets	1,752	327
Financial assets at amortized cost (Note a)	62,405,714	71,851,933
Financial assets at FVOCI	7,193,174	7,268,917

#### Financial liabilities

Measured at FVTPL		
Held for trading	143	239
Measured at amortized cost (Note b)	62,557,414	34,433,210

Note a: The balances included cash and cash equivalents, trade notes and accounts receivable, receivables from related parties, other current monetary assets and refundable deposits (classified as other noncurrent assets), which were financial assets measured at amortized cost.

Note b: The balances included short-term loans, short-term bills payable, trade notes and accounts payable, payables to related parties, partial other payables, customers' deposits, bonds payable and long-term loans which were financial liabilities carried at amortized cost.

## Financial Risk Management Objectives

The main financial instruments of the Company include equity investments, trade notes and accounts receivable, trade notes and accounts payable, lease liabilities, loans, short-term bills payable and bonds payable. The Company's Finance Department provides services to its business units, co-ordinates access to domestic and international capital markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk, and liquidity risk.

The Company seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Company's policies approved by the Board of Directors. Those derivatives are used to hedge the risks of exchange rate fluctuation arising from operating or investment activities. Compliance with policies and risk exposure limits is reviewed by the Company's Finance Department on a continuous basis. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Chunghwa reports the significant risk exposures and related action plans timely and actively to the audit committee and if needed to the Board of Directors.

### a. Market risk

The Company is exposed to market risks of changes in foreign currency exchange rates and interest rates. The Company uses forward exchange contracts to hedge the exchange rate risk arising from assets and liabilities denominated in foreign currencies.

There were no changes to the Company's exposure to market risks or the manner in which these risks are managed and measured.

#### 1) Foreign currency risk

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Assets		
USD	\$ 2,710,705	\$ 5,781,593
EUR	14,957	11,792
SGD	169,747	224,501
JPY	22,289	17,092
RMB	29,742	8,854
HKD	69,321	325
Liabilities		
USD	767,553	4,120,881
EUR	957,257	206,447
SGD	1,049,225	1,262,926
JPY	9,683	14,206
RMB	201	310
HKD	7,665	14,511



The carrying amounts of the Company's derivatives with exchange rate risk exposures at the balance sheet dates were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Assets		
USD	\$ 121	\$ 53
EUR	3,902	327
Liabilities		
USD	143	11
EUR	-	228

Foreign currency sensitivity analysis

The Company is mainly exposed to the fluctuations of the currencies USD, EUR, SGD, JPY, RMB and HKD as listed above.

The following table details the Company's sensitivity to a 5% increase and decrease in the functional currency against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible changes in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and forward exchange contracts. A positive number below indicates an increase in pre-tax profit or equity where the functional currency weakens 5% against the relevant currency.

	<b>Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Profit or loss		
Monetary assets and liabilities (a)		
USD	\$ 97,158	\$ 83,036
EUR	(47,115)	(9,733)
SGD	(43,974)	(51,921)
JPY	630	144
RMB	1,477	427
HKD	3,083	(709)
Derivatives (b)		
USD	(19,224)	1,274
EUR	2,627	2,519
Equity		
Derivatives (c)		
EUR	10,210	4,195

- a) This is mainly attributable to the exposure to foreign currency denominated receivables and payables of the Company outstanding at the balance sheet dates.
- b) This is mainly attributable to forward exchange contracts.
- c) This is mainly attributable to the changes in the fair value of derivatives that are designated as cash flow hedges.

For a 5% strengthening of the functional currency against the relevant currencies, there would be an equal and opposite effect on the pre-tax profit or equity for the amounts shown above.

2) Interest rate risk

The carrying amounts of the Company's exposures to interest rates on financial assets and financial liabilities at the balance sheet dates were as follows:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Fair value interest rate risk		
Financial assets	\$ 24,217,959	\$ 30,946,503
Financial liabilities	36,576,137	9,758,138
Cash flow interest rate risk		
Financial assets	9,306,397	7,681,032
Financial liabilities	1,667,000	1,690,000

Interest rate sensitivity analysis

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

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Company's pre-tax income would increase/decrease by \$19,098 thousand and \$14,978 thousand for the years ended December 31, 2020 and 2019, respectively. This is mainly attributable to the Company's exposure to floating interest rates on its financial assets and short-term and long-term loans.

3) Other price risk

The Company is exposed to equity price risks arising from holding other company's equity. Equity investments are held for strategic rather than trading purposes. The management managed the risk through holding various risk portfolios. Further, the Company assigned finance and investment departments to monitor the price risk.

Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% higher/lower, pre-tax profit and pre-tax other comprehensive income would have increased/decreased by \$34,241 thousand and \$359,659 thousand as a result of the changes in fair value of financial assets at FVTPL and financial assets at FVTOCI for the year ended December 31, 2020. If equity prices had been 5% higher/lower, pre-tax profit and pre-tax other comprehensive income would have increased/decreased by \$38,928 thousand and \$363,446 thousand as a result of the changes in fair value of financial assets at FVTPL and financial assets at FVOCI for the year ended December 31, 2019.

b. Credit risk

Credit risk refers to the risk that a counterparty would default on its contractual obligations resulting in financial loss to the Company. The maximum credit exposure of the aforementioned financial instruments is equal to their carrying amounts recognized in the consolidated balance sheet as of the balance sheet date.

The Company has large trade receivables outstanding with its customers. A substantial majority of the Company's outstanding trade receivables are not covered by collateral or credit insurance. The Company has implemented ongoing measures including enhancing credit assessments and strengthening overall risk management to reduce its credit risk. While the Company has procedures to monitor and limit exposure to credit risk on trade receivables, there can be no assurance such procedures will effectively limit its credit risk and avoid losses. This risk is heightened during periods when economic conditions worsen.

As the Company serves a large number of unrelated consumers, the concentration of credit risk was limited.

c. Liquidity risk

The Company manages and maintains sufficient cash and cash equivalent position to support the operations and reduce the impact on fluctuation of cash flow.

1) Liquidity and interest risk tables

The following tables detailed the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company is required to pay.

December 31, 2020

	Weighted Average Effective Interest Rate (%)	Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	More than 5 Years	Total
Non-derivative financial liabilities							
Non-interest bearing	-	\$ 37,748,572	\$ -	\$ 2,476,148	\$ 4,826,679	\$ -	\$ 45,051,399
Floating interest rate instruments	0.78	-	7,000	1,660,000	-	-	1,667,000
Fixed interest rate instruments	0.50	<u>7,000,000</u>	<u>-</u>	<u>-</u>	<u>8,800,000</u>	<u>11,200,000</u>	<u>27,000,000</u>
		<u>\$ 44,748,572</u>	<u>\$ 7,000</u>	<u>\$ 4,136,148</u>	<u>\$ 13,626,679</u>	<u>\$ 11,200,000</u>	<u>\$ 73,718,399</u>

Information about the maturity analysis for lease liabilities was as follows:

	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years	Total
Lease liabilities	<u>\$ 3,396,908</u>	<u>\$ 4,239,587</u>	<u>\$ 1,691,426</u>	<u>\$ 409,067</u>	<u>\$ 9,736,988</u>

December 31, 2019

	Weighted Average Effective Interest Rate (%)	Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	More than 5 Years	Total
Non-derivative financial liabilities							
Non-interest bearing	-	\$ 36,387,024	\$ -	\$ 2,531,721	\$ 4,747,644	\$ -	\$ 43,666,389
Floating interest rate instruments	0.98	<u>50,000</u>	<u>10,000</u>	<u>30,000</u>	<u>1,600,000</u>	<u>-</u>	<u>1,690,000</u>
		<u>\$ 36,437,024</u>	<u>\$ 10,000</u>	<u>\$ 2,561,721</u>	<u>\$ 6,347,644</u>	<u>\$ -</u>	<u>\$ 45,356,389</u>

Information about the maturity analysis for lease liabilities was as follows:

	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years	Total
Lease liabilities	<u>\$ 3,309,578</u>	<u>\$ 4,394,009</u>	<u>\$ 1,581,034</u>	<u>\$ 645,520</u>	<u>\$ 9,930,141</u>

The following table detailed the Company's liquidity analysis for its derivative financial instruments. The table had been drawn up based on the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

	Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Total
<u>December 31, 2020</u>					
<u>Gross settled</u>					
Forward exchange contracts					
Inflow	\$ -	\$ 634,676	\$ -	\$ -	\$ 634,676
Outflow	<u>-</u>	<u>630,796</u>	<u>-</u>	<u>-</u>	<u>630,796</u>
	<u>\$ -</u>	<u>\$ 3,880</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,880</u>
<u>December 31, 2019</u>					
<u>Gross settled</u>					
Forward exchange contracts					
Inflow	\$ 25,566	\$ 135,075	\$ -	\$ -	\$ 160,641
Outflow	<u>25,524</u>	<u>134,976</u>	<u>-</u>	<u>-</u>	<u>160,500</u>
	<u>\$ 42</u>	<u>\$ 99</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 141</u>

## 2) Financing facilities

	<u>December 31</u>	
	2020	2019
Facilities of unsecured bank loan and commercial paper payable		
Amount used	\$ 7,067,800	\$ 120,681
Amount unused	<u>59,277,690</u>	<u>46,109,219</u>
	<u>\$ 66,345,490</u>	<u>\$ 46,229,900</u>
Secured bank loan facility		
Amount used	\$ 1,600,000	\$ 1,600,000
Amount unused	<u>20,000</u>	<u>1,340,000</u>
	<u>\$ 1,620,000</u>	<u>\$ 2,940,000</u>

## 38. RELATED PARTIES TRANSACTIONS

The ROC Government, one of Chunghwa's customers, has significant equity interest in Chunghwa. Chunghwa provides fixed-line services, wireless services, internet and data and other services to the various departments and institutions of the ROC Government in the normal course of business and at arm's-length prices. Except for those disclosed in other notes or this note, the transactions with the ROC government bodies have not been disclosed because the transactions are not individually or collectively significant. However, the related revenues and operating costs have been appropriately recorded.

- a. The Company engages in business transactions with the following related parties:

<u>Company</u>	<u>Relationship</u>
Taiwan International Standard Electronics Co., Ltd.	Associate
So-net Entertainment Taiwan Limited	Associate
KKBOX Taiwan Co., Ltd.	Associate
KingwayTek Technology Co., Ltd.	Associate
UUPON Inc.	Associate (Note 2)
Taiwan International Ports Logistics Corporation	Associate
International Integrated Systems, Inc.	Subsidiary (Note 1)
Senao Networks, Inc.	Associate
EnRack Tech. Co., Ltd.	Subsidiary of the Company's associate, Senao Networks, Inc.
Emplus Technologies, Inc.	Subsidiary of the Company's associate, Senao Networks, Inc.
ST-2 Satellite Ventures Pte., Ltd.	Associate
Viettel-CHT Co., Ltd.	Associate
Click Force Co., Ltd.	Associate
Alliance Digital Tech Co., Ltd.	Associate
Chunghwa PChome Fund I Co., Ltd.	Associate
Cornerstone Ventures Co., Ltd.	Associate
Next Commercial Bank Co., Ltd.	Associate
Chunghwa SEA Holdings	Joint venture
Other related parties	
Chunghwa Telecom Foundation	A nonprofit organization of which the funds donated by Chunghwa exceeds one third of its total funds
Senao Technical and Cultural Foundation	A nonprofit organization of which the funds donated by SENAO exceeds one third of its total funds
Sochamp Technology Co., Ltd.	Investor of significant influence over CHST
E-Life Mall Co., Ltd.	One of the directors of E-Life Mall and a director of SENAO are members of an immediate family
Engenius Technologies Co., Ltd.	Chairman of Engenius Technologies Co., Ltd. is a member of SENAO's management
Cheng Keng Investment Co., Ltd.	Chairman of Cheng Keng Investment Co., Ltd. and SENAO's chief executive officer are members of an immediate family
Cheng Feng Investment Co., Ltd.	Chairman of Cheng Feng Investment Co., Ltd. and SENAO's chief executive officer are members of an immediate family
All Oriented Investment Co., Ltd.	Chairman of All Oriented Investment Co., Ltd. and SENAO's chief executive officer are members of an immediate family
Hwa Shun Investment Co., Ltd.	Chairman of Hwa Shun Investment Co., Ltd. and SENAO's chief executive officer are members of an immediate family
Yu Yu Investment Co., Ltd.	Chairman of Yu Yu Investment Co., Ltd. and SENAO's chief executive officer are members of an immediate family
United Daily News Co., Ltd.	Investor of significant influence over SFD
Shenzhen Century Communication Co., Ltd.	Investor of significant influence over SCT
Chunghwa Post Co., Ltd.	Government-related entity as Chunghwa Telecom

Note 1: IISI was an associate and has become a subsidiary starting from July 1, 2020. Please refer to Note 13 (c). All transactions between the Company were eliminated upon consolidation since the acquisition date.

Note 2: UUPON was previously an associate. As the Company did not participate in the capital increase of UUPON in October 2020; therefore, the Company lost its significant influence over UUPON. Since then, UUPON was no longer a related party of the Company. Please refer to Note 14.

b. Balances and transactions between Chunghwa and its subsidiaries, which are related parties of Chunghwa, have been eliminated on consolidation and are not disclosed in this note. Terms of the foregoing transactions with related parties were not significantly different from transactions with non-related parties. When no similar transactions with non-related parties can be referenced, terms were determined in accordance with mutual agreements. Details of transactions between the Company and other related parties are disclosed below:

1) Operating transactions

	<b>Revenues</b>	
	<b>Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Associates	\$ 1,507,867	\$ 273,892
Others	<u>66,612</u>	<u>76,559</u>
	<u>\$ 1,574,479</u>	<u>\$ 350,451</u>
	<b>Operating Costs and Expenses</b>	
	<b>Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Associates	\$ 715,405	\$ 963,627
Others	<u>67,612</u>	<u>76,153</u>
	<u>\$ 783,017</u>	<u>\$ 1,039,780</u>

2) Non-operating transactions

	<b>Non-operating Income and Expenses</b>	
	<b>Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Associates	\$ 36,716	\$ 41,373
Others	<u>3,590</u>	<u>3,470</u>
	<u>\$ 40,306</u>	<u>\$ 44,843</u>

3) Receivables

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Associates	\$ 228,879	\$ 10,356
Others	<u>1,817</u>	<u>6,478</u>
	<u>\$ 230,696</u>	<u>\$ 16,834</u>

4) Contract liabilities-current

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Associates	<u>\$ 182,857</u>	<u>\$ -</u>

5) Payables

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Associates	\$ 642,489	\$ 650,617
Others	<u>3,455</u>	<u>3,366</u>
	<u>\$ 645,944</u>	<u>\$ 653,983</u>

6) Customers' deposits

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Associates	<u>\$ 4,626</u>	<u>\$ 7,595</u>

7) Acquisition of property, plant and equipment

	<b>Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Associates	\$ 375,469	\$ 241,626
Others	<u>-</u>	<u>182</u>
	<u>\$ 375,469</u>	<u>\$ 241,808</u>

8) Disposal of property, plant and equipment and investment properties to Chunghwa Post Co., Ltd.

	<b>Proceeds</b>		<b>Gain on Disposal</b>	
	<b>Year Ended December 31</b>		<b>Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Others	<u>\$ 385,760</u>	<u>\$ -</u>	<u>\$ 310,205</u>	<u>\$ -</u>

9) Lease-in agreements

Chunghwa entered into a contract with ST-2 Satellite Ventures Pte., Ltd. on March 12, 2010 to lease capacity on the ST-2 satellite. This lease term is for 15 years which should start from the official operation of ST-2 satellite and the total contract value is approximately \$6,000,000 thousand (SGD 260,723 thousand), including a prepayment of \$3,067,711 thousand at the inception of the lease, and the rest of amount should be paid annually when ST-2 satellite starts its official operation. ST-2 satellite was launched in May 2011 and began its official operation in August 2011.

The lease liabilities of ST-2 Satellite Ventures Pte., Ltd. as of balance sheet dates were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Lease liabilities - current	\$ 182,187	\$ 188,271
Lease liabilities - noncurrent	<u>816,610</u>	<u>1,023,889</u>
	<u>\$ 998,797</u>	<u>\$ 1,212,160</u>

The interest expense recognized for the aforementioned lease liabilities for the years ended December 31, 2020 and 2019 was \$8,895 thousand and \$10,887 thousand, respectively.

c. Compensation of key management personnel

The compensation of directors and key management personnel was as follows:

	<b>Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Short-term employee benefits	\$ 290,106	\$ 263,383
Post-employment benefits	10,392	8,560
Share-based payment	<u>333</u>	<u>355</u>
	<u>\$ 300,831</u>	<u>\$ 272,298</u>

The compensation of directors and key management personnel was mainly determined by the compensation committee having regard to the performances and market trends.

### 39. PLEDGED ASSETS

The following assets are pledged as collaterals for bank loans, custom duties of the imported materials and warranties of contract performance.

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Property, plant and equipment	\$ 2,461,810	\$ 2,491,324
Land held under development (included in inventories)	1,998,733	1,998,733
Restricted assets (included in other assets - others)	<u>209,638</u>	<u>2,500</u>
	<u>\$ 4,670,181</u>	<u>\$ 4,492,557</u>



#### 40. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Except for those disclosed in other notes, the Company's significant commitments and contingent liabilities as of December 31, 2020 were as follows:

- a. Acquisitions of land and buildings of \$119,346 thousand.
- b. Acquisitions of telecommunications-related inventory and equipment of \$26,815,461 thousand.
- c. Unused letters of credit amounting to \$10,000 thousand.
- d. A commitment to contribute \$2,000,000 thousand to a Piping Fund administered by the Taipei City Government, of which \$1,000,000 thousand was contributed by Chunghwa on August 15, 1996 (classified as other monetary assets - noncurrent). If the fund is not sufficient, Chunghwa will contribute the remaining \$1,000,000 thousand upon notification from the Taipei City Government.
- e. Chunghwa committed that when its ownership interest in NCB is greater than 25% and NCB encounters financial difficulty or the capital adequacy ratio of NCB cannot meet the related regulation requirements, Chunghwa will provide financial support to assist NCB in maintaining a healthy financial condition.

#### 41. OTHER MATTERS

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

#### 42. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information summarizes the disclosure of foreign currencies other than the functional currency of Chunghwa and its subsidiaries. The following exchange rates are the exchange rates used to translate to the presentation currency of the consolidated financial statements, which is the NTD:

	<u>December 31, 2020</u>		
	<u>Foreign Currencies (Thousands)</u>	<u>Exchange Rate</u>	<u>New Taiwan Dollars (Thousands)</u>
<u>Assets denominated in foreign currencies</u>			
Monetary items			
USD	\$ 95,179	28.48	\$ 2,710,705
EUR	427	35.02	14,957
SGD	7,873	21.56	169,747
JPY	80,671	0.276	22,289
RMB	6,795	4.377	29,742
HKD	18,873	3.673	69,321
Non-monetary items			
Investments accounted for using equity method			
SGD	22,646	21.56	488,257
VND	327,497,036	0.0011	363,522

(Continued)

	<b>December 31, 2020</b>		
	<b>Foreign Currencies (Thousands)</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars (Thousands)</b>
<u>Liabilities denominated in foreign currencies</u>			
Monetary items			
USD	\$ 26,951	28.48	\$ 767,553
EUR	27,335	35.02	957,257
SGD	48,665	21.56	1,049,225
JPY	35,044	0.276	9,683
RMB	46	4.377	201
HKD	2,087	3.673	7,665
			(Concluded)

	<b>December 31, 2019</b>		
	<b>Foreign Currencies (Thousands)</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars (Thousands)</b>
<u>Assets denominated in foreign currencies</u>			
Monetary items			
USD	\$ 192,849	29.98	\$ 5,781,593
EUR	351	33.59	11,792
SGD	10,076	22.28	224,501
JPY	61,929	0.276	17,092
RMB	2,057	4.305	8,854
HKD	84	3.849	325
Non-monetary items			
Investments accounted for using equity method			
SGD	22,483	22.28	500,930
VND	270,542,735	0.0012	316,535

Liabilities denominated in foreign currencies

Monetary items			
USD	137,454	29.98	4,120,881
EUR	6,146	33.59	206,447
SGD	56,685	22.28	1,262,926
JPY	51,472	0.276	14,206
RMB	72	4.305	310
HKD	3,770	3.849	14,511

The unrealized foreign currency exchange losses were \$17,036 thousand and \$9,938 thousand for the years ended December 31, 2020 and 2019, respectively. Due to the various foreign currency transactions and the functional currency of each individual entity of the Company, foreign exchange gains and losses cannot be disclosed by the respective significant foreign currency.

#### **43. ADDITIONAL DISCLOSURES**

Following are the additional disclosures required by the FSC for the Company:

- a. Financing provided: None.
- b. Endorsement/guarantee provided: Please see Table 1.
- c. Marketable securities held (excluding investments in subsidiaries, associates and joint ventures): Please see Table 2.
- d. Marketable securities acquired or disposed of at costs or prices at least \$300 million or 20% of the paid-in capital: Please see Table 3.
- e. Acquisition of individual real estate at costs of at least \$300 million or 20% of the paid-in capital: Please see Table 4.
- f. Disposal of individual real estate at prices of at least \$300 million or 20% of the paid-in capital: Please see Table 5.
- g. Total purchases from or sales to related parties amounting to at least \$100 million or 20% of the paid-in capital: Please see Table 6.
- h. Receivables from related parties amounting to \$100 million or 20% of the paid-in capital: Please see Table 7.
- i. Names, locations, and other information of investees on which the Company exercises significant influence (excluding investments in Mainland China): Please see Table 8.
- j. Derivative instruments transactions: Please see Notes 7, 20 and 37.
- k. Investments in Mainland China: Please see Table 9.
- l. Intercompany relationships and significant intercompany transactions: Please see Table 10.
- m. Information of main stakeholders: Please see Table 11.

#### **44. SEGMENT INFORMATION**

The Company has the following reportable segments that provide different products or services. The reportable segments are managed separately because each segment represents a strategic business unit that serves different markets. Segment information is provided to the CEO who allocates resources and assesses segment performance. The Company's measure of segment performance is mainly based on revenues and income before income tax. The Company's reportable segments are as follows:

- a. Domestic fixed communications business - the provision of local telephone services, domestic long distance telephone services, broadband access, and related services;
- b. Mobile communications business - the provision of mobile services, sales of mobile handsets and data cards, and related services;
- c. Internet business - the provision of HiNet services and related services;
- d. International fixed communications business - the provision of international long distance telephone services and related services;

- e. Others - the provision of non-telecom services and the corporate related items not allocated to reportable segments.

Some operating segments have been aggregated into a single operating segment taking into account the following factors: (a) similar economic characteristics such as long-term gross profit margins; (b) the nature of the telecommunications products and services are similar; (c) the nature of production processes of the telecommunications products and services are similar; (d) the type or class of customer for the telecommunications products and services are similar; and (e) the methods used to provide the services to the customers are similar.

The accounting policies of the operating segments are the same as those described in Note 3.

## Segment Revenues and Operating Results

Analysis by reportable segment of revenues and operating results of continuing operations are as follows:

	Domestic Fixed Communi- cations Business	Mobile Communi- cations Business	Internet Business	International Fixed Communi- cations Business	Others	Total
<u>Year ended December 31, 2020</u>						
Revenues						
From external customers	\$ 69,469,212	\$ 90,229,818	\$ 32,115,110	\$ 8,695,238	\$ 7,099,620	\$ 207,608,998
Intersegment revenues	15,929,871	1,536,283	3,966,461	1,875,372	5,369,325	28,677,312
Segment revenues	<u>\$ 85,399,083</u>	<u>\$ 91,766,101</u>	<u>\$ 36,081,571</u>	<u>\$ 10,570,610</u>	<u>\$ 12,468,945</u>	236,286,310
Intersegment elimination						(28,677,312)
Consolidated revenues						<u>\$ 207,608,998</u>
Segments operating costs and expenses	<u>\$ 59,371,277</u>	<u>\$ 69,211,073</u>	<u>\$ 15,240,814</u>	<u>\$ 8,572,822</u>	<u>\$ 14,446,532</u>	<u>\$ 166,842,518</u>
Segment income (loss) before income tax	<u>\$ 22,504,443</u>	<u>\$ 8,777,385</u>	<u>\$ 13,119,611</u>	<u>\$ 829,271</u>	<u>\$ (2,399,739)</u>	<u>\$ 42,830,971</u>
<u>Year ended December 31, 2019</u>						
Revenues						
From external customers	\$ 65,727,627	\$ 95,469,002	\$ 30,090,758	\$ 11,485,197	\$ 4,747,477	\$ 207,520,061
Intersegment revenues	16,065,223	1,563,685	3,950,832	2,078,889	4,914,694	28,573,323
Segment revenues	<u>\$ 81,792,850</u>	<u>\$ 97,032,687</u>	<u>\$ 34,041,590</u>	<u>\$ 13,564,086</u>	<u>\$ 9,662,171</u>	236,093,384
Intersegment elimination						(28,573,323)
Consolidated revenues						<u>\$ 207,520,061</u>
Segments operating costs and expenses	<u>\$ 56,268,655</u>	<u>\$ 72,952,530</u>	<u>\$ 13,849,557</u>	<u>\$ 11,427,554</u>	<u>\$ 12,248,607</u>	<u>\$ 166,746,903</u>
Segment income (loss) before income tax	<u>\$ 19,536,966</u>	<u>\$ 11,249,716</u>	<u>\$ 12,514,656</u>	<u>\$ 799,078</u>	<u>\$ (2,350,624)</u>	<u>\$ 41,749,792</u>

## Other Segment Information

Other information reviewed by the chief operating decision maker or regularly provided to the chief operating decision maker was as follows:

	Domestic Fixed Communi- cations Business	Mobile Communi- cations Business	Internet Business	International Fixed Communi- cations Business	Others	Total
<u>Year ended December 31, 2020</u>						
Share of profits of associates and joint ventures accounted for using equity method	\$ -	\$ -	\$ -	\$ -	\$ 242,745	\$ 242,745
Interest income	\$ 13,151	\$ 5,328	\$ 16,930	\$ 21,785	\$ 58,728	\$ 115,922
Interest expenses	\$ 6,060	\$ 55,761	\$ 856	\$ 9,535	\$ 133,851	\$ 206,063
Depreciation and amortization	\$ 14,249,950	\$ 17,799,875	\$ 2,668,740	\$ 1,450,423	\$ 969,584	\$ 37,138,572
Capital expenditure	\$ 11,482,779	\$ 8,827,322	\$ 1,397,399	\$ 779,160	\$ 1,024,160	\$ 23,510,820
Gain (loss) on disposal of property, plant and equipment	\$ 1,442,401	\$ (3,527)	\$ 140	\$ (30)	\$ (11,000)	\$ 1,427,984

(Continued)

	Domestic Fixed Communi- cations Business	Mobile Communi- cations Business	Internet Business	International Fixed Communi- cations Business	Others	Total
Gain on disposal of investment properties	\$ 151,357	\$ -	\$ -	\$ -	\$ -	\$ 151,357
Reversal of impairment loss on investment properties	\$ 27,066	\$ -	\$ -	\$ -	\$ -	\$ 27,066
Impairment loss on intangible assets	\$ -	\$ 9,303	\$ -	\$ -	\$ -	\$ 9,303
<b>Year ended December 31, 2019</b>						
Share of profits of associates and joint ventures accounted for using equity method	\$ -	\$ -	\$ -	\$ -	\$ 462,140	\$ 462,140
Interest income	\$ 15,156	\$ 8,688	\$ 20,160	\$ 40,937	\$ 165,846	\$ 250,787
Interest expenses	\$ 5,076	\$ 58,081	\$ 696	\$ 11,501	\$ 28,788	\$ 104,142
Depreciation and amortization	\$ 14,841,890	\$ 16,253,558	\$ 2,914,375	\$ 1,547,334	\$ 791,928	\$ 36,349,085
Capital expenditure	\$ 12,070,922	\$ 7,773,266	\$ 1,424,601	\$ 1,116,541	\$ 1,780,527	\$ 24,165,857
Impairment loss on property, plant and equipment	\$ -	\$ -	\$ -	\$ -	\$ 93,073	\$ 93,073
Reversal of impairment loss on investment properties	\$ 56,617	\$ -	\$ -	\$ -	\$ -	\$ 56,617
Impairment loss on intangible assets	\$ -	\$ 8,946	\$ -	\$ -	\$ -	\$ 8,946
Impairment loss on other assets	\$ 13,191	\$ -	\$ 13,191	\$ -	\$ 17,589	\$ 43,971

(Concluded)

## Main Products and Service Revenues

	<b>Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Mobile services revenue	\$ 56,724,433	\$ 58,703,003
Sales of products	39,390,716	41,593,124
Local telephone and domestic long distance telephone services revenue	26,474,747	27,929,263
Broadband access and domestic leased line services revenue	22,420,164	22,115,908
Data communications internet services revenue	21,446,960	21,002,699
International network and leased line services revenue	3,884,182	7,066,361
Others	37,267,796	29,109,703
	<u>\$ 207,608,998</u>	<u>\$ 207,520,061</u>

## Geographic Information

The users of the Company's services are mainly from Taiwan, ROC. The revenues it derived outside Taiwan are mainly revenues from international long distance telephone and leased line services. The geographic information for revenues was as follows:

	<b>Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Taiwan, ROC	\$ 200,881,289	\$ 197,895,254
Overseas	<u>6,727,709</u>	<u>9,624,807</u>
	<u>\$ 207,608,998</u>	<u>\$ 207,520,061</u>

The Company has long-lived assets in U.S., Singapore, Hong Kong, China, Vietnam, Japan and Thailand for \$3,745,552 thousand and \$4,063,468 thousand at December 31, 2020 and 2019, respectively, in the aforementioned areas, the other long-lived assets are located in Taiwan, ROC.

## **Major Customers**

As of December 31, 2020, and 2019, the Company did not have any single customer whose revenue exceeded 10% of the total revenues.

## CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## ENDORSEMENTS/GUARANTEES PROVIDED

YEAR ENDED DECEMBER 31, 2020

(Amounts in Thousands of New Taiwan Dollars)

No. (Note 1)	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period	Ending Balance	Actual Borrowing Amount	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity Per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Nature of Relationship (Note 2)											
1	Senao International Co., Ltd.	Aval Technologies Co., Ltd.	b	\$ 591,338	\$ 300,000	\$ 300,000	\$ 300,000	\$ -	5.07	\$ 2,956,690	Yes	No	No	Notes 3 and 4
		Wiin Technology Co., Ltd.	b	591,338	100,000	100,000	100,000	-	1.69	2,956,690	Yes	No	No	Notes 3 and 4

Note 1: Significant transactions between the Company and its subsidiaries or among subsidiaries are numbered as follows:

- a. "0" for the Company.
- b. Subsidiaries are numbered from "1".

Note 2: Relationships between the endorsement/guarantee provider and the guaranteed party:

- a. A company with which it does business.
- b. A company in which the Company directly and indirectly holds more than 50 percent of the voting shares.
- c. A company that directly and indirectly holds more than 50 percent of the voting shares in the Company.
- d. Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares.
- e. The Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
- f. All capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
- g. Companies in the same industry provide among themselves jointly and severally guarantee for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: The limits on endorsement or guarantee amount provided to each guaranteed party is up to 10% of the net assets value of the latest financial statements of Senao International Co., Ltd.

Note 4: The total amount of endorsement or guarantee that the Company is allowed to provide is up to 50% of the net assets value of the latest financial statements of Senao International Co., Ltd.

## CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

(Amounts in Thousands of New Taiwan Dollars)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2020				Note
				Shares (Thousands/Thousand Units)	Carrying Value (Note 1)	Percentage of Ownership	Fair Value	
Chunghwa Telecom Co., Ltd.	<u>Stocks</u>							
	Taipei Financial Center Corp.	-	Financial assets at FVOCI	172,927	\$ 4,163,227	12	\$ 4,163,227	-
	Innovation Works Development Fund, L.P.	-	Financial assets at FVTPL - noncurrent	-	236,107	4	236,107	-
	Industrial Bank of Taiwan II Venture Capital Co., Ltd. (IBT II)	-	Financial assets at FVOCI	5,252	17,084	17	17,084	-
	Global Mobile Corp.	-	Financial assets at FVOCI	7,617	-	3	-	-
	Innovation Works Limited	-	Financial assets at FVOCI	1,000	3,698	2	3,698	-
	RPTI Intergroup International Ltd.	-	Financial assets at FVOCI	4,765	-	10	-	-
	Taiwan mobile payment Co., Ltd.	-	Financial assets at FVOCI	1,200	4,324	2	4,324	-
	Taiwania Capital Buffalo Fund Co., Ltd.	-	Financial assets at FVTPL - noncurrent	600,000	441,095	13	441,095	-
	China Airlines, Ltd.	-	Financial assets at FVOCI	216,639	2,610,501	4	2,610,501	Note 2
4 Gamers Entertainment Inc.	-	Financial assets at FVOCI	136	103,556	19.9	103,556	-	
UUPON Inc.	-	Financial assets at FVOCI	246	1,289	4	1,289	-	
Senao International Co., Ltd.	<u>Stocks</u>							
	N.T.U. Innovation Incubation Corporation	-	Financial assets at FVOCI	1,200	9,444	9	9,444	-
	UUPON Inc.	-	Financial assets at FVOCI	109	573	2	573	-
CHIEF Telecom Inc.	<u>Stocks</u>							
	3 Link Information Service Co., Ltd.	-	Financial assets at FVOCI	374	1,220	10	1,220	-
	WPG Holdings Limited	-	Financial assets at FVTPL - current	9	448	-	448	Note 2
	WPG Holdings Limited	-	Financial assets at FVOCI	1,736	86,974	-	86,974	Note 2
	Taichung Commercial Bank Co., Ltd.	-	Financial assets at FVTPL - current	662	7,178	-	7,178	Note 2
Chunghwa Investment Co., Ltd.	<u>Stocks</u>							
	Tatung Technology Inc.	-	Financial assets at FVOCI	4,571	127,431	11	127,431	-
	iSing99 Inc.	-	Financial assets at FVOCI	10,000	-	7	-	-
	Powtec ElectroChemical Corporation	-	Financial assets at FVOCI	20,000	-	2	-	-
	Bosssdom Digiinnovation Co., Ltd.	-	Financial assets at FVOCI	2,000	56,700	7	56,700	Note 2
Chunghwa Hsingta Co., Ltd.	<u>Stocks</u>							
Cotech Engineering Fuzhou Corp.	-	Financial assets at FVOCI	-	7,153	5	7,153	-	

Note 1: Showed at carrying amounts with fair value adjustments.

Note 2: Fair value was based on the closing price on December 31, 2020.



## CHUNGHWA TELECOM CO., LTD.

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
 YEAR ENDED DECEMBER 31, 2020  
 (Amounts in Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Shares (Thousands/Thousand Units)	Amount	Shares (Thousands/Thousand Units)	Amount	Shares (Thousands/Thousand Units)	Amount	Carrying Value	Gain on Disposal	Shares (Thousands/Thousand Units)	Amount
Chunghwa Telecom Co., Ltd.	Stocks China Airlines, Ltd.	Financial assets at FVOCI	-	-	263,622	\$ 3,092,287 (Note)	-	\$ -	46,983	\$ 567,797	\$ 551,111 (Note)	\$ 16,686	216,639	\$ 2,541,176 (Note)

Note: Showing at their original investment amounts without adjustments for fair values.

## CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
 YEAR ENDED DECEMBER 31, 2020  
 (Amounts in Thousands of New Taiwan Dollars)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty is a Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Chunghwa Telecom Co., Ltd.	Land that specific office building is located on	2020.05.06	\$ 3,243,689	\$1,056,680 to be paid	MOTC	Major Shareholder	None	None	None	None	Assessed value from National Property Administration	Operating purpose	-
	Buildings	2020.10.06	1,305,067	Not applicable (Note)	Kindom Development Co., Ltd.	-	Not applicable	Not applicable	Not applicable	Not applicable	Assessed value from real estate appraisal report	Leasing purpose	-
Chunghwa Precision Test Tech. Co., Ltd.	Electrical and mechanical engineering and fit-out constructions for buildings	2020.07.03-2020.10.05	173,120	Monthly settlement based on the construction progress and acceptance	Fu Tsu Construction Co., Ltd.	-	Not applicable	Not applicable	Not applicable	Not applicable	Bidding, price comparison and price negotiation	Manufacturing purpose	-

Note: This is the urban renewal project for the asset exchange transaction for trade-in buildings. Please refer to Note 15 for details.

**CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES**

**DISPOSAL OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL**

**YEAR ENDED DECEMBER 31, 2020**

**(Amounts in Thousands of New Taiwan Dollars)**

<b>Seller</b>	<b>Property</b>	<b>Event Date</b>	<b>Original Acquisition Date</b>	<b>Carrying Amount</b>	<b>Transaction Amount</b>	<b>Collection</b>	<b>Gain on Disposal</b>	<b>Counterparty</b>	<b>Relationship</b>	<b>Purpose of Disposal</b>	<b>Price Reference</b>	<b>Other Terms</b>
Chunghwa Telecom Co., Ltd.	Land	2020.08.05	2017.12.20, 2004.07.07 and 2004.12.16	\$ 75,555	\$ 385,760	Collected	\$ 310,205	Chunghwa Post Co., Ltd.	Others	Asset activation	Real estate appraisal report	-
	Land	2020.10.06	2000.07.24	37,087	1,305,067	Not applicable (Note)	1,267,980	Kindom Development Co., Ltd.	-	Participation in government-led urban renewal project	Real estate appraisal report	-

Note: This is the urban renewal project for the asset exchange transaction for trade-in buildings. Please refer to Note15 for details.

## CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
YEAR ENDED DECEMBER 31, 2020  
(Amounts in Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes / Accounts Payable or Receivable	
			Purchases/Sales (Note 1)	Amount (Notes 2 and 5)	% to Total	Payment Terms	Units Price	Payment Terms	Ending Balance (Notes 3 and 5)	% to Total
Chunghwa Telecom Co., Ltd.	Senao International Co., Ltd.	Subsidiary	Sales	\$ 3,164,854	2	30 days	\$ -	-	\$ 642,604	3
			Purchase	676,125	1	30-90 days	-	-	(753,706)	(5)
	Aval Technologies Co., Ltd.	Subsidiary	Purchase	224,122	-	30 days	-	-	(37,085)	-
			Sales	107,879	-	90 days	-	-	45,799	-
	Senyoung Insurance Agent Co., Ltd.	Subsidiary	Sales	406,642	-	30 days	-	-	59,926	-
			Purchase	122,025	-	60 days	-	-	(22,164)	-
	Chunghwa System Integration Co., Ltd.	Subsidiary	Purchase	1,293,906	1	30 days	-	-	(345,168)	(2)
	CHYP Multimedia Marketing & Communications Co., Ltd.	Subsidiary	Purchase	110,915	-	30 days	-	-	(36,588)	-
	Honghwa International Co., Ltd.	Subsidiary	Sales	268,779	-	30-60 days	-	-	49,555	-
			Purchase	5,536,303	5	30-60 days	-	-	(682,373)	(4)
	Donghwa Telecom Co., Ltd.	Subsidiary	Sales	178,470	-	30 days	-	-	31,020	-
			Purchase	451,365	-	90 days	-	-	(144,874)	(1)
	Chunghwa Telecom Global, Inc.	Subsidiary	Purchase	313,914	-	90 days	-	-	(35,056)	-
	Chunghwa Telecom Singapore Pte., Ltd.	Subsidiary	Purchase	157,772	-	30 days	-	-	(66,693)	-
	CHT Security Co., Ltd.	Subsidiary	Purchase	338,666	-	30 days	-	-	(109,857)	(1)
	International Integrated Systems, Inc.	Subsidiary	Purchase	400,195	-	30 days	-	-	(235,565)	(2)
	Taiwan International Standard Electronics Co., Ltd.	Associate	Purchase	591,195	1	30-90 days	-	-	(488,244)	(3)
Next Commercial Bank Co., Ltd.	Associate	Sales	1,245,178	1	30-60 days	-	-	192,000	1	
Senao International Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	Sales	5,839,843	22	30-90 days	-	-	753,496	44
			Purchase	2,998,442	13	30 days	-	-	(598,985)	(31)
	Aval Technologies Co., Ltd.	Subsidiary	Sales	312,968	1	60 days	-	-	136,785	8
			Purchase	286,553	1	30 days	-	-	(9,660)	(1)
Senyoung Insurance Agent Co., Ltd.	Subsidiary	Sales	124,628	-	30 days	-	-	45,070	3	
CHIEF Telecom Inc.	Chunghwa Telecom Co., Ltd.	Parent company	Sales	254,402	10	60 days	-	-	33,122	15
			Purchase	406,101	29	30 days	-	-	(59,926)	(51)
Chunghwa System Integration Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	Sales	1,597,664	76	30 days	-	-	342,578	67
CHYP Multimedia Marketing & Communications Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	Sales	110,915	27	30 days	-	-	34,238	44
Honghwa International Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	Sales	5,641,817	97	30-60 days	-	-	681,107	94
Donghwa Telecom Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	Sales	451,365	40	90 days	-	-	144,874	39
			Purchase	178,470	16	30 days	-	-	(31,020)	(19)
Chunghwa Telecom Global, Inc.	Chunghwa Telecom Co., Ltd.	Parent company	Sales	313,914	53	90 days	-	-	35,056	67
Chunghwa Telecom Singapore Pte., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	Sales	157,772	12	30 days	-	-	66,693	19
CHT Security Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	Sales	362,082	38	30 days	-	-	109,813	33
International Integrated System, Inc.	Chunghwa Telecom Co., Ltd.	Parent company	Sales	400,195	15	30 days	-	-	235,565	47
Aval Technologies Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	Sales	224,122	1	30 days	-	-	37,085	2
			Sales	131,466	-	30 days	-	-	19,955	1

Note 1: Purchases include costs to acquire services.

Note 2: The differences were because Chunghwa Telecom Co., Ltd. and subsidiaries classified the amount as incremental costs of obtaining contracts, property, plant and equipment, intangible assets, and operating expenses.

Note 3: Notes and accounts receivable did not include the amounts collected for others and other receivables.

Note 4: 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.

Note 5: All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

## CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

## RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2020

(Amounts in Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate (Note 1)	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amounts	Action Taken		
Chunghwa Telecom Co., Ltd.	Senao International Co., Ltd.	Subsidiary	\$ 816,927 (Note 2)	11.18	\$ -	-	\$ 800,156	\$ -
Senao International Co., Ltd.	Next Commercial Bank Co., Ltd.	Associate	192,000	6.25	-	-	-	-
	Chunghwa Telecom Co., Ltd.	Parent company	891,312 (Note 2)	7.53	-	-	103,851	-
Chunghwa System Integration Co., Ltd.	Aval Technologies Co., Ltd.	Subsidiary	136,808 (Note 2)	3.52	-	-	77,628	-
	Chunghwa Telecom Co., Ltd.	Parent company	342,578 (Note 2)	3.19	-	-	208,487	-
Honghwa International Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	681,107 (Note 2)	7.68	-	-	202,685	-
CHT Security Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	109,813 (Note 2)	1.08	-	-	103,935	-
International Integrated Systems, Inc.	Chunghwa Telecom Co., Ltd.	Parent company	216,269 (Note 2)	3.30	-	-	216,269	-
Donghwa Telecom Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	144,874 (Note 2)	3.03	-	-	107,027	-

Note 1: Payments and receipts collected in trust for others are excluded from the accounts receivable in calculating the turnover rate.

Note 2: The amount was eliminated upon consolidation.

## CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES IN WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INVESTEEES IN MAINLAND CHINA)  
 YEAR ENDED DECEMBER 31, 2020  
 (Amounts in Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2020			Net Income (Loss) of the Investee	Recognized Gain (Loss) (Notes 1, 2 and 3)	Note
				December 31, 2020	December 31, 2019	Shares (Thousands)	Percentage of Ownership (%)	Carrying Value (Note 3)			
Chunghwa Telecom Co., Ltd.	Senao International Co., Ltd.	Taiwan	Handset and peripherals retailer; sales of CHT mobile phone plans as an agent	\$ 1,065,813	\$ 1,065,813	71,773	28	\$ 1,630,230	\$ 436,717	\$ 117,500	Subsidiary (Note 5)
	Light Era Development Co., Ltd.	Taiwan	Planning and development of real estate and intelligent buildings, and property management	3,000,000	3,000,000	300,000	100	3,853,234	15,160	9,673	Subsidiary (Note 5)
	Donghwa Telecom Co., Ltd.	Hong Kong	International private leased circuit, IP VPN service, and IP transit services	1,567,453	1,567,453	402,590	100	1,486,252	7,379	7,379	Subsidiary (Note 5)
	Chunghwa Telecom Singapore Pte., Ltd.	Singapore	International private leased circuit, IP VPN service, and IP transit services	574,112	574,112	26,383	100	1,013,529	116,771	116,791	Subsidiary (Note 5)
	Chunghwa System Integration Co., Ltd.	Taiwan	Providing system integration services and telecommunications equipment	838,506	838,506	60,000	100	725,213	12,840	13,254	Subsidiary (Note 5)
	CHIEF Telecom Inc.	Taiwan	Network integration, internet data center ("IDC"), communications integration and cloud application services	459,652	459,652	39,426	56	1,785,968	607,779	348,533	Subsidiary (Note 5)
	Chunghwa Investment Co., Ltd.	Taiwan	Investment	639,559	639,559	68,085	89	3,017,569	317,590	282,776	Subsidiary (Note 5)
	Prime Asia Investments Group Ltd. (B.V.I)	British Virgin Islands	Investment	385,274	385,274	1	100	163,121	(19,434)	(19,434)	Subsidiary (Note 5)
	Honghwa International Co., Ltd.	Taiwan	Telecommunication engineering, sales agent of mobile phone plan application and other business services, etc.	180,000	180,000	18,000	100	491,985	229,464	213,346	Subsidiary (Note 5)
	CHYP Multimedia Marketing & Communications Co., Ltd.	Taiwan	Digital information supply services and advertisement services	150,000	150,000	15,000	100	194,399	17,358	17,064	Subsidiary (Note 5)
	Chunghwa Telecom Vietnam Co., Ltd.	Vietnam	Intelligent energy saving solutions, international circuit, and information and communication technology ("ICT") services	148,275	148,275	-	100	90,887	(2,380)	(2,380)	Subsidiary (Note 5)
	Chunghwa Telecom Global, Inc.	United States	International private leased circuit, internet services, and transit services	70,429	70,429	6,000	100	402,623	73,147	75,078	Subsidiary (Note 5)
	CHT Security Co., Ltd.	Taiwan	Computing equipment installation, wholesale of computing and business machinery equipment and software, management consulting services, data processing services, digital information supply services and internet identify services	240,000	240,000	24,000	80	329,943	124,159	93,983	Subsidiary (Note 5)
	Chunghwa Telecom (Thailand) Co., Ltd.	Thailand	International private leased circuit, IP VPN service, ICT and cloud VAS services	119,624	119,624	1,300	100	110,163	2,050	2,050	Subsidiary (Note 5)
	Spring House Entertainment Tech. Inc.	Taiwan	Software design services, internet contents production and play, and motion picture production and distribution	41,941	41,941	8,251	56	126,947	44,962	25,197	Subsidiary (Note 5)
	Chunghwa leading Photonics Tech Co., Ltd.	Taiwan	Production and sale of electronic components and finished products	70,500	70,500	7,050	75	123,967	10,264	12,287	Subsidiary (Note 5)
	Smartfun Digital Co., Ltd.	Taiwan	Providing diversified family education digital services	65,000	65,000	6,500	65	74,055	9,804	6,369	Subsidiary (Note 5)
	Chunghwa Telecom Japan Co., Ltd.	Japan	International private leased circuit, IP VPN service, and IP transit services	17,291	17,291	1	100	90,099	13,478	13,478	Subsidiary (Note 5)
	Chunghwa Sochamp Technology Inc.	Taiwan	Design, development and production of Automatic License Plate Recognition software and hardware	20,400	20,400	2,040	51	(5,039)	(2,015)	5,047	Subsidiary (Note 5)
	International Integrated Systems, Inc.	Taiwan	IT solution provider, IT application consultation, system integration and package solution	517,423	283,500	37,211	51	593,049	169,948	49,633	Subsidiary (Note 6)

(Continued)

## CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES IN WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INVESTMENT IN MAINLAND CHINA)

YEAR ENDED DECEMBER 31, 2020

(Amounts in Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2020			Net Income (Loss) of the Investee	Recognized Gain (Loss) (Notes 1, 2 and 3)	Note
				December 31, 2020	December 31, 2019	Shares (Thousands)	Percentage of Ownership (%)	Carrying Value (Note 3)			
	Viettel-CHT Co., Ltd.	Vietnam	IDC services	\$ 288,327	\$ 288,327	-	30	\$ 363,522	\$ 307,323	\$ 92,228	Associate
	Taiwan International Standard Electronics Co., Ltd.	Taiwan	Manufacturing, selling, designing, and maintaining of telecommunications systems and equipment	164,000	164,000	1,760	40	330,031	294,205	150,477	Associate
	KKBOX Taiwan Co., Ltd.	Taiwan	Providing of music on-line, software, electronic information, and advertisement services	67,025	67,025	4,438	30	163,809	46,987	14,038	Associate
	So-net Entertainment Taiwan Limited	Taiwan	Online service and sale of computer hardware	120,008	120,008	9,429	30	226,647	124,759	37,428	Associate
	KingwayTek Technology Co., Ltd.	Taiwan	Publishing books, data processing and software services	66,684	66,684	8,688	23	249,044	5,484	2,156	Associate
	Taiwan International Ports Logistics Corporation	Taiwan	Import and export storage, logistic warehouse, and ocean shipping service	80,000	80,000	8,000	27	55,925	18,514	4,946	Associate
	UUPON Inc.	Taiwan	Information technology service and general advertisement service	97,598	97,598	246	4	-	(40,580)	(6,103)	Associate (Note 7)
	Alliance Digital Tech Co., Ltd.	Taiwan	Development of mobile payments and information processing service	60,000	60,000	6,000	14	5,080	-	-	Associate
	Chunghwa PChome Fund I Co., Ltd.	Taiwan	Investment, venture capital, investment advisor, management consultant and other consultancy service	200,000	200,000	20,000	50	192,856	(2,450)	(1,225)	Associate
	Cornerstone Ventures Co., Ltd.	Taiwan	Investment, venture capital, investment advisor, management consultant and other consultancy service	4,900	4,900	490	49	6,058	1,125	551	Associate
	Next Commercial Bank Co., Ltd.	Taiwan	Online banking business	4,190,000	4,190,000	419,000	42	3,776,876	(605,419)	(297,292)	Associate
	Chunghwa SEA Holdings	Taiwan	Investment business	10,200	-	1,020	51	10,200	-	-	Joint venture
Senao International Co., Ltd.	Senao Networks, Inc.	Taiwan	Telecommunication facilities manufactures and sales	202,758	202,758	16,579	34	991,610	376,365	127,184	Associate
	Senao International (Samoa) Holding Ltd.	Samoa Islands	International investment	2,253,828	2,333,620	74,975	100	232,099	(24,526)	(24,526)	Subsidiary (Note 5)
	UUPON Inc.	Taiwan	Information technology service and general advertisement service	24,000	24,000	109	2	-	(40,580)	(2,715)	Associate (Note 7)
	Youth Co., Ltd.	Taiwan	Sale of information and communication technologies products	427,850	364,950	14,752	96	231,976	1,404	(16,418)	Subsidiary (Note 5)
	Aval Technologies Co., Ltd.	Taiwan	Sale of information and communication technologies products	89,550	89,550	10,060	100	110,508	8,656	8,658	Subsidiary (Note 5)
	Senyoung Insurance Agent Co., Ltd.	Taiwan	Property and liability insurance agency	59,000	59,000	5,900	100	90,862	30,144	30,120	Subsidiary (Note 5)
CHIEF Telecom Inc.	Unigate Telecom Inc.	Taiwan	Telecommunications and internet service	2,000	2,000	200	100	980	94	94	Subsidiary (Note 5)
	Chief International Corp.	Samoa Islands	Telecommunications and internet service	6,068	6,068	200	100	78,699	9,338	9,338	Subsidiary (Note 5)
Chunghwa Telecom Singapore Pte., Ltd.	ST-2 Satellite Ventures Pte., Ltd.	Singapore	Operation of ST-2 telecommunications satellite	409,061	409,061	18,102	38	488,257	280,191	106,472	Associate
Chunghwa Investment Co., Ltd.	Chunghwa Precision Test Tech. Co., Ltd.	Taiwan	Production and sale of semiconductor testing components and printed circuit board	178,608	178,608	11,230	34	2,414,555	933,693	319,786	Subsidiary (Note 5)
	CHIEF Telecom Inc.	Taiwan	Network integration, internet data center ("IDC"), communications integration and cloud application services	19,064	19,064	2,078	3	88,104	607,779	18,051	Associate (Note 5)
	Senao International Co., Ltd.	Taiwan	Selling and maintaining mobile phones and its peripheral products	49,731	49,731	1,001	-	43,664	436,717	1,693	Associate (Note 5)

(Continued)

## CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES IN WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INVESTMENT IN MAINLAND CHINA)

YEAR ENDED DECEMBER 31, 2020

(Amounts in Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2020			Net Income (Loss) of the Investee	Recognized Gain (Loss) (Notes 1, 2 and 3)	Note
				December 31, 2020	December 31, 2019	Shares (Thousands)	Percentage of Ownership (%)	Carrying Value (Note 3)			
Chunghwa Precision Test Tech. Co., Ltd.	Chunghwa Precision Test Tech USA Corporation	United States	Design and after-sale services of semiconductor testing components and printed circuit board	\$ 12,636	\$ 12,636	400	100	\$ 23,847	\$ 755	\$ 755	Subsidiary (Note 5)
	CHPT Japan Co., Ltd.	Japan	Related services of electronic parts, machinery processed products and printed circuit board	2,008	2,008	1	100	2,472	89	89	Subsidiary (Note 5)
	Chunghwa Precision Test Tech. International, Ltd.	Samoa Islands	Wholesale and retail of electronic materials, and investment	116,790	116,790	3,700	100	92,315	8,441	8,956	Subsidiary (Note 5)
Prime Asia Investments Group, Ltd. (B.V.I.)	Chunghwa Hsingta Co., Ltd.	Hong Kong	Investment	375,274	375,274	1	100	163,121	(19,434)	(19,434)	Subsidiary (Note 5)
	MeWorks Limited (HK)	Hong Kong	Investment	-	10,000	-	-	-	-	-	Associate
Senao International (Samoa) Holding Ltd.	Senao International HK Limited	Hong Kong	International investment	2,248,963	2,328,754	80,440	100	212,814	(24,766)	(24,766)	Subsidiary (Note 5)
Youth Co., Ltd.	ISPOT Co., Ltd.	Taiwan	Sale of information and communication technologies products	53,021	53,021	-	100	10,562	1,656	1,464	Subsidiary (Note 5)
	Youyi Co., Ltd.	Taiwan	Maintenance of information and communication technologies products	21,354	21,354	-	100	18,145	1,234	993	Subsidiary (Note 5)
Aval Technologies Co., Ltd.	Wiin Technology Co., Ltd.	Taiwan	Sale of information and communication technologies products	29,550	29,550	2,955	100	33,476	3,695	3,695	Subsidiary (Note 5)
Senyoung Insurance Agent Co., Ltd.	Senaolife Insurance Agent Co., Ltd.	Taiwan	Life insurance services	29,500	29,500	2,950	100	26,186	(3,034)	(3,034)	Subsidiary (Note 5)
CHYP Multimedia Marketing & Communications Co., Ltd	Click Force Marketing Company	Taiwan	Advertisement services	44,607	44,607	1,078	49	33,086	3,998	(209)	Associate
International Integrated Systems, Inc.	Infoexplorer International Co., Ltd.	Samoa	Investment	24,806	24,806	795	100	27,018	850	850	Subsidiary (Note 6)
	IISI Investment Co., Ltd.	Mauritius	Investment	81,302	81,302	244	100	28,990	(10,872)	(10,872)	Subsidiary (Note 6)
	Unitronics Technology Corp.	Taiwan	Development and maintenance of information system	55,569	55,569	5,065	99.96	69,867	7,783	7,780	Subsidiary (Note 6)
Infoexplorer International Co., Ltd.	International Integrated Systems (Hong Kong) Limited	Hong Kong	Investment and engaging in technical consulting service	24,336	24,336	780	100	27,011	870	870	Subsidiary (Note 6)
IISI Investment Co., Ltd.	Leading Tech Co., Ltd.	Mauritius	Investment	65,374	65,374	316	100	18,466	(10,587)	(10,587)	Subsidiary (Note 6)
Leading Tech Co., Ltd.	Leading Systems Co., Ltd.	Mauritius	Investment	100,693	100,693	300	100	13,615	(10,588)	(10,588)	Subsidiary (Note 6)

Note 1: The amounts were based on audited financial statements.

Note 2: Recognized gain (loss) of investees includes amortization of differences between the investment cost and net value and elimination of unrealized transactions.

Note 3: Recognized gain (loss) and carrying value of the investees did not include the adjustment of the difference between the accounting treatment on standalone basis and consolidated basis as a result of the application of IFRS 15.

Note 4: Investments in mainland China are included in Table 9.

Note 5: The amount was eliminated upon consolidation.

Note 6: The Company only eliminated the amounts after accounts of IISI and its subsidiaries are included in the consolidated financial statements.

Note 7: UUPON Inc. was transferred to financial assets at fair value through other comprehensive income.

(Concluded)



## CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA  
YEAR ENDED DECEMBER 31, 2020  
(Amounts in Thousands of New Taiwan Dollars)

Investee	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020	Note
					Outflow	Inflow							
Senao Trading (Fujian) Co., Ltd.	Sale of information and communication technologies products	\$ 1,073,170	2	\$ 1,073,170	\$ -	\$ -	\$ 1,073,170	\$ -	100	\$ -	\$ -	\$ -	Notes 8 and 15
Senao International Trading (Shanghai) Co., Ltd.	Sale of information and communication technologies products	955,838	2	955,838	-	-	955,838	(21,189)	100	(21,189)	29,402	-	Notes 9 and 15
Senao International Trading (Shanghai) Co., Ltd. (Note 17)	Maintenance of information and communication technologies products	26,053	2	26,053	-	-	26,053	-	100	-	-	-	Notes 10 and 15
Senao International Trading (Jiangsu) Co., Ltd.	Sale of information and communication technologies products	183,944	2	263,736	-	79,792	183,944	-	100	-	-	-	Notes 11 and 15
Chunghwa Telecom (China) Co., Ltd.	Integrated information and communication solution services for enterprise clients, and intelligent energy network service	177,176	2	177,176	-	-	177,176	(12,712)	100	(12,712)	32,224	-	Notes 13 and 15
Jiangsu Zhenghua Information Technology Company, LLC	Providing intelligent energy saving solution and intelligent buildings services	189,410	2	142,057	-	-	142,057	-	75	-	-	-	Notes 12 and 15
Shanghai Taihua Electronic Technology Limited	Design of printed circuit board and related consultation service	51,233	2	51,233	-	-	51,233	(9,675)	100	(9,675)	16,490	-	Note 15
Su Zhou Precision Test Tech. Ltd.	Assembly processed of circuit board, design of printed circuit board and related consultation service	62,340	2	62,340	-	-	62,340	18,127	100	18,127	78,314	-	Note 15
Shanghai Chief Telecom Co., Ltd.	Telecommunications and internet service	10,150	1	4,973	-	-	4,973	5,047	49	2,473	13,561	-	Note 15
International Integrated Systems Inc. (Shanghai)	Development and maintenance of information system	48,753	2	39,923	-	-	39,923	(10,588)	100	(10,588)	18,550	-	Note 16

(Continued)

Investee	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020	Note
					Outflow	Inflow							
Huiyu Shanghai Management Consultancy Co., Ltd.	Development and maintenance of information system	\$ 13,670	3	\$ -	\$ -	\$ -	\$ -	\$ (4,093)	100	\$ (4,093)	\$ -	\$ -	Notes 14 and 16

Investee	Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Stipulated by Investment Commission, MOEA
SENAO and its subsidiaries (Note 3)	\$ 2,239,005	\$ 2,239,005	\$ 3,556,272
Chunghwa Telecom (China) Co., Ltd. (Note 4)	177,176	177,176	233,555,074
Jiangsu Zhenghua Information Technology Company, LLC (Note 4)	142,057	142,057	233,555,074
Chunghwa Precision Test Tech Co., Ltd and its subsidiaries (Note 5)	113,573	159,725	4,229,876
Shanghai Chief Telecom Co., Ltd. (Note 6)	4,973	4,973	1,794,361
IISI and its subsidiaries (Note 7)	39,923	39,923	640,718

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

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

Note 2: The amounts were calculated based on the investee's audited financial statements.

Note 3: Senao International Co., Ltd. and its subsidiaries were calculated based on the consolidated net assets value of Senao International Co., Ltd.

Note 4: Chunghwa Telecom (China) Co., Ltd. and Jiangsu Zhenghua Information Technology Company, LLC were calculated based on the consolidated net assets value of Chunghwa Telecom Co., Ltd.

Note 5: Chunghwa Precision Test Tech. Co., Ltd. and its subsidiaries were calculated based on the consolidated net assets value of Chunghwa Precision Test Tech. Co., Ltd.

Note 6: Shanghai Chief Telecom Co., Ltd. was calculated based on the consolidated net assets value of CHIEF Telecom Inc.

Note 7: IISI and its subsidiaries were calculated based on the consolidated net assets value of IISI.

Note 8: The liquidation of Senao Trading (Fujian) Co., Ltd. was completed in May 2019.

Note 9: Senao International Trading (Shanghai) Co., Ltd. was approved to end and dissolve its business in December 2020. The liquidation of Senao International Trading (Shanghai) Co., Ltd. is still in process.

Note 10: The liquidation of Senao International Trading (Shanghai) Co., Ltd. was completed in March 2018.

Note 11: The liquidation of Senao International Trading (Jiangsu) Co., Ltd. was completed in March 2019.

Note 12: The liquidation of Jiangsu Zhenhua Information Technology Company, LLC. was completed in December 2018.

Note 13: Chunghwa Telecom (China) Co., Ltd. was approved to end and dissolve its business in August 2020. The liquidation of Chunghwa Telecom (China) Co., Ltd. is still in process.

Note 14: The liquidation of Huiyu Shanghai Management Consultancy Co., Ltd. was completed in December 2020.

Note 15: The amount was eliminated upon consolidation.

Note 16: The Company only eliminated the amounts after accounts of IISI and its subsidiaries are included in the consolidated financial statements.

Note 17: The English name is the same as the above entity; however, the Chinese name included in the respective Articles of Incorporation is different from the above entity.

(Concluded)

**CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS**

**YEAR ENDED DECEMBER 31, 2020**

**(Amounts in Thousands of New Taiwan Dollars)**

Year	No. (Note 1)	Company Name	Related Party	Nature of Relationship (Note 2)	Transaction Details			
					Financial Statement Account	Amount (Note 5)	Payment Terms (Note 3)	% to Total Sales or Assets (Note 4)
2020	0	Chunghwa Telecom Co., Ltd.	Senao International Co., Ltd.	a	Accounts receivable	\$ 642,604	-	-
					Accrued custodial receipts	174,323	-	-
					Accounts payable	753,706	-	-
					Amounts collected for others	137,816	-	-
					Revenues	3,164,854	-	2
					Operating costs and expenses	648,459	-	-
					Inventories	27,666	-	-
					Property, plant and equipment	11,929	-	-
					CHIEF Telecom Inc.	a	Accounts receivable	59,926
			Accounts payable	22,164	-		-	
			Revenues	406,642	-		-	
			CHYP Multimedia Marketing & Communications Co., Ltd.	a	Operating costs and expenses	122,025	-	-
			Accounts payable		36,588	-	-	
			Amounts collected for others		44,201	-	-	
			Chunghwa System Integration Co., Ltd.	a	Revenues	34,401	-	-
			Operating costs and expenses		110,915	-	-	
			Accounts receivable		41,008	-	-	
			Accounts payable		345,168	-	-	
			Revenues		17,654	-	-	
			Operating costs and expenses		1,198,845	-	1	
			Inventories		95,061	-	-	
			Prepayments		105,755	-	-	
			Other current assets		16,834	-	-	
			Property, plant and equipment	246,831	-	-		
			Intangible assets	49,046	-	-		
			Other noncurrent assets	16,964	-	-		
			Chunghwa Telecom Global Inc.	a	Accounts receivable	14,734	-	-
Accounts payable	35,056	-	-					
Revenues	96,108	-	-					
Donghwa Telecom Co., Ltd.	a	Operating costs and expenses	313,914	-	-			
Accounts receivable		31,020	-	-				
Accounts payable		144,874	-	-				
Revenues		178,470	-	-				
			Operating costs and expenses	451,365	-	-		

(Continued)

## CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

### INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS

YEAR ENDED DECEMBER 31, 2020

(Amounts in Thousands of New Taiwan Dollars)

Year	No. (Note 1)	Company Name	Related Party	Nature of Relationship (Note 2)	Transaction Details			
					Financial Statement Account	Amount (Note 5)	Payment Terms (Note 3)	% to Total Sales or Assets (Note 4)
			Spring House Entertainment Tech. Inc.	a	Amounts collected for others	\$ 20,420	-	-
			Chunghwa Telecom Japan Co., Ltd.	a	Revenues	30,829	-	-
			Light Era Development Co., Ltd.	a	Revenues	33,497	-	-
					Operating costs and expenses	93,429	-	-
			Chunghwa Telecom Singapore Pte., Ltd.	a	Accounts payable	22,263	-	-
					Inventories	16,457	-	-
					Property, plant and equipment	148,483	-	-
					Accounts receivable	40,919	-	-
					Accounts payable	66,693	-	-
					Revenues	58,653	-	-
					Operating costs and expenses	157,772	-	-
			Honghwa International Co., Ltd.	a	Accounts receivable	49,555	-	-
					Accounts payable	682,373	-	-
					Revenues	268,779	-	-
					Operating costs and expenses	5,421,782	-	3
					Inventories	114,521	-	-
					Property, plant and equipment	100,542	-	-
			Smartfun Digital Co., Ltd.	a	Accounts payable	19,225	-	-
					Operating costs and expenses	44,685	-	-
			Chunghwa Telecom (Thailand) Co., Ltd.	a	Operating costs and expenses	29,103	-	-
			CHT Security Co., Ltd.	a	Accounts receivable	14,392	-	-
					Accounts payable	109,857	-	-
					Revenues	42,305	-	-
					Operating costs and expenses	301,066	-	-
					Inventories	37,600	-	-
					Other noncurrent assets	36,274	-	-
			Aval Technologies Co., Ltd.	a	Accounts payable	37,085	-	-
					Operating costs and expenses	222,544	-	-
					Customers' deposits	21,339	-	-
			Senyoung Insurance Agent Co., Ltd.	a	Accounts receivable	45,799	-	-
					Revenues	107,879	-	-
			International Integrated Systems, Inc.	a	Accounts payable	235,565	-	-
					Revenues	10,260	-	-
					Operating costs and expenses	36,882	-	-
					Inventories	114,212	-	-
	1	Light Era Development Co., Ltd.	CHIEF Telecom Inc.	c	Revenues	96,619	-	-

(Continued)

## CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

### INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS

YEAR ENDED DECEMBER 31, 2020

(Amounts in Thousands of New Taiwan Dollars)

Year	No. (Note 1)	Company Name	Related Party	Nature of Relationship (Note 2)	Transaction Details			
					Financial Statement Account	Amount (Note 5)	Payment Terms (Note 3)	% to Total Sales or Assets (Note 4)
	2	Donghwa Telecom Co., Ltd.	Chunghwa Telecom Singapore Pte., Ltd.	c	Unearned receipts	\$ 13,227	-	-
	3	CHIEF Telecom Inc.	Chunghwa Telecom Singapore Pte., Ltd.	c	Revenues	36,669	-	-
					Operating costs and expenses	53,043	-	-

Note 1: Significant transactions between the Company and its subsidiaries or among subsidiaries are numbered as follows:

- a. "0" for the Company.
- b. Subsidiaries are numbered from "1".

Note 2: Related party transactions are divided into three categories as follows:

- a. The Company to subsidiaries.
- b. Subsidiaries to the Company.
- c. Subsidiaries to subsidiaries.

Note 3: Transaction terms with the 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.

Note 4: For assets and liabilities, amount is shown as a percentage to consolidated total assets as of December 31, 2020, while revenues, costs and expenses are shown as a percentage to consolidated revenues for the year ended December 31, 2020.

Note 5: The amount was eliminated upon consolidation.

(Concluded)

**TABLE 11****CHUNGHWA TELECOM CO., LTD.****INFORMATION OF MAJOR STOCKHOLDERS  
DECEMBER 31, 2020**

Name of Major Stockholders	Shares	
	Number of Shares	Percentage of Ownership (%)
Ministry of Transportation and Communications	2,737,718,976	35.29
Shin Kong Life Insurance Co., Ltd.	551,639,184	7.11

Note: This table presents information provided by the Taiwan Depository & Clearing Corporation on stockholders holding greater than 5% of Chungghwa's dematerialized securities that have completed the process of registration and delivery by book-entry transfer as of the last business day for the current quarter.