

**Chunghwa Telecom Co., Ltd.**

**Parent Only Financial Statements for the  
Years Ended December 31, 2022 and 2021 and  
Independent Auditors' Report**

## INDEPENDENT AUDITORS' REPORT

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

### Opinion

We have audited the accompanying financial statements of Chunghwa Telecom Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2022 and 2021, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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 financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the 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 financial statements for the year ended December 31, 2022 is as follows:

#### Revenue Recognition on Mobile Service

Refer to Notes 3 and 38 to the 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 manual 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.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 Standards on Auditing of 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 financial statements.

As part of an audit in accordance with the Standards on Auditing of 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the 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 financial statements for the year ended December 31, 2022, 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 audits resulting in this independent auditors' report are Yih-Shin Kao and Mei Yen Chiang.

Yih-shin Kao



Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 24, 2023

Notice to Readers

*The accompanying financial statements are intended only to present the 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 financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. 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 financial statements shall prevail.*

# CHUNGHWA TELECOM CO., LTD.

## BALANCE SHEETS DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 3 and 6)	\$ 37,976,062	8	\$ 28,289,556	6
Financial assets at fair value through profit or loss (Notes 3, 4 and 7)	3,514	-	-	-
Hedging financial assets (Notes 3 and 19)	12,891	-	-	-
Contract assets (Notes 3 and 26)	2,114,559	1	1,982,596	1
Trade notes and accounts receivable, net (Notes 3, 4, 9 and 26)	21,449,052	4	20,691,664	4
Receivables from related parties (Note 33)	1,209,306	-	1,789,959	-
Inventories (Notes 3, 4 and 10)	4,903,003	1	5,278,144	1
Prepayments (Note 11)	1,428,124	-	1,643,733	-
Other current monetary assets (Notes 12, 24 and 30)	1,376,203	-	1,359,713	-
Other current assets (Notes 17 and 18)	3,382,727	1	2,844,972	1
Total current assets	73,855,441	15	63,880,337	13
<b>NONCURRENT ASSETS</b>				
Financial assets at fair value through profit or loss (Notes 3, 4 and 7)	978,196	-	884,670	-
Financial assets at fair value through other comprehensive income (Notes 3, 4, 8 and 30)	3,143,866	1	3,058,606	1
Investments accounted for using equity method (Notes 3 and 13)	20,396,082	4	20,120,401	4
Contract assets (Notes 3 and 26)	1,212,847	-	1,105,747	-
Property, plant and equipment (Notes 3, 4, 14, 30 and 33)	281,135,193	56	279,910,890	57
Right-of-use assets (Notes 3, 4, 15 and 33)	10,533,019	2	10,737,544	2
Investment properties (Notes 3, 4 and 16)	9,974,127	2	9,832,904	2
Intangible assets (Notes 3, 4 and 17)	78,697,640	16	83,435,418	17
Deferred income tax assets (Notes 3 and 28)	1,935,053	-	2,271,292	1
Incremental costs of obtaining contracts (Notes 3 and 26)	7,704,427	2	6,899,240	1
Net defined benefit assets (Notes 3, 4 and 24)	5,240,239	1	3,369,703	1
Prepayments (Note 11)	878,600	-	937,318	-
Other noncurrent assets (Notes 18 and 34)	3,940,642	1	4,100,621	1
Total noncurrent assets	425,769,931	85	426,664,354	87
<b>TOTAL</b>	<b>\$ 499,625,372</b>	<b>100</b>	<b>\$ 490,544,691</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Financial liabilities at fair value through profit or loss (Notes 3, 4 and 7)	\$ -	-	\$ 6,180	-
Hedging financial liabilities (Notes 3 and 19)	-	-	8,286	-
Contract liabilities (Notes 3 and 26)	12,790,467	3	11,537,157	2
Trade notes and accounts payable (Note 21)	12,438,047	3	14,119,843	3
Payables to related parties (Note 33)	3,715,122	1	3,448,259	1
Current tax liabilities (Notes 3 and 28)	4,580,440	1	4,079,823	1
Lease liabilities (Notes 3, 4, 15, 30 and 33)	3,038,698	1	2,918,782	1
Other payables (Notes 22 and 30)	21,102,682	4	20,362,594	4
Provisions (Notes 3 and 23)	130,161	-	175,454	-
Other current liabilities	952,411	-	939,652	-
Total current liabilities	58,748,028	13	57,596,030	12
<b>NONCURRENT LIABILITIES</b>				
Contract liabilities (Notes 3 and 26)	5,680,583	1	5,063,165	1
Bonds payable (Note 20)	30,477,357	6	26,976,675	5
Deferred income tax liabilities (Notes 3 and 28)	2,276,910	-	2,160,049	-
Provisions (Notes 3 and 23)	169,168	-	141,865	-
Lease liabilities (Notes 3, 4, 15, 30 and 33)	7,066,749	1	7,037,599	2
Customers' deposits (Note 33)	4,991,461	1	4,881,790	1
Net defined benefit liabilities (Notes 3, 4 and 24)	2,224,847	-	2,188,572	-
Other noncurrent liabilities	6,811,382	1	5,164,100	1
Total noncurrent liabilities	59,698,457	10	53,613,815	10
Total liabilities	118,446,485	23	111,209,845	22
<b>EQUITY (Note 25)</b>				
Common stocks	77,574,465	16	77,574,465	16
Additional paid-in capital	171,300,898	34	171,279,625	35
Retained earnings				
Legal reserve	77,574,465	16	77,574,465	16
Special reserve	3,083,569	1	2,675,419	1
Unappropriated earnings	51,868,574	10	50,639,022	10
Total retained earnings	132,526,608	27	130,888,906	27
Others	(223,084)	-	(408,150)	-
Total equity	381,178,887	77	379,334,846	78
<b>TOTAL</b>	<b>\$ 499,625,372</b>	<b>100</b>	<b>\$ 490,544,691</b>	<b>100</b>

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

# CHUNGHWA TELECOM CO., LTD.

## STATEMENTS OF COMPREHENSIVE INCOME YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
REVENUES (Notes 3, 26, 33 and 38)	\$ 182,254,339	100	\$ 178,843,350	100
OPERATING COSTS (Notes 3, 10, 24, 26, 27 and 33)	<u>113,210,698</u>	<u>62</u>	<u>113,928,789</u>	<u>64</u>
GROSS PROFIT	<u>69,043,641</u>	<u>38</u>	<u>64,914,561</u>	<u>36</u>
OPERATING EXPENSES (Notes 3, 9, 24, 27 and 33)				
Marketing	17,583,419	10	16,024,280	9
General and administrative	5,242,664	3	3,885,112	2
Research and development	2,812,225	2	2,837,425	2
Expected credit loss	<u>115,870</u>	<u>-</u>	<u>141,794</u>	<u>-</u>
Total operating expenses	<u>25,754,178</u>	<u>15</u>	<u>22,888,611</u>	<u>13</u>
OTHER INCOME AND EXPENSES (Notes 14, 15, 16, 27 and 38)	<u>102,882</u>	<u>-</u>	<u>(342,764)</u>	<u>-</u>
INCOME FROM OPERATIONS	<u>43,392,345</u>	<u>23</u>	<u>41,683,186</u>	<u>23</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 38)	191,932	-	56,471	-
Other income (Notes 8, 27 and 33)	255,214	-	255,445	-
Other gains and losses (Notes 13, 27, 32 and 33)	(494,392)	-	471,086	-
Interest expense (Notes 15, 27, 33 and 38)	(220,498)	-	(190,093)	-
Share of profits of subsidiaries, associates and joint ventures accounted for using equity method (Notes 13 and 38)	<u>1,784,364</u>	<u>1</u>	<u>1,611,361</u>	<u>1</u>
Total non-operating income and expenses	<u>1,516,620</u>	<u>1</u>	<u>2,204,270</u>	<u>1</u>
INCOME BEFORE INCOME TAX	44,908,965	24	43,887,456	24
INCOME TAX EXPENSE (Notes 3 and 28)	<u>8,431,808</u>	<u>5</u>	<u>8,133,877</u>	<u>5</u>
NET INCOME	<u>36,477,157</u>	<u>19</u>	<u>35,753,579</u>	<u>19</u>

(Continued)

# CHUNGHWA TELECOM CO., LTD.

## STATEMENTS OF COMPREHENSIVE INCOME YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss:				
Remeasurements of defined benefit pension plans (Note 24)	\$ 1,116,673	1	\$ 398,352	-
Unrealized gain or loss on investments in equity instruments at fair value through other comprehensive income (Notes 3, 25 and 32)	92,444	-	(1,208,027)	(1)
Gain or loss on hedging instruments subject to basis adjustment (Notes 3 and 19)	21,177	-	(10,038)	-
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method (Notes 3, 13 and 25)	(191,987)	-	12,698	-
Income tax relating to items that will not be reclassified to profit or loss (Note 28)	<u>(223,335)</u>	<u>-</u>	<u>(79,670)</u>	<u>-</u>
	<u>814,972</u>	<u>1</u>	<u>(886,685)</u>	<u>(1)</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising from the translation of the foreign operations	262,176	-	(76,359)	-
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method (Note 13)	<u>14,777</u>	<u>-</u>	<u>(1,386)</u>	<u>-</u>
	<u>276,953</u>	<u>-</u>	<u>(77,745)</u>	<u>-</u>
Total other comprehensive income (loss), net of income tax	<u>1,091,925</u>	<u>1</u>	<u>(964,430)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 37,569,082</u>	<u>20</u>	<u>\$ 34,789,149</u>	<u>18</u>
EARNINGS PER SHARE (Note 29)				
Basic	<u>\$ 4.70</u>		<u>\$ 4.61</u>	
Diluted	<u>\$ 4.70</u>		<u>\$ 4.60</u>	

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

(Concluded)

**CHUNGHWA TELECOM CO., LTD.**

**STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(In Thousands of New Taiwan Dollars)**

	Others (Notes 19 and 25)								
	Common Stocks (Note 25)	Additional Paid-in Capital (Note 25)	Retained Earnings (Note 25)			Exchange Differences Arising from the Translation of the Foreign Operations	Unrealized Gain or Loss on Financial Assets at Fair Value through Other Comprehensive Income	Gain or Loss on Hedging Instruments	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings				
BALANCE, JANUARY 1, 2021	\$ 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
Appropriation of 2020 earnings	-	-	-	-	(33,403,565)	-	-	-	(33,403,565)
Cash dividends	-	-	-	-	-	-	-	-	-
Unclaimed dividend	-	1,968	-	-	-	-	-	-	1,968
Change in additional paid-in capital from investments in subsidiaries, associates and joint ventures accounted for using equity method	-	16,278	-	-	-	-	-	-	16,278
Net income for the year ended December 31, 2021	-	-	-	-	35,753,579	-	-	-	35,753,579
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	311,189	(77,745)	(1,187,836)	(10,038)	(964,430)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	36,064,768	(77,745)	(1,187,836)	(10,038)	34,789,149
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	94,588	-	(94,588)	-	-
Disposal of investments in equity instruments at fair value through other comprehensive income by subsidiaries	-	-	-	-	(34,935)	-	34,935	-	-
BALANCE, DECEMBER 31, 2021	77,574,465	171,279,625	77,574,465	2,675,419	50,639,022	(392,276)	(7,588)	(8,286)	379,334,846
Appropriation of 2021 earnings	-	-	-	408,150	(408,150)	-	-	-	-
Special reserve	-	-	-	408,150	(408,150)	-	-	-	-
Cash dividends	-	-	-	-	(35,746,314)	-	-	-	(35,746,314)
Unclaimed dividend	-	1,632	-	-	-	-	-	-	1,632
Change in additional paid-in capital from investments in subsidiaries, associates and joint ventures accounted for using equity method	-	14,488	-	-	-	-	-	-	14,488
Change in additional paid-in capital for not proportionately participating in the capital increase of subsidiaries	-	5,153	-	-	-	-	-	-	5,153
Net income for the year ended December 31, 2022	-	-	-	-	36,477,157	-	-	-	36,477,157
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	906,975	281,063	(117,290)	21,177	1,091,925
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	37,384,132	281,063	(117,290)	21,177	37,569,082
Disposal of investments in equity instruments at fair value through other comprehensive income by subsidiaries	-	-	-	-	(116)	-	116	-	-
BALANCE, DECEMBER 31, 2022	\$ 77,574,465	\$ 171,300,898	\$ 77,574,465	\$ 3,083,569	\$ 51,868,574	\$ (111,213)	\$ (124,762)	\$ 12,891	\$ 381,178,887

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



# CHUNGHWA TELECOM CO., LTD.

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 44,908,965	\$ 43,887,456
Adjustments for:		
Depreciation	31,637,715	30,748,863
Amortization	6,545,816	6,475,933
Amortization of incremental costs of obtaining contracts	5,787,729	5,684,693
Expected credit loss	115,870	141,794
Interest expense	220,498	190,093
Interest income	(191,932)	(56,471)
Dividend income	(150,569)	(149,918)
Share of profits of subsidiaries, associates and joint ventures accounted for using equity method	(1,784,364)	(1,611,361)
Loss on disposal of property, plant and equipment	4,585	5,603
Gain on disposal of investments accounted for using equity method	-	(3,239)
Provision for impairment loss and obsolescence of inventory	9,252	163,193
Impairment loss on right-of-use assets	-	420,590
Reversal of impairment loss on investment properties	(107,467)	(83,429)
Valuation loss (gain) on financial assets and liabilities at fair value through profit or loss, net	198,534	(243,417)
Others	251,791	(139,079)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Contract assets	(239,255)	(347,693)
Trade notes and accounts receivable	(817,154)	(1,149,116)
Receivables from related parties	580,653	(449,409)
Inventories	365,889	1,605,349
Prepayments	274,327	263,649
Other current monetary assets	84,274	(304,927)
Other current assets	(537,755)	(661,501)
Incremental cost of obtaining contracts	(6,592,916)	(5,568,854)
Increase (decrease) in:		
Contract liabilities	1,870,728	(1,402,756)
Trade notes and accounts payable	(1,678,057)	1,888,527
Payables to related parties	266,863	67,771
Other payables	791,532	(77,677)
Provisions	(17,990)	2,437
Other current liabilities	35,291	(12,186)
Net defined benefit plans	(717,588)	(748,165)
Cash generated from operations	81,115,265	78,536,753
Interests paid	(59,037)	(57,637)
Income taxes paid	(7,701,426)	(7,470,701)
Net cash provided by operating activities	<u>73,354,802</u>	<u>71,008,415</u>

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# CHUNGHWA TELECOM CO., LTD.

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of financial assets at fair value through other comprehensive income	\$ -	\$ 2,907,367
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	7,184	-
Acquisition of financial assets at fair value through profit or loss	(323,321)	-
Proceeds from capital reduction of financial assets at fair value through profit or loss	65,967	-
Acquisition of time deposits and negotiable certificates of deposit with maturities of more than three months	(4,013,040)	(13,133,853)
Proceeds from disposal of time deposits and negotiable certificates of deposit with maturities of more than three months	4,033,853	13,111,803
Acquisition of investments accounted for using equity method	-	(273,800)
Proceeds from disposal of investments accounted for using equity method	-	8,519
Proceeds from capital reduction of investments accounted for using equity method	-	813,793
Acquisition of property, plant and equipment	(29,630,706)	(34,302,157)
Proceeds from disposal of property, plant and equipment	15,413	15,454
Acquisition of intangible assets	(1,808,038)	(187,945)
Acquisition of investment properties	(18,333)	(146)
Decrease in other noncurrent assets	104,902	213,694
Interests received	164,371	57,190
Cash dividends received from others	150,569	149,918
Cash dividends received from subsidiaries, associates and joint ventures accounted for using equity method	<u>1,465,692</u>	<u>1,235,130</u>
Net cash used in investing activities	<u>(29,785,487)</u>	<u>(29,385,033)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term bills payable	-	5,000,000
Repayments of short-term bills payable	-	(12,000,000)
Proceeds from issuance of bonds	3,500,000	7,000,000
Payments for transaction costs attributable to the issuance of bonds	(4,463)	(7,675)
Increase in customers' deposits	87,139	134,718
Payments for the principal of lease liabilities	(3,368,085)	(3,342,213)
Increase in other noncurrent liabilities	1,647,282	3,192,888
Cash dividends paid	(35,746,314)	(33,403,565)
Unclaimed dividend	<u>1,632</u>	<u>1,968</u>
Net cash used in financing activities	<u>(33,882,809)</u>	<u>(33,423,879)</u>

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# CHUNGHWA TELECOM CO., LTD.

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

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	<b>2022</b>	<b>2021</b>
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 9,686,506	\$ 8,199,503
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>28,289,556</u>	<u>20,090,053</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 37,976,062</u>	<u>\$ 28,289,556</u>

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

(Concluded)

# CHUNGHWA TELECOM CO., LTD.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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

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### 1. GENERAL

Chunghwa Telecom Co., Ltd. (“the Company”) was incorporated on July 1, 1996 in the Republic of China (“ROC”). The Company 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 the Company 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 the Company 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 the Company by reducing the government ownership to below 50% in various stages. In July 2000, the Company 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 the Company’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 the Company’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 the Company 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 the Company and completed the privatization plan.

Chunghwa launched its organizational transformation based on customer-centric structure effective from January 2022. Please refer to Note 38 Segment Information for details.

The financial statements are presented in the Company’s functional currency, New Taiwan dollars.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the Board of Directors on February 24, 2023.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Statement of Compliance

The accompanying financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### Basis of Preparation

The 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 obligation less the fair value of plan assets.

When preparing the accompanying financial statements, the Company used equity method to account for its investment in subsidiaries, associates and joint ventures. In order for the amounts of the net profit, other comprehensive income and total equity in the parent company only financial statements to be the same with those amounts attributable to the owner of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatment between parent company only basis and consolidated basis were made to the captions of “investments accounted for using equity method”, “share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method”, “share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method” and related equity items, as appropriate, in the parent company only financial statements.

### **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.

### **Foreign Currencies**

In preparing the Company’s financial statements, transactions in currencies other than the Company’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 purpose of presenting financial statements, the assets and liabilities of the Company’s foreign operations (including those subsidiaries, associates and joint ventures in other countries or currencies used different with the Company) 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.

## **Cash Equivalents**

Cash equivalents include those maturities within three months from the date of acquisition, highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value such as commercial papers, negotiable certificates of deposit and stimulus vouchers. 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.

## **Investments Accounted for Using Equity Method**

Investments in subsidiaries, associates and joint ventures are accounted for using equity method.

### **a. Investment in subsidiaries**

Subsidiaries are the entities controlled by the Company.

Under the equity method, the investment in subsidiaries is initially recognized at cost and the increase or decrease of carrying amount reflects the recognition of the Company's share of profit or loss and other comprehensive income of the subsidiaries after the date of acquisition. Besides, the Company also recognizes the Company's share of the change in other equity of the subsidiaries.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company's loss of control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amounts of the investment of the subsidiaries and the fair value of the consideration paid or received is recognized directly in equity.

The acquisition cost in excess of the acquisition-date fair value of the identifiable net assets acquired is recognized as goodwill, which is included within the carrying amount of the investment and shall not be amortized. The acquisition-date fair value of the net identifiable assets acquired in excess of the acquisition cost is recognized immediately in profit or loss.

Unrealized profits and losses from downstream transactions with a subsidiary are eliminated in full. Profits and losses from upstream transactions with a subsidiary and sidestream transactions between subsidiaries are recognized in the Company's financial statements only to the extent of interests in the subsidiary that are not related to the Company.

### **b. 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.

Under the equity method, an investment in an associate and 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 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.

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.

## **Intangible Assets**

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.

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, Investment Properties, Intangible Assets 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, investment properties and intangible assets 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 32.

##### **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. In assessing whether a contract is onerous, the cost of fulfilling a contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that are related directly to fulfilling 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 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 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, 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 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.

Government grants that become receivable as compensation for expenses or losses already incurred are recognized in profit or loss in the period in which they become receivable.

## **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. Remeasurement, 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. Remeasurement 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.

## Income Tax

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

### a. Current tax

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 Company's financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused tax credits from purchases of machinery, equipment and technology and research, 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 such temporary differences 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 the acquisition of a subsidiary, the tax effect is included in the accounting for the investments in a subsidiary.

#### **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) Principal versus agent**

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 13, 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 on probability of default and expected credit 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 32. 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 costs necessary to make a sale. 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, investment properties 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 International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee Interpretations (IFRIC) and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (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 (collectively, the “Taiwan-IFRSs”) does not have material impacts on the Company’s financial statements.

- b. Amendments to IFRSs endorsed by the FSC for application starting from January 1, 2023

<b>New, Revised or Amended Standards and Interpretations</b>		<b>Effective Date Announced by IASB</b>
Amendments to IAS 1	Disclosure of Accounting Policies	January 1, 2023 (Note 1)
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023 (Note 2)
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023 (Note 3)

Note 1: The amendments will be applied for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occur on or after January 1, 2022.

The application of the above new, revised or amended standards and interpretations will not have a material impact on the Company's 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 IFRS 10 and IAS 28	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	To be determined by IASB
Amendments to IFRS 16	Leases Liability in a Sale and Leaseback	January 1, 2024 (Note 2)
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	January 1, 2024

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

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

As of the date the 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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Cash		
Cash on hand	\$ 126,582	\$ 138,312
Bank deposits	<u>3,305,759</u>	<u>8,310,540</u>
	<u>3,432,341</u>	<u>8,448,852</u>
Cash equivalents (with maturities of less than three months)		
Commercial papers	19,043,721	12,338,368
Negotiable certificates of deposit	15,500,000	7,500,000
Stimulus vouchers	-	2,336
	<u>34,543,721</u>	<u>19,840,704</u>
	<u>\$ 37,976,062</u>	<u>\$ 28,289,556</u>

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Bank deposits	0.00%~2.62%	0.00%~0.10%
Commercial papers	0.90%~1.30%	0.20%~0.30%
Negotiable certificates of deposit	1.20%~1.45%	0.27%~0.30%

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Financial assets - current</u>		
Mandatorily measured at FVTPL		
Derivatives (not designated for hedge)		
Forward exchange contracts	<u>\$ 3,514</u>	<u>\$ -</u>
<u>Financial assets - noncurrent</u>		
Mandatorily measured at FVTPL		
Non-derivatives		
Non-listed stocks - domestic	\$758,312	\$647,998
Non-listed stocks - foreign	102,648	236,672
Limited partnership - domestic	93,114	-
Film and drama investing agreements	<u>24,122</u>	<u>-</u>
	<u>\$978,196</u>	<u>\$884,670</u>
<u>Financial liabilities - current</u>		
Held for trading		
Derivatives (not designated for hedge)		
Forward exchange contracts	<u>\$ -</u>	<u>\$ 6,180</u>

Chunghwa's Board of Directors approved an investment in Taiwan Capital Buffalo Fund VI, L.P. at the amount of \$600,000 thousand in January 2022. As of December 31, 2022, Chunghwa invested \$100,000 thousand.

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, 2022</u>			
Forward exchange contracts - buy	NT\$/EUR	2023.03	NT\$61,746 / EUR2,000
<u>December 31, 2021</u>			
Forward exchange contracts - buy	NT\$/EUR	2022.03	NT\$257,081 / EUR8,000

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>	
	2022	2021
Domestic investments		
Non-listed stocks	\$ 3,026,049	\$ 2,931,257
Foreign investments		
Non-listed stocks	<u>117,817</u>	<u>127,349</u>
	<u>\$ 3,143,866</u>	<u>\$ 3,058,606</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 disposed of its investment in China Airlines, Ltd. starting from December 2020 and sold all its shares by February 2021. The total fair value of the disposed investment was \$2,635,568 thousand in 2021. The Company disposed of its investment in UUPON Inc. (UUPON) in October 2021 and the fair value of the disposed investment was \$1,478 thousand.

The related unrealized gains on financial assets at FVOCI of \$94,588 thousand were transferred from other equity to retained earnings upon the aforementioned disposals in 2021.

The Company recognized dividend income of \$150,569 thousand and \$149,918 thousand for the years ended December 31, 2022 and 2021, respectively, from the investments still held on December 31, 2022 and 2021.

## 9. TRADE NOTES AND ACCOUNTS RECEIVABLE, NET

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Trade notes and accounts receivable	\$ 22,784,830	\$ 22,264,613
Less: Loss allowance	<u>(1,335,778)</u>	<u>(1,572,949)</u>
	<u>\$ 21,449,052</u>	<u>\$ 20,691,664</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 recognize 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 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.

The Company's provision matrix arising from telecommunications business and project business is disclosed below.

### December 31, 2022

	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%~1%	1%~20%	3%~64%	11%~80%	25%~90%	45%~96%	100%	
Gross carrying amount	\$ 17,162,634	\$ 310,392	\$ 86,500	\$ 32,826	\$ 27,774	\$ 34,127	\$ 599,316	\$ 18,253,569
Loss allowance (lifetime ECL)	<u>(49,644)</u>	<u>(22,309)</u>	<u>(19,806)</u>	<u>(20,927)</u>	<u>(20,085)</u>	<u>(29,244)</u>	<u>(599,316)</u>	<u>(761,331)</u>
Amortized cost	<u>\$ 17,112,990</u>	<u>\$ 288,083</u>	<u>\$ 66,694</u>	<u>\$ 11,899</u>	<u>\$ 7,689</u>	<u>\$ 4,883</u>	<u>\$ -</u>	<u>\$ 17,492,238</u>

(Continued)

	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>Project business</u>								
Expected credit loss rate (Note b)	0%~5%	5%	10%	30%	50%	80%	100%	
Gross carrying amount	\$ 3,797,905	\$ 119,329	\$ 11,424	\$ 53,189	\$ 1,360	\$ 785	\$ 547,269	\$ 4,531,261
Loss allowance (lifetime ECL)	(2,604)	(6,138)	(1,142)	(15,986)	(680)	(628)	(547,269)	(574,447)
Amortized cost	<u>\$ 3,795,301</u>	<u>\$ 113,191</u>	<u>\$ 10,282</u>	<u>\$ 37,203</u>	<u>\$ 680</u>	<u>\$ 157</u>	<u>\$ -</u>	<u>\$ 3,956,814</u>

(Concluded)

### December 31, 2021

	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%~1%	1%~22%	3%~62%	11%~80%	25%~90%	49%~97%	100%	
Gross carrying amount	\$ 16,410,725	\$ 282,040	\$ 82,062	\$ 44,539	\$ 31,065	\$ 31,000	\$ 602,833	\$ 17,484,264
Loss allowance (lifetime ECL)	(50,733)	(23,465)	(28,596)	(29,800)	(25,402)	(28,423)	(602,833)	(789,252)
Amortized cost	<u>\$ 16,359,992</u>	<u>\$ 258,575</u>	<u>\$ 53,466</u>	<u>\$ 14,739</u>	<u>\$ 5,663</u>	<u>\$ 2,577</u>	<u>\$ -</u>	<u>\$ 16,695,012</u>

### Project business

Expected credit loss rate (Note b)	0%~5%	5%	10%	30%	50%	80%	100%	
Gross carrying amount	\$ 3,988,010	\$ 136	\$ 6,960	\$ 14,271	\$ 411	\$ 799	\$ 769,762	\$ 4,780,349
Loss allowance (lifetime ECL)	(7,835)	(68)	(890)	(4,293)	(210)	(639)	(769,762)	(783,697)
Amortized cost	<u>\$ 3,980,175</u>	<u>\$ 68</u>	<u>\$ 6,070</u>	<u>\$ 9,978</u>	<u>\$ 201</u>	<u>\$ 160</u>	<u>\$ -</u>	<u>\$ 3,996,652</u>

Note a: Please refer to Note 38 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:

	<u>Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 1,572,949	\$ 2,116,716
Add: Provision for credit loss	108,402	120,961
Less: Amounts written off	<u>(345,573)</u>	<u>(664,728)</u>
Ending balance	<u>\$ 1,335,778</u>	<u>\$ 1,572,949</u>

## 10. INVENTORIES

	December 31	
	2022	2021
Merchandise	\$ 1,026,261	\$ 1,190,607
Project in process	<u>3,876,742</u>	<u>4,087,537</u>
	<u>\$ 4,903,003</u>	<u>\$ 5,278,144</u>

The operating costs related to inventories were \$24,018,696 thousand (including the valuation loss on inventories of \$9,252 thousand) and \$27,634,049 thousand (including the valuation loss on inventories of \$163,193 thousand) for the years ended December 31, 2022 and 2021, respectively.

## 11. PREPAYMENTS

	December 31	
	2022	2021
Prepaid rents	\$ 1,299,100	\$ 1,388,566
Others	<u>1,007,624</u>	<u>1,192,485</u>
	<u>\$ 2,306,724</u>	<u>\$ 2,581,051</u>
Current		
Prepaid rents	\$ 420,500	\$ 451,248
Others	<u>1,007,624</u>	<u>1,192,485</u>
	<u>\$ 1,428,124</u>	<u>\$ 1,643,733</u>
Noncurrent		
Prepaid rents	<u>\$ 878,600</u>	<u>\$ 937,318</u>

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

	December 31	
	2022	2021
Receivable of receipts under custody	\$ 732,689	\$ 765,169
Time deposits and negotiable certificates of deposit with maturities of more than three months	14,767	33,853
Others	<u>628,747</u>	<u>560,691</u>
	<u>\$ 1,376,203</u>	<u>\$ 1,359,713</u>

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Time deposits and negotiable certificates of deposit with maturities of more than three months	1.20%~1.45%	0.14%~0.82%

### 13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Investments in subsidiaries	\$ 15,075,655	\$ 14,537,488
Investments in associates	5,310,750	5,572,981
Investments in joint venture	<u>9,677</u>	<u>9,932</u>
	<u>\$ 20,396,082</u>	<u>\$ 20,120,401</u>

#### a. Investments in subsidiaries

Investments in subsidiaries were as follows:

	<b>Carrying Amount</b>	
	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Listed</u>		
Senao International Co., Ltd. (“SENAO”)	\$ 56,695	\$ 211,023
CHIEF Telecom Inc. (“CHIEF”)	1,983,440	1,845,072
<u>Non-listed</u>		
Light Era Development Co., Ltd. (“LED”)	3,839,742	3,856,921
Chunghwa Investment Co., Ltd. (“CHI”)	3,176,735	3,202,188
Chunghwa Telecom Singapore Pte., Ltd. (“CHTS”)	1,120,634	1,057,720
Honghwa International Co., Ltd. (“HHI”)	730,084	616,610
Chunghwa System Integration Co., Ltd. (“CHSI”)	718,130	716,992
Donghwa Telecom Co., Ltd. (“DHT”)	707,721	613,536
International Integrated Systems, Inc. (“IISI”)	642,709	586,133
Chunghwa Telecom Global, Inc. (“CHTG”)	597,080	464,281
CHT Security Co., Ltd. (“CHTSC”)	405,032	375,827
CHYP Multimedia Marketing & Communications Co., Ltd. (“CHYP”)	204,188	201,424
Prime Asia Investments Group Ltd. (“Prime Asia”)	162,922	153,582
Spring House Entertainment Tech. Inc. (“SHE”)	158,406	143,613
Chunghwa Leading Photonics Tech. Co., Ltd. (“CLPT”)	150,071	121,879
Chunghwa Telecom Japan Co., Ltd. (“CHTJ”)	124,400	98,852
Chunghwa Telecom (Thailand) Co., Ltd. (“CHTT”)	114,611	99,853
Chunghwa Telecom Vietnam Co., Ltd. (“CHTV”)	103,508	97,014
Smartfun Digital Co., Ltd. (“SFD”)	81,764	79,876
Chunghwa Sochamp Technology Inc. (“CHST”)	<u>(2,217)</u>	<u>(4,908)</u>
	<u>\$ 15,075,655</u>	<u>\$ 14,537,488</u>



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

	<b>% of Ownership and Voting Right</b>	
	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Senao International Co., Ltd. (“SENAO”)	28	28
CHIEF Telecom Inc. (“CHIEF”)	56	56
Light Era Development Co., Ltd. (“LED”)	100	100
Chunghwa Investment Co., Ltd. (“CHI”)	89	89
Chunghwa Telecom Singapore Pte., Ltd. (“CHTS”)	100	100
Honghwa International Co., Ltd. (“HHI”)	100	100
Chunghwa System Integration Co., Ltd. (“CHSI”)	100	100
Donghwa Telecom Co., Ltd. (“DHT”)	100	100
International Integrated Systems, Inc. (“IISI”)	51	51
Chunghwa Telecom Global, Inc. (“CHTG”)	100	100
CHT Security Co., Ltd. (“CHTSC”)	73	77
CHYP Multimedia Marketing & Communications Co., Ltd. (“CHYP”)	100	100
Prime Asia Investments Group Ltd. (“Prime Asia”)	100	100
Spring House Entertainment Tech. Inc. (“SHE”)	56	56
Chunghwa Leading Photonics Tech. Co., Ltd. (“CLPT”)	75	75
Chunghwa Telecom Japan Co., Ltd. (“CHTJ”)	100	100
Chunghwa Telecom (Thailand) Co., Ltd. (“CHTT”)	100	100
Chunghwa Telecom Vietnam Co., Ltd. (“CHTV”)	100	100
Smartfun Digital Co., Ltd. (“SFD”)	65	65
Chunghwa Sochamp Technology Inc. (“CHST”)	37	51

The Company continues to control seven out of thirteen 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.

CHIEF issued new shares in March 2021, December 2021, March 2022 and December 2022 as its employees exercised options. Therefore, the Company’s ownership interest in CHIEF decreased to 55.95% and 55.73% as of December 31, 2021 and 2022, respectively.

DHT reduced and returned its capital to its stakeholders in March 2021. The Company’s ownership interest in DHT remained the same.

IISI issued new shares in January 2021 as its employees exercised options. Therefore, the Company’s ownership interest in IISI decreased to 51.02%.

CHTSC issued new shares in February 2021, February 2022 and May 2022 as its employees exercised options. Therefore, the Company’s ownership interest in CHTSC decreased to 77.46% and 73.09% as of December 31, 2021 and 2022, respectively.

The Company did not participate in the capital increase of CHST in November 2022. Therefore, the Company’s ownership interest in CHST decreased to 37.09% as of December 31, 2022. However, the Company continues to control three out of five seats of the Board of Directors of CHST. As a result, the Company treated CHST as a subsidiary.

For the details of the subsidiaries indirectly held by the Company, please refer to Note 37.

The Company's share of profit (loss) and other comprehensive income (loss) of the subsidiaries was recognized based on the audited financial statements.

b. Investments in associates

Investments in associates were as follows:

	<b>Carrying Amount</b>	
	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Material associate</u>		
<u>Non-listed</u>		
Next Commercial Bank Co., Ltd. ("NCB")	\$ 3,173,309	\$ 3,592,054
<u>Associates that are not individually material</u>		
<u>Listed</u>		
KingwayTek Technology Co., Ltd. ("KWT")	267,125	258,943
<u>Non-listed</u>		
Viettel-CHT Co., Ltd. ("Viettel-CHT")	558,532	447,097
Taiwan International Standard Electronics Co., Ltd. ("TISE")	296,501	347,269
Chunghwa PChome Fund I Co., Ltd. ("CPFI")	277,776	222,491
So-net Entertainment Taiwan Limited ("So-net")	228,184	217,021
WiAdvance Technology Corporation ("WATC")	227,868	253,873
KKBOX Taiwan Co., Ltd. ("KKBOXTW")	173,634	157,524
Taiwan International Ports Logistics Corporation ("TIPL")	101,078	70,121
Cornerstone Ventures Co., Ltd. ("CVC")	6,743	6,588
Alliance Digital Tech Co., Ltd. ("ADT")	-	-
	<u>2,137,441</u>	<u>1,980,927</u>
	<u>\$ 5,310,750</u>	<u>\$ 5,572,981</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</b>	
	<b>Voting Rights</b>	
	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Material associate</u>		
<u>Non-listed</u>		
Next Commercial Bank Co., Ltd. ("NCB")	42	42

(Continued)

	<b>% of Ownership Interests and Voting Rights</b>	
	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Associates that are not individually material</u>		
<u>Listed</u>		
KingwayTek Technology Co., Ltd. (“KWT”)	23	23
<u>Non-listed</u>		
Viettel-CHT Co., Ltd. (“Viettel-CHT”)	30	30
Taiwan International Standard Electronics Co., Ltd. (“TISE”)	40	40
Chunghwa PChome Fund I Co., Ltd. (“CPFI”)	50	50
So-net Entertainment Taiwan Limited (“So-net”)	30	30
WiAdvance Technology Corporation (“WATC”)	20	20
KKBOX Taiwan Co., Ltd. (“KKBOXTW”)	30	30
Taiwan International Ports Logistics Corporation (“TIPL”)	27	27
Cornerstone Ventures Co., Ltd. (“CVC”)	49	49
Alliance Digital Tech Co., Ltd. (“ADT”)	-	-
		(Concluded)

Summarized financial information of NCB was set out below:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Assets	\$ 33,540,595	\$ 9,197,280
Liabilities	<u>(25,882,268)</u>	<u>(524,813)</u>
Equity	<u>\$ 7,658,327</u>	<u>\$ 8,672,467</u>
The percentage of ownership interest held by the Company	41.90%	41.90%
Equity attributable to the Company	\$ 3,208,839	\$ 3,633,764
Unrealized gain or loss from downstream transactions	<u>(35,530)</u>	<u>(41,710)</u>
The carrying amount of investment	<u>\$ 3,173,309</u>	<u>\$ 3,592,054</u>
	<b>Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Net revenues (losses)	<u>\$ (47,349)</u>	<u>\$ 14,907</u>
Net loss for the year	\$ (1,004,331)	\$ (445,665)
Other comprehensive loss	<u>(9,809)</u>	<u>-</u>
Total comprehensive loss for the year	<u>\$ (1,014,140)</u>	<u>\$ (445,665)</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>2022</b>	<b>2021</b>
The Company's share of profits	\$ 314,351	\$ 258,266
The Company's share of other comprehensive income (loss)	<u>4,625</u>	<u>(6,167)</u>
The Company's share of total comprehensive income	<u>\$ 318,976</u>	<u>\$ 252,099</u>

The Level 1 fair values of associate based on the closing market prices as of the balance sheet date was as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
KWT	<u>\$ 804,187</u>	<u>\$ 909,787</u>

The Company invested \$273,800 thousand and obtained 20.33% ownership interest by participating in the capital increase of WATC in March 2021. WATC mainly engages in software solution integration. WATC issued new shares in March 2022 and October 2022 as its employees exercised option. Therefore, the Company's ownership interest in WATC decreased to 20.05% as of December 31, 2022.

The Company's ownership interest in NCB is 41.90%. Although the Company 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. The Company is not able to direct its relevant activities. Therefore, the Company does not have control over NCB and merely has significant influence over NCB and treated it as an associate.

The Company invested and obtained 50% ownership interest in 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. Therefore, the Company recognized CPFI as an investment in associate.

The Company invested and obtained 49% ownership interest in 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% ownership interest in ADT. Considering the seats that the Company controls in the Board of Directors of ADT and the relative size of ownership interest and the dispersion of shares owned by the other stockholders, the Company has significant influence over ADT. ADT completed its liquidation in August 2021. The Company received the liquidation distribution of \$8,519 thousand and recognized gain on disposal of \$3,239 thousand under "other gains and losses" on the statements of comprehensive income.

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

c. 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	
	2022	2021	2022	2021
<u>Non-listed</u>				
Chunghwa SEA Holdings("CHT SEA")	\$ 9,677	\$ 9,932	51	51

The Company invested and established a joint venture, CHT SEA, with Delta Electronics, Inc. and Kwang Hsing Industrial Co., Ltd. and obtained 51% ownership interest 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.

The joint venture is not considered individually material to the Company. Summarized financial information of CHT SEA was set out below:

	Year Ended December 31	
	2022	2021
The Company's share of loss	\$ (255)	\$ (268)
The Company's share of other comprehensive income	-	-
The Company's share of total comprehensive loss	\$ (255)	\$ (268)

The Company's share of loss and other comprehensive income of the joint venture was recognized based on the audited financial statements.

#### 14. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2022	2021
Assets used by the Company	\$ 275,320,953	\$ 272,636,255
Assets subject to operating leases	5,814,240	7,274,635
	<u>\$ 281,135,193</u>	<u>\$ 279,910,890</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
<u>Cost</u>									
Balance on January 1, 2021	\$ 99,167,842	\$ 1,630,362	\$ 66,806,830	\$ 11,890,117	\$ 707,013,740	\$ 3,887,139	\$ 7,886,132	\$ 8,171,372	\$ 906,453,534
Additions	-	-	22	279	19,414	-	-	34,650,055	34,669,770
Disposal	-	(1,025)	(29,418)	(1,668,127)	(27,892,367)	(83,592)	(356,778)	-	(30,031,307)
Others	409,028	32,291	(82,810)	494,150	30,660,664	117,754	628,098	(32,746,371)	(487,196)
Balance on December 31, 2021	<u>\$ 99,576,870</u>	<u>\$ 1,661,628</u>	<u>\$ 66,694,624</u>	<u>\$ 10,716,419</u>	<u>\$ 709,801,451</u>	<u>\$ 3,921,301</u>	<u>\$ 8,157,452</u>	<u>\$ 10,075,056</u>	<u>\$ 910,604,801</u>

(Continued)

	Land	Land Improvements	Buildings	Computer Equipment	Telecommunications Equipment	Transportation Equipment	Miscellaneous Equipment	Construction in Progress and Equipment to be Accepted	Total
<u>Accumulated depreciation and impairment</u>									
Balance on January 1, 2021	\$ -	\$ (1,399,204)	\$ (28,338,602)	\$ (10,258,795)	\$ (591,164,004)	\$ (3,713,962)	\$ (6,308,207)	\$ -	\$ (641,182,774)
Depreciation expenses	-	(43,433)	(1,233,587)	(654,621)	(24,610,713)	(64,388)	(428,219)	-	(27,034,961)
Disposal	-	1,025	29,418	1,667,245	27,876,249	83,592	352,721	-	30,010,250
Others	-	-	285,632	(264)	(1,563)	628	(45,494)	-	238,939
Balance on December 31, 2021	<u>\$ -</u>	<u>\$ (1,441,612)</u>	<u>\$ (29,257,139)</u>	<u>\$ (9,246,435)</u>	<u>\$ (587,900,031)</u>	<u>\$ (3,694,130)</u>	<u>\$ (6,429,199)</u>	<u>\$ -</u>	<u>\$ (637,968,546)</u>
Balance on January 1, 2021, net	<u>\$ 99,167,842</u>	<u>\$ 231,158</u>	<u>\$ 38,468,228</u>	<u>\$ 1,631,322</u>	<u>\$ 115,849,736</u>	<u>\$ 173,177</u>	<u>\$ 1,577,925</u>	<u>\$ 8,171,372</u>	<u>\$ 265,270,760</u>
Balance on December 31, 2021, net	<u>\$ 99,576,870</u>	<u>\$ 220,016</u>	<u>\$ 37,437,485</u>	<u>\$ 1,469,984</u>	<u>\$ 121,901,420</u>	<u>\$ 227,171</u>	<u>\$ 1,728,253</u>	<u>\$ 10,075,056</u>	<u>\$ 272,636,255</u>
<u>Cost</u>									
Balance on January 1, 2022	\$ 99,576,870	\$ 1,661,628	\$ 66,694,624	\$ 10,716,419	\$ 709,801,451	\$ 3,921,301	\$ 8,157,452	\$ 10,075,056	\$ 910,604,801
Additions	-	-	-	-	7,205	-	-	29,360,001	29,367,206
Disposal	(3,558)	(6,042)	(6,988)	(775,297)	(18,385,746)	(104,132)	(337,439)	-	(19,619,202)
Others	482,268	19,669	1,839,084	561,307	24,603,405	145,495	651,346	(26,261,920)	2,040,654
Balance on December 31, 2022	<u>\$ 100,055,580</u>	<u>\$ 1,675,255</u>	<u>\$ 68,526,720</u>	<u>\$ 10,502,429</u>	<u>\$ 716,026,315</u>	<u>\$ 3,962,664</u>	<u>\$ 8,471,359</u>	<u>\$ 13,173,137</u>	<u>\$ 922,393,459</u>
<u>Accumulated depreciation and impairment</u>									
Balance on January 1, 2022	\$ -	\$ (1,441,612)	\$ (29,257,139)	\$ (9,246,435)	\$ (587,900,031)	\$ (3,694,130)	\$ (6,429,199)	\$ -	\$ (637,968,546)
Depreciation expenses	-	(38,515)	(1,290,651)	(651,812)	(25,470,119)	(76,662)	(446,757)	-	(27,974,516)
Disposal	-	6,042	6,988	775,207	18,372,471	104,132	334,364	-	19,599,204
Others	-	-	(615,545)	(262)	(42,903)	(417)	(69,521)	-	(728,648)
Balance on December 31, 2022	<u>\$ -</u>	<u>\$ (1,474,085)</u>	<u>\$ (31,156,347)</u>	<u>\$ (9,123,302)</u>	<u>\$ (595,040,582)</u>	<u>\$ (3,667,077)</u>	<u>\$ (6,611,113)</u>	<u>\$ -</u>	<u>\$ (647,072,506)</u>
Balance on January 1, 2022, net	<u>\$ 99,576,870</u>	<u>\$ 220,016</u>	<u>\$ 37,437,485</u>	<u>\$ 1,469,984</u>	<u>\$ 121,901,420</u>	<u>\$ 227,171</u>	<u>\$ 1,728,253</u>	<u>\$ 10,075,056</u>	<u>\$ 272,636,255</u>
Balance on December 31, 2022, net	<u>\$ 100,055,580</u>	<u>\$ 201,170</u>	<u>\$ 37,370,373</u>	<u>\$ 1,379,127</u>	<u>\$ 120,985,733</u>	<u>\$ 295,587</u>	<u>\$ 1,860,246</u>	<u>\$ 13,173,137</u>	<u>\$ 275,320,953</u>

(Concluded)

There was no indication that property, plant and equipment was impaired; therefore, the Company did not recognize any impairment loss for the years ended December 31, 2022 and 2021.

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	35~60 years
Other building facilities	4~10 years
Computer equipment	4~6 years
Telecommunications equipment	
Telecommunication circuits	10~15 years
Telecommunication machinery and antennas equipment	3~10 years
Transportation equipment	3~7 years
Miscellaneous equipment	
Leasehold improvements	2~6 years
Mechanical and air conditioner equipment	5~16 years
Others	3~15 years

b. Assets subject to operating leases

	Land	Buildings	Total
<u>Cost</u>			
Balance on January 1, 2021	\$ 4,800,876	\$ 4,083,626	\$ 8,884,502
Others	<u>(163,994)</u>	<u>410,274</u>	<u>246,280</u>
Balance on December 31, 2021	<u>\$ 4,636,882</u>	<u>\$ 4,493,900</u>	<u>\$ 9,130,782</u>

(Continued)

	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
<u>Accumulated depreciation and impairment</u>			
Balance on January 1, 2021	\$ -	\$ (1,532,098)	\$ (1,532,098)
Depreciation expenses	-	(80,985)	(80,985)
Others	-	(243,064)	(243,064)
Balance on December 31, 2021	<u>\$ -</u>	<u>\$ (1,856,147)</u>	<u>\$ (1,856,147)</u>
Balance on January 1, 2021, net	<u>\$ 4,800,876</u>	<u>\$ 2,551,528</u>	<u>\$ 7,352,404</u>
Balance on December 31, 2021, net	<u>\$ 4,636,882</u>	<u>\$ 2,637,753</u>	<u>\$ 7,274,635</u>
<u>Cost</u>			
Balance on January 1, 2022	\$ 4,636,882	\$ 4,493,900	\$ 9,130,782
Others	(432,730)	(1,739,950)	(2,172,680)
Balance on December 31, 2022	<u>\$ 4,204,152</u>	<u>\$ 2,753,950</u>	<u>\$ 6,958,102</u>
<u>Accumulated depreciation and impairment</u>			
Balance on January 1, 2022	\$ -	\$ (1,856,147)	\$ (1,856,147)
Depreciation expenses	-	(51,609)	(51,609)
Others	-	763,894	763,894
Balance on December 31, 2022	<u>\$ -</u>	<u>\$ (1,143,862)</u>	<u>\$ (1,143,862)</u>
Balance on January 1, 2022, net	<u>\$ 4,636,882</u>	<u>\$ 2,637,753</u>	<u>\$ 7,274,635</u>
Balance on December 31, 2022, net	<u>\$ 4,204,152</u>	<u>\$ 1,610,088</u>	<u>\$ 5,814,240</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:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Year 1	\$ 515,213	\$ 566,368
Year 2	330,305	379,279
Year 3	224,778	233,045
Year 4	180,328	163,610
Year 5	149,433	136,755
Onwards	<u>1,122,237</u>	<u>1,177,459</u>
	<u>\$ 2,522,294</u>	<u>\$ 2,656,516</u>

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:

Buildings	
Main buildings	35~60 years
Other building facilities	4~10 years

## 15. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Land and buildings		
Handsets base stations	\$ 7,176,845	\$ 6,989,498
Others	1,168,313	1,236,987
Equipment	<u>2,187,861</u>	<u>2,511,059</u>
	<u>\$ 10,533,019</u>	<u>\$ 10,737,544</u>
	<b>Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Additions to right-of-use assets	<u>\$ 3,671,805</u>	<u>\$ 4,918,877</u>
Depreciation charge for right-of-use assets		
Land and buildings		
Handsets base stations	\$ 2,863,650	\$ 2,789,938
Others	376,338	402,224
Equipment	<u>327,848</u>	<u>398,496</u>
	<u>\$ 3,567,836</u>	<u>\$ 3,590,658</u>

The Company entered into a contract with ST-2 Satellite Ventures Pte., Ltd. to lease capacity on the ST-2 satellite. However, certain frequency that ST-2 satellite originally used was transferred for the use of 5G spectrum to the government, the Company evaluated and determined that the recoverable amount of the related right-of-use assets was nil. Therefore, the Company recognized an impairment loss of \$420,590 thousand for the year ended December 31, 2021. The impairment loss was included under “other income and expenses” in the statement of comprehensive income.

The Company did not have significant sublease or impairment of right-of-use assets for the year ended December 31, 2022. The Company did not have significant sublease of right-of-use assets for the year ended December 31, 2021.

### b. Lease liabilities

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Lease liabilities		
Current	\$ 3,038,698	\$ 2,918,782
Noncurrent	<u>7,066,749</u>	<u>7,037,599</u>
	<u>\$ 10,105,447</u>	<u>\$ 9,956,381</u>



Ranges of discount rates for lease liabilities were as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Land and buildings		
Handsets base stations	0.37%~1.71%	0.37%~1.18%
Others	0.37%~1.68%	0.37%~1.12%
Equipment	0.37%~1.35%	0.37%~0.82%

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 the Company and ST-2 Satellite Ventures Pte., Ltd. to lease capacity on the ST-2 satellite. For the information of lease agreements with related parties, please refer to Note 33 to the financial statements for details.

d. Other lease information

	<b>Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Expenses relating to low-value asset leases	\$ <u>947</u>	\$ <u>1,039</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ <u>1,561</u>	\$ <u>951</u>
Total cash outflow for leases	\$ <u>3,429,630</u>	\$ <u>3,399,194</u>

The Company leases certain equipment which qualifies 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 14 and 16 to the financial statements.

## 16. INVESTMENT PROPERTIES

	<b>Investment Properties</b>
<u>Cost</u>	
Balance on January 1, 2021	\$ 10,587,675
Additions	146
Reclassification	<u>245,041</u>
Balance on December 31, 2021	<u>\$ 10,832,862</u>
<u>Accumulated depreciation and impairment</u>	
Balance on January 1, 2021	\$ (1,041,128)
Depreciation expense	(42,259)
Reversal of impairment loss	<u>83,429</u>
Balance on December 31, 2021	<u>\$ (999,958)</u>
Balance on January 1, 2021, net	<u>\$ 9,546,547</u>
Balance on December 31, 2021, net	<u>\$ 9,832,904</u>
<u>Cost</u>	
Balance on January 1, 2022	\$ 10,832,862
Additions	18,333
Reclassification	<u>99,100</u>
Balance on December 31, 2022	<u>\$ 10,950,295</u>
<u>Accumulated depreciation and impairment</u>	
Balance on January 1, 2022	\$ (999,958)
Depreciation expense	(43,754)
Reclassification	(39,923)
Reversal of impairment loss	<u>107,467</u>
Balance on December 31, 2022	<u>\$ (976,168)</u>
Balance on January 1, 2022, net	<u>\$ 9,832,904</u>
Balance on December 31, 2022, net	<u>\$ 9,974,127</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 \$107,467 thousand and \$83,429 thousand for the years ended December 31, 2022 and 2021, 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, 2022 and 2021 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>2022</b>	<b>2021</b>
Fair value	<u>\$ 26,618,481</u>	<u>\$ 25,309,026</u>
Overall capital interest rate	1.31%~4.91%	0.91%~3.05%
Profit margin ratio	8%~20%	8%~20%
Discount rate	-	-
Capitalization rate	0.23%~2.16%	0.53%~2.11%

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>2022</b>	<b>2021</b>
Year 1	\$ 138,834	\$ 120,483
Year 2	122,654	95,805
Year 3	114,722	78,031
Year 4	96,012	73,225
Year 5	69,686	56,320
Onwards	<u>604,532</u>	<u>508,673</u>
	<u>\$ 1,146,440</u>	<u>\$ 932,537</u>

## 17. INTANGIBLE ASSETS

	<b>Mobile Broadband Concession</b>	<b>Computer Software</b>	<b>Others</b>	<b>Total</b>
<u>Cost</u>				
Balance on January 1, 2021	\$ 108,338,000	\$ 2,886,946	\$ 21,577	\$ 111,246,523
Additions - acquired separately	-	162,712	25,233	187,945
Disposal	<u>-</u>	<u>(306,356)</u>	<u>(9)</u>	<u>(306,365)</u>
Balance on December 31, 2021	<u>\$ 108,338,000</u>	<u>\$ 2,743,302</u>	<u>\$ 46,801</u>	<u>\$ 111,128,103</u>

(Continued)

	<b>Mobile Broadband Concession</b>	<b>Computer Software</b>	<b>Others</b>	<b>Total</b>
<u>Accumulated amortization and impairment</u>				
Balance on January 1, 2021	\$ (19,318,842)	\$ (2,192,532)	\$ (11,743)	\$ (21,523,117)
Amortization expenses	(6,198,911)	(273,953)	(3,069)	(6,475,933)
Disposal	<u>-</u>	<u>306,356</u>	<u>9</u>	<u>306,365</u>
Balance on December 31, 2021	<u>\$ (25,517,753)</u>	<u>\$ (2,160,129)</u>	<u>\$ (14,803)</u>	<u>\$ (27,692,685)</u>
Balance on January 1, 2021, net	<u>\$ 89,019,158</u>	<u>\$ 694,414</u>	<u>\$ 9,834</u>	<u>\$ 89,723,406</u>
Balance on December 31, 2021, net	<u>\$ 82,820,247</u>	<u>\$ 583,173</u>	<u>\$ 31,998</u>	<u>\$ 83,435,418</u>
<u>Cost</u>				
Balance on January 1, 2022	\$ 108,338,000	\$ 2,743,302	\$ 46,801	\$ 111,128,103
Additions - acquired separately	1,625,431	176,604	6,003	1,808,038
Disposal	<u>-</u>	<u>(653,344)</u>	<u>(1,008)</u>	<u>(654,352)</u>
Balance on December 31, 2022	<u>\$ 109,963,431</u>	<u>\$ 2,266,562</u>	<u>\$ 51,796</u>	<u>\$ 112,281,789</u>
<u>Accumulated amortization and impairment</u>				
Balance on January 1, 2022	\$ (25,517,753)	\$ (2,160,129)	\$ (14,803)	\$ (27,692,685)
Amortization expenses	(6,294,525)	(239,912)	(11,379)	(6,545,816)
Disposal	<u>-</u>	<u>653,344</u>	<u>1,008</u>	<u>654,352</u>
Balance on December 31, 2022	<u>\$ (31,812,278)</u>	<u>\$ (1,746,697)</u>	<u>\$ (25,174)</u>	<u>\$ (33,584,149)</u>
Balance on January 1, 2022, net	<u>\$ 82,820,247</u>	<u>\$ 583,173</u>	<u>\$ 31,998</u>	<u>\$ 83,435,418</u>
Balance on December 31, 2022, net	<u>\$ 78,151,153</u>	<u>\$ 519,865</u>	<u>\$ 26,622</u>	<u>\$ 78,697,640</u>

(Concluded)

The Company's Board of Directors approved the acquisition of the 900MHz frequency band and equipment from Asia Pacific Telecom Co., Ltd. in November 2021. The aforementioned tax-excluded transaction amount was \$1,800,113 thousand included in intangible assets- mobile broadband concession and other assets- spare parts. The transaction was approved by the related authority in May 2022 and completed in July 2022.

The concessions are granted and issued by the National Communications Commission ("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 3 to 11 years.

## 18. OTHER ASSETS

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Spare parts	\$ 3,371,966	\$ 2,831,990
Refundable deposits	1,350,960	1,398,930
Other financial assets	1,000,000	1,000,000
Others	<u>1,600,443</u>	<u>1,714,673</u>
	<u>\$ 7,323,369</u>	<u>\$ 6,945,593</u>
<b>Current</b>		
Spare parts	\$ 3,371,966	\$ 2,831,990
Others	<u>10,761</u>	<u>12,982</u>
	<u>\$ 3,382,727</u>	<u>\$ 2,844,972</u>
<b>Noncurrent</b>		
Refundable deposits	\$ 1,350,960	\$ 1,398,930
Other financial assets	1,000,000	1,000,000
Others	<u>1,589,682</u>	<u>1,701,691</u>
	<u>\$ 3,940,642</u>	<u>\$ 4,100,621</u>

Other financial assets - noncurrent was Piping Fund. As part of the government's effort to upgrade the existing telecommunications infrastructure, the Company 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.

As of December 31, 2022 and 2021, the segregated deposits which included in other noncurrent assets-others were \$28,347 thousand and \$91,388 thousand, respectively, in accordance with The Management, Utilization, and Taxation of Repatriated Offshore Funds Act.

## 19. HEDGING FINANCIAL INSTRUMENTS

The Company'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, the Company'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.

The Company 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, 2022

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\$423,024/ EUR13,350	2023.03	\$ 31.69	Hedging financial assets (liabilities)	\$12,891	\$ -	\$ 21,177

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	\$ (21,177)	\$ 12,891	\$ -

December 31, 2021

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\$227,780/ EUR7,000	2022.03	\$ 32.54	Hedging financial assets (liabilities)	\$ -	\$8,286	\$(10,038)

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	\$ 10,038	\$ (8,286)	\$ -

Year ended December 31, 2022

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 Assets and the Adjusted Line Item	
				Amount Reclassified to Assets and the Adjusted Line Item	Due to Hedged Future Cash Flows No Longer Expected to Occur
Cash flow hedge Forecast equipment purchases	\$ 21,177	\$ -	-	\$ 6,273 Construction in progress and equipment to be accepted	\$ - Other gains and losses

Year ended December 31, 2021

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 Assets and the Adjusted Line Item	
				Amount Reclassified to Assets and the Adjusted Line Item	Due to Hedged Future Cash Flows No Longer Expected to Occur
Cash flow hedge Forecast equipment purchases	\$ (10,038 )	\$ -	-	\$ (42,574) Construction in progress and equipment to be accepted	\$ - Other gains and losses

## 20. BONDS PAYABLE

	December 31	
	2022	2021
Unsecured domestic bonds	\$ 30,500,000	\$ 27,000,000
Less: Discounts on bonds payable	<u>(22,643)</u>	<u>(23,325)</u>
	<u>\$ 30,477,357</u>	<u>\$ 26,976,675</u>

The major terms of unsecured domestic bonds issued by the Company 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

(Continued)

Issuance	Tranche	Issuance Period	Total Amount	Coupon Rate	Repayment and Interest Payment
2021-1	A	April 2021 to April 2026	1,900,000	0.42%	The same as above
	B	April 2021 to April 2028	4,100,000	0.46%	The same as above
	C	April 2021 to April 2031	1,000,000	0.50%	The same as above
2022-1 (Sustainable Bond)	-	March 2022 to March 2027	3,500,000	0.69%	The same as above

(Concluded)

## 21. TRADE NOTES AND ACCOUNTS PAYABLE

	<u>December 31</u>	
	<b>2022</b>	<b>2021</b>
Trade notes and accounts payable	<u>\$ 12,438,047</u>	<u>\$ 14,119,843</u>

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

## 22. OTHER PAYABLES

	<u>December 31</u>	
	<b>2022</b>	<b>2021</b>
Accrued salary and compensation	\$ 8,511,526	\$ 8,371,908
Payables to contractors	2,556,383	2,951,841
Accrued compensation to employees and remuneration to directors	1,537,854	1,467,552
Amounts collected for others	1,509,099	1,332,933
Payables to equipment suppliers	1,194,761	1,120,500
Accrued maintenance costs	1,043,966	996,665
Others	<u>4,749,093</u>	<u>4,121,195</u>
	<u>\$ 21,102,682</u>	<u>\$ 20,362,594</u>

## 23. PROVISIONS

	<u>December 31</u>	
	<b>2022</b>	<b>2021</b>
Warranties	\$ 150,135	\$ 118,126
Onerous contracts	80,651	132,593
Employee benefits	64,776	62,833
Others	<u>3,767</u>	<u>3,767</u>
	<u>\$ 299,329</u>	<u>\$ 317,319</u>
Current	\$ 130,161	\$ 175,454
Noncurrent	<u>169,168</u>	<u>141,865</u>
	<u>\$ 299,329</u>	<u>\$ 317,319</u>



	<b>Warranties</b>	<b>Onerous Contracts</b>	<b>Employee Benefits</b>	<b>Others</b>	<b>Total</b>
Balance on January 1, 2021	\$ 83,589	\$ 169,986	\$ 57,210	\$ 4,097	\$ 314,882
Additional / (reversal of) provisions recognized	53,500	(37,393)	6,963	(330)	22,740
Used / forfeited during the year	<u>(18,963)</u>	<u>-</u>	<u>(1,340)</u>	<u>-</u>	<u>(20,303)</u>
Balance on December 31, 2021	<u>\$ 118,126</u>	<u>\$ 132,593</u>	<u>\$ 62,833</u>	<u>\$ 3,767</u>	<u>\$ 317,319</u>
Balance on January 1, 2022	\$ 118,126	\$ 132,593	\$ 62,833	\$ 3,767	\$ 317,319
Additional / (reversal of) provisions recognized	47,212	(51,942)	2,217	-	(2,513)
Used / forfeited during the year	<u>(15,203)</u>	<u>-</u>	<u>(274)</u>	<u>-</u>	<u>(15,477)</u>
Balance on December 31, 2022	<u>\$ 150,135</u>	<u>\$ 80,651</u>	<u>\$ 64,776</u>	<u>\$ 3,767</u>	<u>\$ 299,329</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 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.

## 24. 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, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

### b. Defined benefit plans

The Company completed its privatization plans on August 12, 2005. The Company 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 the Company should be transferred to the Fund for Privatization of Government-owned Enterprises (the "Privatization Fund") under the Executive Yuan. On August 7, 2006, the Company transferred the remaining balance of fund to the Privatization Fund. However, according to the instructions of MOTC, the Company 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.

The Company with the pension mechanism under the Labor Standards Law in the ROC is 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. The Company contributes 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 balance sheets arising from the Company's obligation in respect of its defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Present value of funded defined benefit obligation	\$ 33,295,706	\$ 35,176,705
Fair value of plan assets	<u>(36,311,098)</u>	<u>(36,357,836)</u>
Funded status - surplus	<u>\$ (3,015,392)</u>	<u>\$ (1,181,131)</u>
Net defined benefit liabilities	\$ 2,224,847	\$ 2,188,572
Net defined benefit assets	<u>(5,240,239)</u>	<u>(3,369,703)</u>
	<u>\$ (3,015,392)</u>	<u>\$ (1,181,131)</u>

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

	<b>Present Value of Funded Defined Benefit Obligation</b>	<b>Fair Value of Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Balance on January 1, 2021	\$ 39,220,357	\$ 39,254,971	\$ (34,614)
Current service cost	1,252,188	-	1,252,188
Interest expense / interest income	<u>187,909</u>	<u>194,020</u>	<u>(6,111)</u>
Amounts recognized in profit or loss	<u>1,440,097</u>	<u>194,020</u>	<u>1,246,077</u>
Remeasurement on the net defined benefit liability			
Return on plan assets (excluding amounts included in net interest)	-	497,845	(497,845)
Actuarial gains recognized from changes in demographic assumptions	(439,959)	-	(439,959)
Actuarial losses recognized from experience adjustments	<u>539,452</u>	<u>-</u>	<u>539,452</u>
Amounts recognized in other comprehensive income	<u>99,493</u>	<u>497,845</u>	<u>(398,352)</u>
Contributions from employer	-	1,718,818	(1,718,818)
Benefits paid	(5,307,818)	(5,307,818)	-
Benefits paid directly by the Company	<u>(275,424)</u>	<u>-</u>	<u>(275,424)</u>
Balance on December 31, 2021	35,176,705	36,357,836	(1,181,131)
Current service cost	1,084,494	-	1,084,494
Interest expense / interest income	<u>169,180</u>	<u>180,009</u>	<u>(10,829)</u>
Amounts recognized in profit or loss	<u>1,253,674</u>	<u>180,009</u>	<u>1,073,665</u>

(Continued)

	<b>Present Value of Funded Defined Benefit Obligation</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)	\$ -	\$ 2,948,559	\$ (2,948,559)
Actuarial gains recognized from changes in financial assumptions	227,238	-	227,238
Actuarial losses recognized from experience adjustments	<u>1,604,648</u>	<u>-</u>	<u>1,604,648</u>
Amounts recognized in other comprehensive income	<u>1,831,886</u>	<u>2,948,559</u>	<u>(1,116,673)</u>
Contributions from employer	-	1,547,564	(1,547,564)
Benefits paid	(4,722,870)	(4,722,870)	-
Benefits paid directly by the Company	<u>(243,689)</u>	<u>-</u>	<u>(243,689)</u>
Balance on December 31, 2022	<u>\$ 33,295,706</u>	<u>\$ 36,311,098</u>	<u>\$ (3,015,392)</u> (Concluded)

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

	<b>Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Operating costs	\$ 564,281	\$ 724,629
Marketing expenses	359,627	366,131
General and administrative expenses	85,987	79,929
Research and development expenses	<u>36,594</u>	<u>44,362</u>
	<u>\$ 1,046,489</u>	<u>\$ 1,215,051</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 obligation is referred to the plan participants' future salary. Hence, the increase in plan participants' salary will increase the present value of the defined benefit obligation.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation were carried out by the independent actuary. The principal assumptions used for the purpose of the actuarial valuations were as follows:

	<b>Measurement Date</b>	
	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Discount rates	1.25%	0.50%
Expected rates of salary increase	2.00%	1.20%

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:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Discount rates		
0.5% increase	<u>\$ (982,713)</u>	<u>\$ (1,057,539)</u>
0.5% decrease	<u>\$ 1,041,853</u>	<u>\$ 1,122,272</u>
Expected rates of salary increase		
0.5% increase	<u>\$ 1,116,453</u>	<u>\$ 1,200,983</u>
0.5% decrease	<u>\$ (1,062,627)</u>	<u>\$ (1,141,971)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation 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>2022</b>	<b>2021</b>
The expected contributions to the plan for the next year	<u>\$ 1,535,312</u>	<u>\$ 1,674,299</u>
The average duration of the defined benefit obligation	6.2 years	6.3 years

As of December 31, 2022, the Company's maturity analysis of the undiscounted benefit payments was as follows:

<b>Year</b>	<b>Amount</b>
2023	\$ 2,662,382
2024	6,152,791
2025	9,270,867
2026	10,543,682
2027 and thereafter	<u>36,534,455</u>
	<u>\$ 65,164,177</u>

## 25. EQUITY

### a. Share capital

#### 1) Common stocks

	<b>December 31</b>	
	<b>2022</b>	<b>2021</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 the Company 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, 2022, the outstanding ADSs were 195,211 thousand common stocks, which equaled 19,521 thousand units and represented 2.52% of the Company’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, 2022 and 2021 were as follows:

	Share Premium	Movements of Additional Paid-in Capital for Associates and Joint Ventures 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, 2021	\$ 147,329,386	\$ 186,828	\$ 2,087,957	\$ 987,611	\$ 21,519	\$ 20,648,078	\$ 171,261,379
Unclaimed dividend	-	-	-	-	1,968	-	1,968
Change in additional paid-in capital from investments in subsidiaries, associates and joint ventures accounted for using equity method	-	(437)	-	-	-	-	(437)
Share-based payment transactions of subsidiaries	-	-	16,715	-	-	-	16,715
Balance on December 31, 2021	147,329,386	186,391	2,104,672	987,611	23,487	20,648,078	171,279,625

(Continued)

	Share Premium	Movements of Additional Paid-in Capital for Associates and Joint Ventures 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
Unclaimed dividend	\$ -	\$ -	\$ -	\$ -	\$ 1,632	\$ -	\$ 1,632
Change in additional paid-in capital from investments in subsidiaries, associates and joint ventures accounted for using equity method	-	(12,719)	-	-	-	-	(12,719)
Change in additional paid-in capital for not proportionately participating in the capital increase of subsidiaries	-	-	5,153	-	-	-	5,153
Share-based payment transactions of subsidiaries	-	-	27,207	-	-	-	27,207
Balance on December 31, 2022	<u>\$ 147,329,386</u>	<u>\$ 173,672</u>	<u>\$ 2,137,032</u>	<u>\$ 987,611</u>	<u>\$ 25,119</u>	<u>\$ 20,648,078</u>	<u>\$ 171,300,898</u>

(Concluded)

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 the Company has no deficit, it may be distributed in cash or capitalized, which however is limited to a certain percentage of the Company's paid-in capital 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 the Company's Articles of Incorporation, the Company 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 the Company'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.

The Company should appropriate a special reserve when the net amount of other equity items is negative at the end of reporting period upon the earnings distribution. 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 the Company. This reserve can only be used to offset a deficit, or, when the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of the 2021 and 2020 earnings of the Company approved by the stockholders in their meetings on May 27, 2022 and August 20, 2021, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For Fiscal Year 2021</b>	<b>For Fiscal Year 2020</b>	<b>For Fiscal Year 2021</b>	<b>For Fiscal Year 2020</b>
Special reserve	\$ 408,150	\$ -		
Cash dividends	35,746,314	33,403,565	\$ 4.608	\$ 4.306

The appropriations of earnings for 2022 had been proposed by Chunghwa's Board of Directors on February 24, 2023. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Reversal of special reserve	\$ 185,066	
Cash dividends	36,475,514	\$ 4.702

The appropriations of earnings for 2022 are subject to the resolution of the stockholders' meeting planned to be held on May 26, 2023. Information of the appropriation of the Company'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

	<b>Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Beginning balance	\$ (7,588)	\$1,239,901
Recognized for the year		
Unrealized gain or loss		
Equity instruments	92,444	(1,208,027)
Share from subsidiaries, associates and joint ventures accounted for using the equity method	(209,734)	20,191
Transferred accumulated gain or loss to unappropriated earnings resulting from the disposal of equity instruments (Note 8)	-	(94,588)
Transferred accumulated gain or loss to unappropriated earnings resulting from the disposal of equity instruments by subsidiaries	<u>116</u>	<u>34,935</u>
Ending balance	<u>\$ (124,762)</u>	<u>\$ (7,588)</u>

## 26. REVENUES

	<b>Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Revenue from contracts with customers	<u>\$ 180,117,977</u>	<u>\$ 176,776,902</u>
Other revenues		
Government grants income	990,806	1,037,057
Rental income	956,505	864,375
Others	<u>189,051</u>	<u>165,016</u>
	<u>2,136,362</u>	<u>2,066,448</u>
	<u>\$ 182,254,339</u>	<u>\$ 178,843,350</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

Please refer to Note 38 Segment Information for details.

b. Contract balances

	<b>December 31, 2022</b>	<b>December 31, 2021</b>	<b>January 1, 2021</b>
Trade notes and accounts receivable (Note 9)	<u>\$ 21,449,052</u>	<u>\$ 20,691,664</u>	<u>\$ 19,554,643</u>
Contract assets			
Products and service bundling	\$ 3,036,507	\$ 2,869,419	\$ 2,649,230
Others	299,146	226,979	99,475
Less: Loss allowance	<u>(8,247)</u>	<u>(8,055)</u>	<u>(7,016)</u>
	<u>\$ 3,327,406</u>	<u>\$ 3,088,343</u>	<u>\$ 2,741,689</u>
Current	\$ 2,114,559	\$ 1,982,596	\$ 1,734,081
Noncurrent	<u>1,212,847</u>	<u>1,105,747</u>	<u>1,007,608</u>
	<u>\$ 3,327,406</u>	<u>\$ 3,088,343</u>	<u>\$ 2,741,689</u>
Contract liabilities			
Telecommunications business	\$ 12,137,375	\$ 11,477,270	\$ 11,677,075
Project business	5,940,736	4,779,100	6,012,181
Products and service bundling	7,018	2,936	12,455
Others	<u>385,921</u>	<u>341,016</u>	<u>301,367</u>
	<u>\$ 18,471,050</u>	<u>\$ 16,600,322</u>	<u>\$ 18,003,078</u>
Current	\$ 12,790,467	\$ 11,537,157	\$ 12,661,964
Noncurrent	<u>5,680,583</u>	<u>5,063,165</u>	<u>5,341,114</u>
	<u>\$ 18,471,050</u>	<u>\$ 16,600,322</u>	<u>\$ 18,003,078</u>



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>2022</b>	<b>2021</b>
Contract assets		
Net increase of customer contracts	\$ 2,493,824	\$ 2,398,179
Reclassified to trade receivables	<u>(2,321,884)</u>	<u>(2,154,799)</u>
	<u>\$ 171,940</u>	<u>\$ 243,380</u>
Contract liabilities		
Net increase of customer contracts	\$ 8,126	\$ 220
Recognized as revenues	<u>(4,044)</u>	<u>(9,739)</u>
	<u>\$ 4,082</u>	<u>\$ (9,519)</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 year that was included in the contract liability at the beginning of the year was as follows:

	<b>Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Telecommunications business	\$ 6,596,735	\$ 5,935,769
Project business	3,611,613	4,021,159
Others	<u>216,894</u>	<u>151,470</u>
	<u>\$ 10,425,242</u>	<u>\$ 10,108,398</u>

c. Incremental costs of obtaining contracts

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Noncurrent		
Incremental costs of obtaining contracts	<u>\$ 7,704,427</u>	<u>\$ 6,899,240</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, 2022 and 2021 were \$5,787,729 thousand and \$5,684,693 thousand, respectively.

d. Remaining Performance Obligations

As of December 31, 2022, the aggregate amount of transaction price allocated to performance obligations for non-cancellable telecommunications service contracts that are unsatisfied is \$36,315,028 thousand. The Company recognizes revenue when service is provided over contract terms. The Company expects to recognize such revenue of \$22,038,330 thousand, \$11,101,059 thousand and \$3,175,639 thousand in 2023, 2024 and 2025, 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, 2022, the aggregate amount of transaction price allocated to performance obligations for non-cancellable project business contracts that are unsatisfied is \$22,499,296 thousand. The Company recognizes revenues when the project business contract is completed and accepted by customers. The Company expects to recognize such revenue of \$7,917,242 thousand, \$5,813,434 thousand and \$8,768,620 thousand in 2023, 2024 and 2025, respectively. Project business contracts whose expected duration are less than a year have been excluded from the aforementioned disclosure.

## 27. NET INCOME

a. Other income and expenses

	<b>Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Loss on disposal of property, plant and equipment	\$ (4,585)	\$ (5,603)
Reversal of impairment loss on investment properties	107,467	83,429
Impairment loss on right-of-use assets	<u>-</u>	<u>(420,590)</u>
	<u>\$ 102,882</u>	<u>\$ (342,764)</u>

b. Other income

	<b>Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Dividend income	\$ 150,569	\$ 149,918
Others	<u>104,645</u>	<u>105,527</u>
	<u>\$ 255,214</u>	<u>\$ 255,445</u>

c. Other gains and losses

	<b>Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Foreign currency exchange gain or loss, net	\$ (285,255)	\$ 181,417
Valuation gain (loss) on financial assets and liabilities at fair value through profit or loss, net	(198,534)	243,417

(Continued)

	<b>Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Gain on disposal of investments accounted for using equity method, net	\$ -	\$ 3,239
Others	<u>(10,603)</u>	<u>43,013</u>
	<u>\$ (494,392)</u>	<u>\$ 471,086</u>
		(Concluded)

d. Interest expenses

	<b>Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Interest on bonds payable	\$ 161,427	\$ 131,635
Interest on lease liabilities	59,037	54,991
Interest paid to financial institutions	-	2,509
Others	<u>34</u>	<u>958</u>
	<u>\$ 220,498</u>	<u>\$ 190,093</u>

e. Impairment loss (reversal of impairment loss)

	<b>Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Contract assets	<u>\$ 192</u>	<u>\$ 1,039</u>
Trade notes and accounts receivable	<u>\$ 108,402</u>	<u>\$ 120,961</u>
Other receivables	<u>\$ 7,276</u>	<u>\$ 19,794</u>
Inventories	<u>\$ 9,252</u>	<u>\$ 163,193</u>
Right-of-use assets	<u>\$ -</u>	<u>\$ 420,590</u>
Investment properties	<u>\$ (107,467)</u>	<u>\$ (83,429)</u>

f. Depreciation and amortization expenses

	<b>Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Property, plant and equipment	\$ 28,026,125	\$ 27,115,946
Right-of-use assets	3,567,836	3,590,658
Investment properties	43,754	42,259
Intangible assets	6,545,816	6,475,933
Incremental costs of obtaining contracts	<u>5,787,729</u>	<u>5,684,693</u>
Total depreciation and amortization expenses	<u>\$ 43,971,260</u>	<u>\$ 42,909,489</u>
Depreciation expenses summarized by functions		
Operating costs	\$ 30,281,487	\$ 29,654,574
Operating expenses	<u>1,356,228</u>	<u>1,094,289</u>
	<u>\$ 31,637,715</u>	<u>\$ 30,748,863</u>

(Continued)

	<b>Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Amortization expenses summarized by functions		
Operating costs	\$ 12,220,683	\$ 12,026,219
Marketing expenses	55,187	72,850
General and administrative expenses	40,342	40,179
Research and development expenses	<u>17,333</u>	<u>21,378</u>
	<u>\$ 12,333,545</u>	<u>\$ 12,160,626</u>
		(Concluded)

g. Employee benefit expenses

	<b>Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Post-employment benefit		
Defined contribution plans	\$ 423,972	\$ 378,090
Defined benefit plans	<u>1,046,489</u>	<u>1,215,051</u>
	<u>1,470,461</u>	<u>1,593,141</u>
Other employee benefit		
Salaries	18,138,094	18,321,506
Insurance	1,980,171	2,057,596
Others	<u>12,716,365</u>	<u>12,469,312</u>
	<u>32,834,630</u>	<u>32,848,414</u>
Total employee benefit expenses	<u>\$ 34,305,091</u>	<u>\$ 34,441,555</u>
Summary by functions		
Operating costs	\$ 18,152,527	\$ 19,534,148
Operating expenses	<u>16,152,564</u>	<u>14,907,407</u>
	<u>\$ 34,305,091</u>	<u>\$ 34,441,555</u>

The Company 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, 2022, the payables of the employees' compensation and the remuneration to directors were \$1,498,374 thousand and \$39,480 thousand, respectively. Such amounts have been approved by the Company's Board of Directors on February 24, 2023 and will be reported to the stockholders in their meeting planned to be held on May 26, 2023.

If there is a change in the proposed amounts after the annual 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 2021 and 2020 approved by the Board of Directors on February 23, 2022 and 2021, respectively, were as follows:

	<b>2021</b>	<b>2020</b>
	<b>Cash</b>	<b>Cash</b>
Compensation distributed to the employees	\$ 1,429,000	\$ 1,202,448
Remuneration paid to the directors	38,552	35,803

There was no difference between the initial accrued amounts recognized in 2021 and 2020 and the amounts approved by the Board of Directors in 2022 and 2021 of the aforementioned compensation to employees and the remuneration to directors.

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

## 28. INCOME TAX

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

The major components of income tax expense were as follows:

	<b>Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Current tax		
Current tax expenses recognized for the year	\$ 8,195,651	\$ 7,743,777
Income tax adjustments on prior years	-	(114,270)
Others	<u>6,392</u>	<u>6,883</u>
	8,202,043	7,636,390
Deferred tax		
Deferred tax benefits recognized for the year	<u>229,765</u>	<u>497,487</u>
Income tax recognized in profit or loss	<u>\$ 8,431,808</u>	<u>\$ 8,133,877</u>

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

	<b>Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Income before income tax	<u>\$ 44,908,965</u>	<u>\$ 43,887,456</u>
Income tax expense calculated at the statutory rate	\$ 8,981,793	\$ 8,777,491
Nondeductible income and expenses in determining taxable income	(14,340)	(8,067)
Tax-exempt income	(352,462)	(349,900)
Investment credits	(180,065)	(187,018)
Income tax adjustments on prior years	-	(114,270)
Others	<u>(3,118)</u>	<u>15,641</u>
Income tax expense recognized in profit or loss	<u>\$ 8,431,808</u>	<u>\$ 8,133,877</u>

The applicable tax rate used by the Company is 20%.

### b. Income tax recognized in other comprehensive income

	<b>Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Deferred tax		
Remeasurement on defined benefit pension plan	<u>\$ 223,335</u>	<u>\$ 79,670</u>

c. Current tax liabilities

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Current tax liabilities		
Income tax payable	<u>\$4,580,440</u>	<u>\$4,079,823</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, 2022

	<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 plan	\$ 1,730,449	\$ 1,629	\$ (223,335)	\$ 1,508,743
Allowance for doubtful receivables over quota	263,434	(79,935)	-	183,499
Valuation loss on inventory	164,673	(94,871)	-	69,802
Unrealized foreign exchange loss, net	-	56,175	-	56,175
Estimated warranty liabilities	23,625	6,402	-	30,027
Deferred revenue	48,678	(19,323)	-	29,355
Valuation loss on financial assets	-	23,633	-	23,633
Valuation loss on onerous contracts	26,519	(9,713)	-	16,806
Accrued award credits liabilities	8,935	2,577	-	11,512
Others	<u>4,979</u>	<u>522</u>	<u>-</u>	<u>5,501</u>
	<u>\$ 2,271,292</u>	<u>\$ (112,904)</u>	<u>\$ (223,335)</u>	<u>\$ 1,935,053</u>
<u>Deferred income tax liabilities</u>				
Temporary differences				
Defined benefit pension plan	\$ 1,966,675	\$ 145,147	\$ -	\$ 2,111,822
Land value incremental tax	94,986	-	-	94,986
Deferred revenue for award credits	55,708	14,394	-	70,102
Unrealized foreign exchange gain, net	26,606	(26,606)	-	-
Valuation gain on financial assets	<u>16,074</u>	<u>(16,074)</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,160,049</u>	<u>\$ 116,861</u>	<u>\$ -</u>	<u>\$ 2,276,910</u>

For the year ended December 31, 2021

	<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 plan	\$ 1,803,117	\$ 7,002	\$ (79,670)	\$ 1,730,449
Allowance for doubtful receivables over quota	362,609	(99,175)	-	263,434
Valuation loss on inventory	275,587	(110,914)	-	164,673
Valuation loss on onerous contracts	33,997	(7,478)	-	26,519
Deferred revenue	73,067	(24,389)	-	48,678
Estimated warranty liabilities	16,718	6,907	-	23,625
Accrued award credits liabilities	18,409	(9,474)	-	8,935
Others	<u>40,129</u>	<u>(35,150)</u>	<u>-</u>	<u>4,979</u>
	<u>\$ 2,623,633</u>	<u>\$ (272,671)</u>	<u>\$ (79,670)</u>	<u>\$ 2,271,292</u>
<u>Deferred income tax liabilities</u>				
Temporary differences				
Defined benefit pension plan	\$ 1,810,040	\$ 156,635	\$ -	\$ 1,966,675
Land value incremental tax	94,986	-	-	94,986
Deferred revenue for award credits	30,207	25,501	-	55,708
Unrealized foreign exchange gain, net	-	26,606	-	26,606
Valuation gain on financial assets	<u>-</u>	<u>16,074</u>	<u>-</u>	<u>16,074</u>
	<u>\$ 1,935,233</u>	<u>\$ 224,816</u>	<u>\$ -</u>	<u>\$ 2,160,049</u>

e. All deductible temporary differences were recognized as deferred tax assets in the balance sheets.

f. Income tax examinations

Income tax returns of the Company have been examined by the tax authorities through 2019.

## 29. 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>	
	<u>2022</u>	<u>2021</u>
Net income used to compute the basic earnings per share	\$ 36,477,157	\$ 35,753,579 (Continued)

	<b>Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Assumed conversion of all dilutive potential common stocks		
Employee stock options and employee compensation of subsidiaries	\$ (7,370)	\$ (6,258)
Net income used to compute the diluted earnings per share	<u>\$ 36,469,787</u>	<u>\$ 35,747,321</u> (Concluded)

### **Weighted Average Number of Common Stocks**

(Thousand Shares)

	<b>Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
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>8,342</u>	<u>7,773</u>
Weighted average number of common stocks used to compute the diluted earnings per share	<u>7,765,789</u>	<u>7,765,220</u>

As the Company may settle the employee compensation in shares or cash, the Company 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.

### **30. CASH FLOW INFORMATION**

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

	<b>Year Ended December 31</b>	
<b>Investing activities</b>	<b>2022</b>	<b>2021</b>
Additions of property, plant and equipment	\$ 29,367,206	\$ 34,669,770
Changes in other payables	<u>263,500</u>	<u>(367,613)</u>
Payments for acquisition of property, plant and equipment	<u>\$ 29,630,706</u>	<u>\$ 34,302,157</u>
The carrying amounts of disposal of financial assets at fair value through other comprehensive income	\$ -	\$ 2,637,046
Changes in other current monetary assets	<u>-</u>	<u>270,321</u>
Proceeds from disposal of financial assets at fair value through other comprehensive income	<u>\$ -</u>	<u>\$ 2,907,367</u>



## Financing Activities

	Balance on January 1, 2022	Cash Flows from Financing Activities	Changes in Non-Cash Transactions		Cash Flows from Operation Activities - Interest Paid	Balance on December 31, 2022
			New Leases	Others		
Lease liabilities	<u>\$ 9,956,381</u>	<u>\$(3,368,085)</u>	<u>\$ 3,671,805</u>	<u>\$ (95,617)</u>	<u>\$ (59,037)</u>	<u>\$10,105,447</u>

  

	Balance on January 1, 2021	Cash Flows from Financing Activities	Changes in Non-Cash Transactions		Cash Flows from Operation Activities - Interest Paid	Balance on December 31, 2021
			New Leases	Others		
Lease liabilities	<u>\$ 8,620,647</u>	<u>\$(3,342,213)</u>	<u>\$ 4,918,877</u>	<u>\$ (185,939)</u>	<u>\$ (54,991)</u>	<u>\$ 9,956,381</u>

## 31. CAPITAL MANAGEMENT

The Company manages its capital to ensure that 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 and the equity of the Company.

The Company is 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 suggestion, 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.

## 32. 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.

	<b>December 31</b>			
	<b>2022</b>		<b>2021</b>	
	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Carrying Value</b>	<b>Fair Value</b>
<u>Financial liabilities</u>				
Financial liabilities measured at amortized cost				
Bonds payable	<u>\$ 30,477,357</u>	<u>\$ 30,452,475</u>	<u>\$ 26,976,675</u>	<u>\$ 7,082,090</u>

The fair value of bonds payable is measured using Level 2 inputs. The valuation of fair value is based on the quoted market prices provided by third party pricing services.

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

December 31, 2022

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Derivatives	\$ -	\$ 3,514	\$ -	\$ 3,514
Non-listed stocks	-	-	860,960	860,960
Limited partnership	-	-	93,114	93,114
Film and drama investing agreements	-	-	24,122	24,122
	<u>\$ -</u>	<u>\$ 3,514</u>	<u>\$ 978,196</u>	<u>\$ 981,710</u>
Hedging financial liabilities	<u>\$ -</u>	<u>\$ 12,891</u>	<u>\$ -</u>	<u>\$ 12,891</u>
Financial assets at FVOCI				
Non-listed stocks	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,143,866</u>	<u>\$ 3,143,866</u>

December 31, 2021

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Non-listed stocks	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 884,670</u>	<u>\$ 884,670</u>
Financial assets at FVOCI				
Non-listed stocks	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,058,606</u>	<u>\$ 3,058,606</u>
Financial liabilities at FVTPL				
Derivatives	<u>\$ -</u>	<u>\$ 6,180</u>	<u>\$ -</u>	<u>\$ 6,180</u>
Hedging financial liabilities	<u>\$ -</u>	<u>\$ 8,286</u>	<u>\$ -</u>	<u>\$ 8,286</u>

There were no transfers between Levels 1 and 2 for the years ended December 31, 2022 and 2021.

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

2022

<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, 2022	\$ 884,670	\$ 3,058,606	\$ 3,943,276
Acquisition	323,321	-	323,321
Recognized in profit or loss under “Other gains and losses”	(208,228)	-	(208,228)
Recognized in other comprehensive income under “Unrealized gain or loss on financial assets at fair value through other comprehensive income”	-	92,444	92,444
Proceeds from capital reduction of the investee	<u>(21,567)</u>	<u>(7,184)</u>	<u>(28,751)</u>
Balance on December 31, 2022	<u>\$ 978,196</u>	<u>\$ 3,143,866</u>	<u>\$ 4,122,062</u>
Unrealized gain in 2022	<u>\$ (198,197)</u>		

2021

<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, 2021	\$ 677,202	\$ 4,293,178	\$ 4,970,380
Disposal	-	(1,478)	(1,478)
Recognized in profit or loss under “Other gains and losses”	251,868	-	251,868
Recognized in other comprehensive income under “Unrealized gain or loss on financial assets at fair value through other comprehensive income”	-	(1,233,094)	(1,233,094)
Proceeds from capital reduction of the investee	<u>(44,400)</u>	<u>-</u>	<u>(44,400)</u>
Balance on December 31, 2021	<u>\$ 884,670</u>	<u>\$ 3,058,606</u>	<u>\$ 3,943,276</u>
Unrealized gain in 2021	<u>\$ 233,272</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 and film and drama investing agreements 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 markets, using the income approach, in which the discounted cash flow is used to capture the present value of the expected future economic benefits to be derived from the investments, or using assets approach. The Company originally used the market approach to measure the fair value of its investment in Taipei Financial Center Corp.; however, as the stock market was impacted by COVID-19 pandemic, the multiples of the referenced companies were changed significantly. With continuing impact of COVID-19 pandemic, the Company evaluated that the income approach, instead of the former market approach, would better reflect the future cash flows of Taipei Financial Center Corp. Therefore, the Company changed its valuation technique to the income approach starting from the second quarter of 2021. The significant unobservable inputs used were listed in the below table. An increase in growth rate of long-term revenue, a decrease in discount for the lack of marketability or noncontrolling interests discount, or a decrease in the discount rate would result in increases in the fair values.

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Discount for lack of marketability	20%	20%
Noncontrolling interests discount	25%	25%
Growth rate of long-term revenue	0.19%	0.19%
Discount rate	7.22%~8.80%	8.50%

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 Level 3 financial assets would increase (decrease) as below table.

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Discount for lack of marketability		
5% increase	<u>\$ (26,827)</u>	<u>\$ (23,981)</u>
5% decrease	<u>\$ 26,827</u>	<u>\$ 23,981</u>
Noncontrolling interests discount		
5% increase	<u>\$ (20,921)</u>	<u>\$ (17,351)</u>
5% decrease	<u>\$ 20,921</u>	<u>\$ 17,351</u>
Long-term revenue growth rates		
0.1% increase	<u>\$ 29,506</u>	<u>\$ 25,190</u>
0.1% decrease	<u>\$ (28,938)</u>	<u>\$ (24,733)</u>
Discount rate		
1% increase	<u>\$ (329,863)</u>	<u>\$ (287,845)</u>
1% decrease	<u>\$ 406,648</u>	<u>\$ 350,328</u>

## Categories of Financial Instruments

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Financial assets</u>		
Measured at FVTPL		
Mandatorily measured at FVTPL	\$ 981,710	\$ 884,670
Hedging financial assets	12,891	-
Financial assets at amortized cost (Note a)	64,361,583	54,529,822
Financial assets at FVOCI	3,143,866	3,058,606
<u>Financial liabilities</u>		
Measured at FVTPL		
Held for trading	-	6,180
Hedging financial liabilities	-	8,286
Measured at amortized cost (Note b)	62,675,289	59,949,701

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 trade notes and accounts payable, payables to related parties, partial other payables, customers' deposits and bonds payable 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, 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.

The Company 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>2022</b>	<b>2021</b>
Assets		
USD	\$ 776,107	\$ 749,945
EUR	73,685	40,282
SGD	-	57
JPY	-	624
HKD	6,772	67,992
Liabilities		
USD	660,582	649,400
EUR	853,992	858,843
SGD	2,006,225	1,959,171
JPY	14,371	6,040
HKD	16,922	15,520

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>2022</b>	<b>2021</b>
Assets		
EUR	\$ 16,405	\$ -
Liabilities		
EUR	-	14,466

Foreign currency sensitivity analysis

The Company is mainly exposed to the fluctuations of the currencies USD, EUR, SGD, JPY 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>2022</b>	<b>2021</b>
Profit or loss		
Monetary assets and liabilities (a)		
USD	\$ 5,776	\$ 5,027
EUR	(39,015)	(40,928)

(Continued)

	<b>Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
SGD	\$ (100,311)	\$ (97,956)
JPY	(719)	(271)
HKD	(508)	2,624
Derivatives (b)		
EUR	3,272	12,528
Equity		
Derivatives (c)		
EUR	21,841	10,962
		(Concluded)

- 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:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Fair value interest rate risk		
Financial assets	\$ 34,758,350	\$ 20,221,868
Financial liabilities	40,582,804	36,933,056
Cash flow interest rate risk		
Financial assets	2,558,200	6,883,640

### 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 \$6,396 thousand and \$17,209 thousand for the years ended December 31, 2022 and 2021, respectively. This is mainly attributable to the Company's exposure to floating interest rates on its financial assets.

## 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 for the year ended December 31, 2022 would have increased/decreased by \$47,704 thousand and \$157,193 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL and financial assets at FVOCI, respectively. If equity prices had been 5% higher/lower, pre-tax profit and pre-tax other comprehensive income for the year ended December 31, 2021 would have increased/decreased by \$44,234 thousand and \$152,930 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL and financial assets at FVOCI, respectively.

#### 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 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.

	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
<u>December 31, 2022</u>							
Non-derivative financial liabilities							
Non-interest bearing		\$ 35,717,997	\$ -	\$ 1,537,854	\$ 4,991,461	\$ -	\$ 42,247,312
Fixed interest rate instruments	0.53	-	-	-	21,700,000	8,800,000	30,500,000
		<u>\$ 35,717,997</u>	<u>\$ -</u>	<u>\$ 1,537,854</u>	<u>\$ 26,691,461</u>	<u>\$ 8,800,000</u>	<u>\$ 72,747,312</u>



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

		<b>Less than 1 Year</b>	<b>1-3 Years</b>	<b>3-5 Years</b>	<b>More than 5 Years</b>	<b>Total</b>	
Lease liabilities		<u>\$ 3,052,399</u>	<u>\$ 4,120,872</u>	<u>\$ 2,147,303</u>	<u>\$ 939,857</u>	<u>\$10,260,431</u>	
	<b>Weighted Average Effective Interest Rate (%)</b>	<b>Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>More than 5 Years</b>	<b>Total</b>
<u>December 31, 2021</u>							
Non-derivative financial liabilities							
Non-interest bearing	-	\$ 36,463,144	\$ -	\$ 1,467,552	\$ 4,881,790	\$ -	\$ 42,812,486
Fixed interest rate instruments	0.51	-	-	-	10,700,000	16,300,000	27,000,000
		<u>\$ 36,463,144</u>	<u>\$ -</u>	<u>\$ 1,467,552</u>	<u>\$ 15,581,790</u>	<u>\$ 16,300,000</u>	<u>\$ 69,812,486</u>

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

		<b>Less than 1 Year</b>	<b>1-3 Years</b>	<b>3-5 Years</b>	<b>More than 5 Years</b>	<b>Total</b>
Lease liabilities		<u>\$ 2,926,909</u>	<u>\$ 3,899,914</u>	<u>\$ 1,848,965</u>	<u>\$ 1,409,093</u>	<u>\$10,084,881</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.

		<b>Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>Total</b>
<u>December 31, 2022</u>						
<u>Gross settled</u>						
Forward exchange contracts						
Inflow		\$ -	\$501,175	\$ -	\$ -	\$501,175
Outflow		-	484,770	-	-	484,770
		<u>\$ -</u>	<u>\$ 16,405</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,405</u>
<u>December 31, 2021</u>						
<u>Gross settled</u>						
Forward exchange contracts						
Inflow		\$ -	\$470,395	\$ -	\$ -	\$470,395
Outflow		-	484,861	-	-	484,861
		<u>\$ -</u>	<u>\$ (14,466)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,466)</u>

## 2) Financing facilities

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Unsecured bank loan facilities		
Amount used	\$ -	\$ -
Amount unused	<u>51,386,000</u>	<u>54,994,370</u>
	<u>\$ 51,386,000</u>	<u>\$ 54,994,370</u>

### 33. RELATED PARTIES TRANSACTIONS

The ROC Government, one of the Company's customers, has significant equity interest in the Company. The Company 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:

Company	Relationship
Senao International Co., Ltd. ("SENAO")	Subsidiary
Light Era Development Co., Ltd. ("LED")	Subsidiary
Donghwa Telecom Co., Ltd.	Subsidiary
Chunghwa Telecom Singapore Pte., Ltd. ("CHTS")	Subsidiary
Chunghwa System Integration Co., Ltd. ("CHSI")	Subsidiary
Chunghwa Investment Co., Ltd. ("CHI")	Subsidiary
CHIEF Telecom, Inc. ("CHIEF")	Subsidiary
CHYP Multimedia Marketing & Communications Co., Ltd. ("CHYP")	Subsidiary
Prime Asia Investments Group Ltd. ("Prime Asia")	Subsidiary
Spring House Entertainment Tech. Inc. ("SHE")	Subsidiary
Chunghwa Telecom Global, Inc.	Subsidiary
Chunghwa Telecom Vietnam Co., Ltd.	Subsidiary
Smartfun Digital Co., Ltd.	Subsidiary
Chunghwa Telecom Japan Co., Ltd.	Subsidiary
Chunghwa Sochamp Technology Inc.	Subsidiary
Honghwa International Co., Ltd.	Subsidiary
Chunghwa Leading Photonics Tech. Co., Ltd. ("CLPT")	Subsidiary
Chunghwa Telecom (Thailand) Co., Ltd. ("CHTT")	Subsidiary
CHT Security Co., Ltd. ("CHTSC")	Subsidiary
International Integrated Systems, Inc. ("IISI")	Subsidiary
Senao International (Samoa) Holding Ltd. ("SIS")	Subsidiary of SENAO
Youth Co., Ltd.	Subsidiary of SENAO
Aval Technologies Co., Ltd.	Subsidiary of SENAO
ISPOT Co., Ltd.	Subsidiary of SENAO
Youyi Co., Ltd.	Subsidiary of SENAO
Senyoung Insurance Agent Co., Ltd.	Subsidiary of SENAO
Senaolife Insurance Agent Co., Ltd.	Subsidiary of SENAO
Wiin Technologies Co., Ltd. ("Wiin")	Subsidiary of SENAO
Unigate Telecom Inc.	Subsidiary of CHIEF
Chief International Corp.	Subsidiary of CHIEF
Shanghai Chief Telecom Co., Ltd.	Subsidiary of CHIEF
Chunghwa Precision Test Tech. Co., Ltd. ("CHPT")	Subsidiary of CHI
Chunghwa Precision Test Tech. USA Corporation	Subsidiary of CHPT
CHPT Japan Co., Ltd.	Subsidiary of CHPT
Chunghwa Precision Test Tech. International, Ltd. ("CHPT (International)")	Subsidiary of CHPT
TestPro Investment Co., Ltd. ("TestPro")	Subsidiary of CHPT (Note 1)

(Continued)

<b>Company</b>	<b>Relationship</b>
NavCore Tech Co., Ltd. (“NavCore”)	Subsidiary of TestPro (Note 2)
Senao International HK Limited (“SIHK”)	Subsidiary of SIS
Senao International Trading (Shanghai) Co., Ltd. (“SITS”)	Subsidiary of SIHK (Note 3)
Chunghwa Hsingta Co., Ltd. (“CHC”)	Subsidiary of Prime Asia
Chunghwa Telecom (China) Co., Ltd.	Subsidiary of CHC
Shanghai Taihua Electronic Technology Limited (“STET”)	Subsidiary of CHPT (International)
Su Zhou Precision Test Tech. Ltd.	Subsidiary of CHPT (International)
Infoexplorer International Co., Ltd. (“IESA”)	Subsidiary of IISI
IISI Investment Co., Ltd. (“IICL”)	Subsidiary of IISI (Note 4)
Unitronics Technology Corp.	Subsidiary of IISI
International Integrated Systems (Hong Kong) Limited	Subsidiary of IESA
Leading Tech Co., Ltd. (“LTCL”)	Subsidiary of IICL (Note 4)
Leading Systems Co., Ltd. (“LSCL”)	Subsidiary of LTCL (Note 4)
International Integrated Systems Inc. (Shanghai) (“IISS”)	Subsidiary of LSCL (Note 5)
Taiwan International Standard Electronics Co., Ltd.	Associate
So-net Entertainment Taiwan Limited	Associate
KKBOX Taiwan Co., Ltd.	Associate
KingwayTek Technology Co., Ltd.	Associate
Taiwan International Ports Logistics Corporation	Associate
Senao Networks, Inc.	Associate of SENAO
EnRack Tech. Co., Ltd.	Subsidiary of Senao Networks, Inc.
ST-2 Satellite Ventures Pte., Ltd.	Associate of CHTS
CHT Infinity Singapore Pte. Ltd.	Associate of CHTS
Viettel-CHT Co., Ltd.	Associate
Click Force Co., Ltd.	Associate of CHYP
Alliance Digital Tech Co., Ltd. (“ADT”)	Associate (Note 6)
Chunghwa PChome Fund I Co., Ltd.	Associate
Cornerstone Ventures Co., Ltd.	Associate
Next Commercial Bank Co., Ltd. (“NCB”)	Associate
WiAdvance Technology Corporation	Associate
AgriTalk Technology Inc. (“ATT ”)	Associate of CHI (Note 7)
Imedtac Co., Ltd. (“IME ”)	Associate of CHI (Note 8)
Baohwa Trust Co., Ltd. ( “BHT”)	Associate of CHTSC (Note 9)
Chunghwa SEA Holdings	Joint venture
Other related parties	
Chunghwa Telecom Foundation	A nonprofit organization of which the funds donated by the Company 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.	Substantial related party of SENAO
Cheng Keng Investment Co., Ltd.	Substantial related party of SENAO
Cheng Feng Investment Co., Ltd.	Substantial related party of SENAO
All Oriented Investment Co., Ltd.	Substantial related party of SENAO
Hwa Shun Investment Co., Ltd.	Substantial related party of SENAO

(Continued)

<b>Company</b>	<b>Relationship</b>
Yu Yu Investment Co., Ltd.	Substantial related party of SENAO
Divine Fine Foods & Wine Inc.	Substantial related party of SENAO (Note 10)
Kangsin Co., Ltd.	Substantial related party of SENAO
United Daily News Co., Ltd.	Investor of significant influence over SFD
Shenzhen Century Communication Co., Ltd.	Investor of significant influence over SCT
Advantech Co., Ltd.	Investor of significant influence over IISI (Concluded)

Note 1: CHPT invested and established TestPro in March 2022. CHPT obtained 100% ownership interest of TestPro.

Note 2: TestPro invested and established NavCore in May 2022. TestPro obtained 54.25% ownership interest of NavCore.

Note 3 : SITS completed its liquidation in April 2021.

Note 4 : IICL, LTCL and LSCL completed the cancellation of registration in September 2022.

Note 5 : IISS completed its liquidation in August 2021.

Note 6: ADT completed its liquidation in August 2021. Please refer to Note 13.

Note 7: CHI originally treated ATT as a financial asset at FVOCI. However, as CHI obtained one out of three seats of the Board of Directors of ATT in July 2021 and has significant influence over ATT, CHI reclassified it as an associate.

Note 8: CHI originally treated IME as a financial asset at FVOCI. However, as CHI obtained one out of five seats of the Board of Directors of IME in August 2021 and has significant influence over IME, CHI reclassified it as an associate.

Note 9: CHTSC invested and established BHT in March 2022. CHTSC obtained 40.00% ownership interest of BHT.

Note 10: Divine Fine Foods & Wine Inc. replaced its responsible persons in October 2021. Since then, Divine Fine Foods & Wine Inc. is no longer a related party of the Company.

- b. 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>2022</b>	<b>2021</b>
Subsidiaries	\$ 5,468,345	\$ 7,072,797
Associates	228,112	357,694
Others	<u>3,086</u>	<u>3,308</u>
	<u>\$ 5,699,543</u>	<u>\$ 7,433,799</u>

		<b>Operating Costs and Expenses</b>	
		<b>Year Ended December 31</b>	
		<b>2022</b>	<b>2021</b>
	Subsidiaries	\$ 11,389,004	\$ 10,311,564
	Associates	1,016,124	712,641
	Others	<u>56,287</u>	<u>51,733</u>
		<u>\$ 12,461,415</u>	<u>\$ 11,075,938</u>
2) Non-operating transactions			
		<b>Non-operating Income and</b>	
		<b>(Expenses)</b>	
		<b>Year Ended December 31</b>	
		<b>2022</b>	<b>2021</b>
	Subsidiaries	\$ 791	\$ (25)
	Associates	<u>(8,597)</u>	<u>(7,420)</u>
		<u>\$ (7,806)</u>	<u>\$ (7,445)</u>
3) Receivables			
		<b>December 31</b>	
		<b>2022</b>	<b>2021</b>
	Subsidiaries	\$ 1,182,998	\$ 1,780,838
	Associates	<u>26,308</u>	<u>9,121</u>
		<u>\$ 1,209,306</u>	<u>\$ 1,789,959</u>
4) Payables			
		<b>December 31</b>	
		<b>2022</b>	<b>2021</b>
	Subsidiaries	\$ 3,381,460	\$ 3,070,035
	Associates	<u>333,662</u>	<u>378,224</u>
		<u>\$ 3,715,122</u>	<u>\$ 3,448,259</u>
5) Customers' deposits			
		<b>December 31</b>	
		<b>2022</b>	<b>2021</b>
	Subsidiaries	\$ 15,155	\$ 34,982
	Associates	65,658	15,970
	Others	<u>284</u>	<u>-</u>
		<u>\$ 81,097</u>	<u>\$ 50,952</u>

6) Acquisition of property, plant and equipment

	<b>Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Subsidiaries	\$ 711,318	\$ 604,431
Associates	<u>32,232</u>	<u>397,884</u>
	<u>\$ 743,550</u>	<u>\$ 1,002,315</u>

7) Lease-in agreements

The Company 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. As ST-2 satellite is in good operating condition, the useful life is extended for another 3 years and 3 months after evaluation in 2021. The Board of Directors of the Company approved to extend the lease period accordingly with the original contract terms in December 2021; therefore, the Company acquired right-of-use asset of \$1,124,780 thousand from the aforementioned lease extension.

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Lease liabilities - current	\$ 193,805	\$ 173,306
Lease liabilities - noncurrent	<u>1,760,815</u>	<u>1,740,557</u>
	<u>\$ 1,954,620</u>	<u>\$ 1,913,863</u>

The interest expense recognized for the aforementioned lease liabilities were \$8,165 thousand and \$7,420 thousand for the years ended December 31, 2022 and 2021, 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>2022</b>	<b>2021</b>
Short-term employee benefits	\$ 65,846	\$ 69,204
Post-employment benefits	<u>2,406</u>	<u>2,880</u>
	<u>\$ 68,252</u>	<u>\$ 72,084</u>

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

### 34. 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, 2022 were as follows:

- a. Acquisitions of telecommunications-related inventory and equipment of \$33,772,525 thousand.
- b. 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 the Company on August 15, 1996 (classified as other financial assets - noncurrent). If the fund is not sufficient, the Company will contribute the remaining \$1,000,000 thousand upon notification from the Taipei City Government.
- c. The Company 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, the Company will provide financial support to assist NCB in maintaining a healthy financial condition.

### 35. OTHER MATTERS

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

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

The information of significant assets and liabilities denominated in foreign currencies was as follows:

	<b>December 31, 2022</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	\$ 25,272	30.71	\$ 776,107
EUR	2,252	32.72	73,685
HKD	1,720	3.938	6,772
Non-monetary items			
Investments accounted for using equity method			
USD	55,933	30.71	1,717,713
HKD	179,716	3.938	707,721
JPY	535,285	0.232	124,400
VND	515,206,133	0.001	662,040
RMB	36,961	4.408	162,922
THB	128,186	0.894	114,611

(Continued)

	<b>December 31, 2022</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	\$ 21,510	30.71	\$ 660,582
EUR	26,100	32.72	853,992
SGD	87,685	22.88	2,006,225
JPY	61,838	0.232	14,371
HKD	4,297	3.938	16,922
			(Concluded)

	<b>December 31, 2021</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	\$ 27,093	27.68	\$ 749,945
EUR	1,286	31.32	40,282
SGD	3	20.46	57
JPY	2,596	0.241	624
HKD	19,158	3.549	67,992
Non-monetary items			
Investments accounted for using equity method			
USD	54,986	27.68	1,522,001
HKD	172,876	3.549	613,536
JPY	411,029	0.241	98,852
VND	455,322,761	0.0012	544,111
RMB	35,355	4.344	153,582
THB	119,628	0.8347	99,853

Liabilities denominated in foreign currencies

Monetary items			
USD	23,461	27.68	649,400
EUR	27,422	31.32	858,843
SGD	95,756	20.46	1,959,171
JPY	25,114	0.241	6,040
HKD	4,373	3.549	15,520

The unrealized foreign currency exchange gains and losses were loss of \$301,817 thousand and gain of \$124,824 thousand for the years ended December 31, 2022 and 2021, respectively. Due to the various foreign currency transactions of the Company, foreign exchange gains and losses cannot be disclosed by the respective significant foreign currency.



### **37. 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: None.
- 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 5.
- h. Receivables from related parties amounting to \$100 million or 20% of the paid-in capital: Please see Table 6.
- i. Names, locations, and other information of investees on which the Company exercises significant influence (excluding investment in Mainland China): Please see Table 7.
- j. Derivative instruments transactions: Please see Notes 7, 19 and 32.
- k. Investment in Mainland China: Please see Table 8.
- l. Information of main stakeholders: Please see Table 9.

### **38. SEGMENT INFORMATION**

In response to changes in the operating environment and new business challenges, the Company launched its organizational transformation and redesigned the operational decision-making processes and the performance assessment under the new structure. The aforementioned organizational transformation was effective from January 1, 2022. The Company redefined the reportable segments as "Consumer Business", "Enterprise Business", "International Business" and "Others" and restated the corresponding items of segment information for the comparative period. The reportable segments are managed separately because each segment represents a strategic business unit that serves different customers. 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.

Some operating segments have been aggregated into a single operating segment taking into account the following factors: (a) the type or class of customer for the telecommunications products and services are similar; (b) the nature of the telecommunications products and services are similar; and (c) 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:

	Consumer Business	Enterprise Business	International Business	Others	Total
<u>Year ended December 31, 2022</u>					
Revenues					
From external customers	\$ 110,959,617	\$ 65,181,004	\$ 5,079,008	\$ 1,034,710	\$ 182,254,339
Intersegment revenues	<u>195,362</u>	<u>9,739</u>	<u>166,400</u>	<u>-</u>	<u>371,501</u>
Segment revenues	<u>\$ 111,154,979</u>	<u>\$ 65,190,743</u>	<u>\$ 5,245,408</u>	<u>\$ 1,034,710</u>	<u>182,625,840</u>
Intersegment elimination					<u>(371,501)</u>
Consolidated revenues					<u>\$ 182,254,339</u>
Segment income before income tax	<u>\$ 27,314,209</u>	<u>\$ 15,217,660</u>	<u>\$ 1,645,274</u>	<u>\$ 731,822</u>	<u>\$ 44,908,965</u>
<u>Year ended December 31, 2021</u>					
Revenues					
From external customers	\$ 109,823,194	\$ 63,984,675	\$ 3,953,775	\$ 1,081,706	\$ 178,843,350
Intersegment revenues	<u>171,481</u>	<u>29,216</u>	<u>166,400</u>	<u>-</u>	<u>367,097</u>
Segment revenues	<u>\$ 109,994,675</u>	<u>\$ 64,013,891</u>	<u>\$ 4,120,175</u>	<u>\$ 1,081,706</u>	<u>179,210,447</u>
Intersegment elimination					<u>(367,097)</u>
Consolidated revenues					<u>\$ 178,843,350</u>
Segment income before income tax	<u>\$ 26,744,090</u>	<u>\$ 14,407,145</u>	<u>\$ 1,167,126</u>	<u>\$ 1,569,095</u>	<u>\$ 43,887,456</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:

	Consumer Business	Enterprise Business	International Business	Others	Total
<u>Year ended December 31, 2022</u>					
Share of profits of associates and joint ventures accounted for using equity method	<u>\$ 60,365</u>	<u>\$ 796,127</u>	<u>\$ 515,658</u>	<u>\$ 412,214</u>	<u>\$ 1,784,364</u>
Interest income	<u>\$ 137</u>	<u>\$ 8,285</u>	<u>\$ 2,676</u>	<u>\$ 180,834</u>	<u>\$ 191,932</u>
Interest expenses	<u>\$ 136,386</u>	<u>\$ 76,333</u>	<u>\$ 6,826</u>	<u>\$ 953</u>	<u>\$ 220,498</u>
Depreciation and amortization	<u>\$ 32,640,212</u>	<u>\$ 10,067,228</u>	<u>\$ 1,008,331</u>	<u>\$ 255,489</u>	<u>\$ 43,971,260</u>
Reversal of impairment loss on investment properties	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,467</u>	<u>\$ 107,467</u>
<u>Year ended December 31, 2021</u>					
Share of profits of associates and joint ventures accounted for using equity method	<u>\$ 195,156</u>	<u>\$ 607,749</u>	<u>\$ 333,984</u>	<u>\$ 474,472</u>	<u>\$ 1,611,361</u>
Interest income	<u>\$ -</u>	<u>\$ 1,816</u>	<u>\$ -</u>	<u>\$ 54,655</u>	<u>\$ 56,471</u>
Interest expenses	<u>\$ 119,228</u>	<u>\$ 63,427</u>	<u>\$ 6,594</u>	<u>\$ 844</u>	<u>\$ 190,093</u>
Depreciation and amortization	<u>\$ 31,792,536</u>	<u>\$ 10,136,336</u>	<u>\$ 717,565</u>	<u>\$ 263,052</u>	<u>\$ 42,909,489</u>
Impairment loss on right-of-use assets	<u>\$ 5,346</u>	<u>\$ 382,321</u>	<u>\$ 32,923</u>	<u>\$ -</u>	<u>\$ 420,590</u>
Reversal of impairment loss on investment properties	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,429</u>	<u>\$ 83,429</u>

## Main Products and Service Revenues

	Year Ended December 31	
	2022	2021
Consumer Business		
Mobile services	\$ 55,175,520	\$ 52,328,559
Fixed-line services	42,771,843	42,421,519
Sales	11,738,414	13,574,737
Others	<u>1,273,840</u>	<u>1,498,379</u>
	<u>110,959,617</u>	<u>109,823,194</u>
Enterprise Business		
Fixed-line services	33,121,636	33,271,911
Project business	20,412,957	19,097,773
Mobile services	9,465,830	9,022,102
Others	<u>2,180,581</u>	<u>2,592,889</u>
	<u>65,181,004</u>	<u>63,984,675</u>
International Business		
Fixed-line services	3,469,927	2,939,897
Project business	1,250,761	717,371
Others	<u>358,320</u>	<u>296,507</u>
	<u>5,079,008</u>	<u>3,953,775</u>
Others	<u>1,034,710</u>	<u>1,081,706</u>
	<u>\$ 182,254,339</u>	<u>\$ 178,843,350</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:

	Year Ended December 31	
	2022	2021
Taiwan, ROC	\$ 179,474,677	\$ 176,712,913
Overseas	<u>2,779,662</u>	<u>2,130,437</u>
	<u>\$ 182,254,339</u>	<u>\$ 178,843,350</u>

The Company does not have material noncurrent assets in foreign operations.

## Major Customers

As of December 31, 2022 and 2021, the Company did not have any single customer whose revenue exceeded 10% of the total revenues.

## CHUNGHWA TELECOM CO., LTD. AND INVESTEEES

## ENDORSEMENTS/GUARANTEES PROVIDED

YEAR ENDED DECEMBER 31, 2022

(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	\$ 630,851	\$ 300,000	\$ 300,000	\$ 300,000	\$ -	4.76	\$ 3,154,258	Yes	No	No	Notes 3 and 4
		Wiin Technology Co., Ltd.	b	630,851	200,000	200,000	200,000	-	3.17	3,154,258	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 INVESTEES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2022

(Amounts in Thousands of New Taiwan Dollars)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2022				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	\$ 3,008,391	12	\$ 3,008,391	-
	Innovation Works Development Fund, L.P.	-	Financial assets at FVTPL - noncurrent	-	102,648	4	102,648	-
	Industrial Bank of Taiwan II Venture Capital Co., Ltd. (IBT II)	-	Financial assets at FVOCI	5,252	13,412	17	13,412	-
	Global Mobile Corp.	-	Financial assets at FVOCI	7,617	-	3	-	-
	Innovation Works Limited	-	Financial assets at FVOCI	1,000	2,401	2	2,401	-
	RPTI Intergroup International Ltd.	-	Financial assets at FVOCI	4,765	-	10	-	-
	Taiwan mobile payment Co., Ltd.	-	Financial assets at FVOCI	1,200	4,246	2	4,246	-
	Taiwania Capital Buffalo Fund Co., Ltd.	-	Financial assets at FVTPL - noncurrent	555,600	567,203	13	567,203	-
	4 Gamers Entertainment Inc.	-	Financial assets at FVOCI	136	115,416	19.9	115,416	-
TOP TAIWAN XIV VENTURE CAPITAL CO., LTD.	-	Financial assets at FVTPL - noncurrent	20,000	191,109	9	191,109	-	
	<u>Limited partnership</u>							
	Taiwania Capital Buffalo Fund VI, L.P.	-	Financial assets at FVTPL - noncurrent	-	93,114	10	93,114	-
Senao International Co., Ltd.	<u>Stocks</u>							
	N.T.U. Innovation Incubation Corporation	-	Financial assets at FVOCI	1,200	10,428	9	10,428	-
CHIEF Telecom Inc.	<u>Stocks</u>							
	3 Link Information Service Co., Ltd.	-	Financial assets at FVOCI	374	1,204	10	1,204	-
	WPG Holdings Limited	-	Financial assets at FVTPL - current	9	439	-	439	Note 2
	WPG Holdings Limited	-	Financial assets at FVOCI	2,102	102,998	-	102,998	Note 2
	WT Microelectronics Co., Ltd.	-	Financial assets at FVOCI	361	17,238	-	17,238	Note 2
Chunghwa Investment Co., Ltd.	<u>Stocks</u>							
	Tatung Technology Inc.	-	Financial assets at FVOCI	4,571	46,989	11	46,989	-
	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	2,200	52,800	7	52,800	Note 2
	PChome Online Inc.	-	Financial assets at FVOCI	1,875	99,766	1	99,766	Note 2
	<u>Limited partnership</u>							
	Taiwania Capital Buffalo Fund V, L.P.	-	Financial assets at FVTPL - noncurrent	-	42,007	3	42,007	-
CHT Security Co., Ltd.	<u>Stocks</u>							
	TXOne Networks Inc.	-	Financial assets at FVOCI	91	16,092	-	16,092	-

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

Note 2: Fair value was based on the closing price on December 30, 2022.

## CHUNGHWA TELECOM CO., LTD. AND INVESTEEES

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, 2022  
 (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 Precision Test Tech. Co., Ltd.	<u>Stocks</u> TestPro Investment Co., Ltd.	Investments accounted for using equity method	Invested and established	Subsidiary	-	\$ -	13,500	\$ 135,000	-	\$ -	\$ -	\$ -	13,500	\$ 135,000 (Note)
TestPro Investment Co., Ltd.	<u>Stocks</u> NavCore Tech. Co., Ltd	Investments accounted for using equity method	Invested and established	Subsidiary	-	-	10,850	108,500	-	-	-	-	10,850	108,500 (Note)

Note: Showing at their original investment amounts.

## CHUNGHWA TELECOM CO., LTD. AND INVESTEEES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
 YEAR ENDED DECEMBER 31, 2022  
 (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 Precision Test Tech. Co., Ltd.	Land	2021.01~2022.05	\$ 534,030	Fully paid	Taiwan Powder Technologies Co., Ltd.	-	Not applicable	Not applicable	Not applicable	Not applicable	According to appraisal report	Space requirements for future business expansion and operational considerations	-

## CHUNGHWA TELECOM CO., LTD. AND INVESTEEES

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, 2022  
 (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	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance (Notes 2)	% to Total
Chunghwa Telecom Co., Ltd.	Senao International Co., Ltd.	Subsidiary	Sales	\$ 3,961,183	2	30 days	\$ -	-	\$ 411,867	2
			Purchase	1,010,242	1	30-90 days	-	-	(951,467)	(6)
	Aval Technologies Co., Ltd.	Subsidiary	Purchase	345,739	-	30 days	-	-	(20,066)	-
			Sales	482,253	-	30 days	-	-	60,896	-
	CHIEF Telecom Inc.	Subsidiary	Purchase	100,884	-	60 days	-	-	(29,434)	-
			Purchase	1,383,311	1	30 days	-	-	(548,279)	(3)
	CHYP Multimedia Marketing & Communications Co., Ltd.	Subsidiary	Purchase	144,904	-	30 days	-	-	(70,901)	-
			Purchase	6,398,667	6	30-60 days	-	-	(889,437)	(6)
	Honghwa International Co., Ltd.	Subsidiary	Purchase	181,714	-	30 days	-	-	43,519	-
			Sales	526,207	-	90 days	-	-	(136,772)	(1)
	Donghwa Telecom Co., Ltd.	Subsidiary	Sales	130,426	-	90 days	-	-	20,368	-
			Purchase	314,688	-	90 days	-	-	(45,523)	-
	Chunghwa Telecom Global, Inc.	Subsidiary	Purchase	365,383	-	30 days	-	-	(132,146)	(1)
			Purchase	644,072	1	30 days	-	-	(105,962)	(1)
	CHT Security Co., Ltd.	Subsidiary	Sales	137,915	-	90 days	-	-	41,775	-
			Purchase	153,022	-	30-60 days	-	-	15,663	-
International Integrated Systems, Inc.	Subsidiary	Sales	811,060	1	30-90 days	-	-	(274,242)	(2)	
		Purchase	102,505	-	30 days	-	-	(12,310)	-	
Senao International Co., Ltd.	Aval Technologies Co., Ltd.	Subsidiary	Sales	354,836	1	60 days	-	-	54,984	3
			Purchase	239,559	1	30 days	-	-	(12,561)	(1)
CHIEF Telecom Inc.	So-net Entertainment Taiwan Limited	Associate	Sales	141,493	5	30 days	-	-	24,244	11
Aval Technologies Co., Ltd.	Youth Co., Ltd.	Fellow subsidiary	Sales	129,705	-	30 days	-	-	16,404	1
			Sales	105,031	-	30 days	-	-	13,907	1
CHIEF Telecom Inc.	ISLOT Co., Ltd.	Fellow subsidiary	Sales	105,031	-	30 days	-	-	13,907	1
Chunghwa Precision Test Tech. Co., Ltd.	Su Zhou Precision Test Tech. Ltd.	Subsidiary	Sales	185,105	4	90 days	-	-	39,884	5

Note 1: Purchases include costs to acquire services.

Note 2: Notes and accounts receivable did not include the amounts collected for others and other receivables.

Note 3: 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.



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

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

**DECEMBER 31, 2022**

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

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate (Note)	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amounts	Action Taken		
Chunghwa Telecom Co., Ltd.	Senao International Co., Ltd.	Subsidiary	\$ 553,907	11.07	\$ -	-	\$ 542,039	\$ -
Senao International Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	1,096,214	8.10	-	-	80,373	-
Chunghwa System Integration Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	547,598	3.97	-	-	304,798	-
Honghwa International Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	888,955	7.30	-	-	159,406	-
CHT Security Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	132,146	4.13	-	-	100,210	-
CHYP Multimedia Marketing & Communications Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	106,751	2.89	-	-	65,982	-
Donghwa Telecom Co., Ltd.	Chunghwa Telecom Co., Ltd.	Parent company	136,772	3.10	-	-	43,210	-

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

## 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, 2022

(Amounts in Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2022			Net Income (Loss) of the Investee	Recognized Gain (Loss) (Notes 1, 2 and 3)	Note
				December 31, 2022	December 31, 2021	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	\$ 1,727,055	\$ 658,038	\$ 177,150	Subsidiary
	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	3,839,742	20,995	13,323	Subsidiary
	Donghwa Telecom Co., Ltd.	Hong Kong	International private leased circuit, IP VPN service, and IP transit services	691,163	691,163	178,590	100	707,721	26,033	26,033	Subsidiary
	Chunghwa Telecom Singapore Pte., Ltd.	Singapore	International private leased circuit, IP VPN service, and IP transit services	574,112	574,112	26,383	100	1,120,634	250,922	250,982	Subsidiary
	Chunghwa System Integration Co., Ltd.	Taiwan	Providing system integration services and telecommunications equipment	838,506	838,506	60,000	100	718,130	32,836	25,296	Subsidiary
	CHIEF Telecom Inc.	Taiwan	Network integration, internet data center ("IDC"), communications integration and cloud application services	459,652	459,652	39,426	56	1,983,440	836,809	480,237	Subsidiary
	Chunghwa Investment Co., Ltd.	Taiwan	Investment	639,559	639,559	68,085	89	3,176,735	246,304	219,339	Subsidiary
	Prime Asia Investments Group Ltd.	British Virgin Islands	Investment	385,274	385,274	1	100	162,922	7,100	7,100	Subsidiary
	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	739,508	464,271	438,179	Subsidiary
	CHYP Multimedia Marketing & Communications Co., Ltd.	Taiwan	Digital information supply services and advertisement services	150,000	150,000	15,000	100	204,188	22,296	22,846	Subsidiary
	Chunghwa Telecom Vietnam Co., Ltd.	Vietnam	Intelligent energy saving solutions, international circuit, and information and communication technology ("ICT") services	148,275	148,275	-	100	103,508	(764)	(764)	Subsidiary
	Chunghwa Telecom Global, Inc.	United States	International private leased circuit, internet services, and transit services	70,429	70,429	6,000	100	597,080	79,803	80,191	Subsidiary
	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	73	405,032	201,332	133,820	Subsidiary
	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	114,611	7,322	7,322	Subsidiary
	Spring House Entertainment Tech. Inc.	Taiwan	Software design services, internet contents production and play, and motion picture production and distribution	62,209	62,209	8,251	56	158,406	44,541	24,961	Subsidiary
	Chunghwa leading Photonics Tech Co., Ltd.	Taiwan	Production and sale of electronic components and finished products	70,500	70,500	7,050	75	150,071	37,590	28,192	Subsidiary
	Smartfun Digital Co., Ltd.	Taiwan	Providing diversified family education digital services	65,000	65,000	6,500	65	81,764	19,479	12,388	Subsidiary
	Chunghwa Telecom Japan Co., Ltd.	Japan	International private leased circuit, IP VPN service, and IP transit services	17,291	17,291	1	100	124,400	28,268	28,268	Subsidiary
	Chunghwa Sochamp Technology Inc.	Taiwan	Design, development and production of Automatic License Plate Recognition software and hardware	20,400	20,400	2,040	37	(2,217)	(3,575)	(2,462)	Subsidiary
	International Integrated Systems, Inc.	Taiwan	IT solution provider, IT application consultation, system integration and package solution	517,423	517,423	37,211	51	642,709	191,147	112,461	Subsidiary
	Viettel-CHT Co., Ltd.	Vietnam	IDC services	288,327	288,327	-	30	558,532	389,161	116,780	Associate

(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, 2022  
 (Amounts in Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2022			Net Income (Loss) of the Investee	Recognized Gain (Loss) (Notes 1, 2 and 3)	Note
				December 31, 2022	December 31, 2021	Shares (Thousands)	Percentage of Ownership (%)	Carrying Value (Note 3)			
	Taiwan International Standard Electronics Co., Ltd.	Taiwan	Manufacturing, selling, designing, and maintaining of telecommunications systems and equipment	\$ 164,000	\$ 164,000	1,760	40	\$ 296,501	\$ 162,479	\$ 84,401	Associate
	KKBOX Taiwan Co., Ltd.	Taiwan	Providing of music on-line, software, electronic information, and advertisement services	67,025	67,025	4,438	30	173,634	38,348	11,504	Associate
	So-net Entertainment Taiwan Limited	Taiwan	Online service and sale of computer hardware	120,008	120,008	9,429	30	228,184	35,925	10,777	Associate
	KingwayTek Technology Co., Ltd.	Taiwan	Design and sale of digital map, technical support for computer peripherals device, design and development of system programming projects	66,684	66,684	10,512	23	267,125	78,927	18,316	Associate
	Taiwan International Ports Logistics Corporation	Taiwan	Import and export storage, logistic warehouse, and ocean shipping service	80,000	80,000	8,000	27	101,078	116,075	30,957	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	277,776	133,610	66,805	Associate
	Cornerstone Ventures Co., Ltd.	Taiwan	Investment, venture capital, investment advisor, management consultant and other consultancy service	4,900	4,900	490	49	6,743	315	155	Associate
	Next Commercial Bank Co., Ltd.	Taiwan	Online banking business	4,190,000	4,190,000	419,000	42	3,173,309	(1,004,331)	(414,635)	Associate
	Chunghwa SEA Holdings	Taiwan	Investment business	10,200	10,200	1,020	51	9,677	(501)	(255)	Joint venture
	WiAdvance Technology Corporation	Taiwan	Software solution integration	273,800	273,800	3,700	20	227,868	(94,522)	(25,344)	Associate
Senao International Co., Ltd.	Senao Networks, Inc.	Taiwan	Telecommunication facilities manufactures and sales	202,758	202,758	16,579	34	1,395,858	1,064,850	359,842	Associate
	Senao International (Samoa) Holding Ltd.	Samoa Islands	International investment	2,046,143	2,046,143	1,191	100	36,848	278	278	Subsidiary
	Youth Co., Ltd.	Taiwan	Sale of information and communication technologies products	427,850	427,850	14,752	96	180,344	(10,463)	(16,082)	Subsidiary
	Aval Technologies Co., Ltd.	Taiwan	Sale of information and communication technologies products	89,550	89,550	11,660	100	129,560	9,945	9,946	Subsidiary
	Senyoung Insurance Agent Co., Ltd.	Taiwan	Property and liability insurance agency	59,000	59,000	5,900	100	100,817	33,444	33,450	Subsidiary
CHIEF Telecom Inc.	Unigate Telecom Inc.	Taiwan	Telecommunications and internet service	2,000	2,000	200	100	1,213	134	134	Subsidiary
	Chief International Corp.	Samoa Islands	Telecommunications and internet service	6,068	6,068	200	100	101,660	8,450	8,450	Subsidiary
Chunghwa Telecom Singapore Pte., Ltd.	ST-2 Satellite Ventures Pte., Ltd.	Singapore	Operation of ST-2 telecommunications satellite	21,309	409,061	943	38	246,815	517,590	196,684	Associate
	CHT Infinity Singapore Pte. Ltd.	Singapore	Investment business	55,720	55,720	2,000	40	62,948	4,808	1,923	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	2,700,070	770,620	263,929	Subsidiary
	CHIEF Telecom Inc.	Taiwan	Network integration, internet data center ("IDC"), communications integration and cloud application services	19,064	19,064	2,078	3	97,306	836,809	24,616	Associate
	Senao International Co., Ltd.	Taiwan	Selling and maintaining mobile phones and its peripheral products	49,731	49,731	1,001	-	45,196	658,038	2,551	Associate
	AgriTalk Technology Inc.	Taiwan	Providing smart agricultural solutions, scientific agricultural product, biological inhibitor, and biochips	65,175	33,000	3,300	29	34,738	(8,500)	(757)	Associate
	Imedtac Co., Ltd.	Taiwan	Providing medical AIoT solution, biomedical engineering services, and sales of medical device as an agent	48,000	48,000	960	7	40,866	(36,145)	(4,568)	Associate
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	74,192	74,192	2,600	100	99,700	4,996	4,996	Subsidiary

(Continued)

## CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEs IN WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INVESTMENT IN MAINLAND CHINA)  
 YEAR ENDED DECEMBER 31, 2022  
 (Amounts in Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2022			Net Income (Loss) of the Investee	Recognized Gain (Loss) (Notes 1, 2 and 3)	Note
				December 31, 2022	December 31, 2021	Shares (Thousands)	Percentage of Ownership (%)	Carrying Value (Note 3)			
	CHPT Japan Co., Ltd.	Japan	Related services of electronic parts, machinery processed products and printed circuit board	\$ 2,008	\$ 2,008	1	100	\$ 2,255	\$ 67	\$ 67	Subsidiary
	Chunghwa Precision Test Tech. International, Ltd.	Samoa Islands	Wholesale and retail of electronic materials, and investment	173,649	173,649	5,700	100	168,997	11,138	11,856	Subsidiary
	TestPro Investment Co., Ltd.	Taiwan	Investment	135,000	-	13,500	100	98,422	(13,775)	(34,429)	Subsidiary
TestPro Investment Co., Ltd.	NavCore Tech. Co., Ltd.	Taiwan	Sale and manufacturing of smart equipment, smart factory software and hardware integration and technical consulting service	108,500	-	10,850	54	92,692	(25,177)	(13,659)	Subsidiary
Prime Asia Investments Group, Ltd.	Chunghwa Hsingta Co., Ltd.	Hong Kong	Investment	375,274	375,274	1	100	162,922	7,100	7,100	Subsidiary
Senao International (Samoa) Holding Ltd.	Senao International HK Limited	Hong Kong	International investment	2,060,467	2,060,467	80,440	100	34,207	-	-	Subsidiary
Youth Co., Ltd.	ISPOt Co., Ltd.	Taiwan	Sale of information and communication technologies products	53,021	53,021	-	100	14,131	2,420	2,228	Subsidiary
	Youyi Co., Ltd.	Taiwan	Maintenance of information and communication technologies products	21,354	21,354	-	100	5,150	(2,013)	(12,474)	Subsidiary
Aval Technologies Co., Ltd.	Wiin Technology Co., Ltd.	Taiwan	Sale of information and communication technologies products	29,550	29,550	3,845	100	45,810	6,370	6,370	Subsidiary
Senyoung Insurance Agent Co., Ltd.	Senaolife Insurance Agent Co., Ltd.	Taiwan	Life insurance services	29,500	29,500	2,950	100	21,804	(1,685)	(1,685)	Subsidiary
CHYP Multimedia Marketing & Communications Co., Ltd.	Click Force Marketing Company	Taiwan	Advertisement services	44,607	44,607	1,401	49	40,932	14,887	7,079	Associate
International Integrated Systems, Inc.	Infoexplorer International Co., Ltd.	Samoa	Investment	24,806	24,806	795	100	28,893	(44)	(44)	Subsidiary
	IISI Investment Co., Ltd.	Mauritius	Investment	-	81,302	-	-	-	4,013	4,013	Subsidiary (Note 5)
	Unitronics Technology Corp.	Taiwan	Development and maintenance of information system	55,569	55,569	5,065	99.96	83,036	8,085	8,082	Subsidiary
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	28,887	(44)	(44)	Subsidiary
IISI Investment Co., Ltd.	Leading Tech Co., Ltd.	Mauritius	Investment	-	65,374	-	-	-	3,774	3,774	Subsidiary (Note 5)
Leading Tech Co., Ltd.	Leading Systems Co., Ltd.	Mauritius	Investment	-	100,693	-	-	-	24	24	Subsidiary (Note 5)
CHT Security Co., Ltd.	Baohwa Trust Co., Ltd.	Taiwan	VR integration and AIoT security services	20,000	-	2,000	40	13,267	(16,833)	(6,733)	Associate

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 8.

Note 5: IICL, LTCL and LSCL completed the cancellation of registration in September 2022.

(Concluded)

## CHUNGHWA TELECOM CO., LTD. AND INVESTEEES

INVESTMENTS IN MAINLAND CHINA  
YEAR ENDED DECEMBER 31, 2022  
(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, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022	Note
					Outflow	Inflow							
Senao International Trading (Shanghai) Co., Ltd.	Sale of information and communication technologies products	\$ 955,838	2	\$ 955,838	\$ -	\$ -	\$ 955,838	\$ -	100	\$ -	\$ -	\$ -	Note 8
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	(4,725)	100	(4,725)	-	-	Note 10
Jiangsu Zhenghua Information Technology Company, LLC	Providing intelligent energy saving solution and intelligent buildings services	189,410	2	142,057	-	-	142,057	-	75	-	-	-	Note 9
Shanghai Taihua Electronic Technology Limited	Design of printed circuit board and related consultation service	51,233	2	51,233	-	-	51,233	176	100	176	9,231	-	
Su Zhou Precision Test Tech. Ltd.	Assembly processed of circuit board, design of printed circuit board and related consultation service	119,199	2	119,199	-	-	119,199	10,983	100	10,983	162,919	-	
Shanghai Chief Telecom Co., Ltd.	Telecommunications and internet service	10,150	1	4,973	-	-	4,973	871	49	428	14,459	-	
International Integrated Systems Inc. (Shanghai)	Development and maintenance of information system	48,753	2	39,923	-	15,701	24,222	-	100	-	-	-	Note 11

(Continued)

Investee	Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Stipulated by Investment Commission, MOEA
SENAO and its subsidiaries (Note 3)	\$ 955,838	\$ 2,047,858	\$ 3,792,099
Chunghwa Telecom (China) Co., Ltd. (Note 4)	177,176	177,176	236,267,056
Jiangsu Zhenghua Information Technology Company, LLC (Note 4)	142,057	142,057	236,267,056
Chunghwa Precision Test Tech Co., Ltd and its subsidiaries (Note 5)	170,432	216,185	4,775,580
Shanghai Chief Telecom Co., Ltd. (Note 6)	4,973	4,973	1,996,687
IISI and its subsidiaries (Note 7)	24,222	39,923	715,297

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: Senao International Trading (Shanghai) Co., Ltd. completed its liquidation in April 2021.

Note 9: Jiangsu Zhenhua Information Technology Company, LLC. completed its liquidation in December 2018.

Note 10: Chunghwa Telecom (China) Co., Ltd. completed its liquidation in October 2022..

Note 11: International Integrated Systems Inc. (Shanghai) completed its liquidation in August 2021.

(Concluded)

**TABLE 9****CHUNGHWA TELECOM CO., LTD.****INFORMATION OF MAJOR STOCKHOLDERS  
DECEMBER 31, 2022**

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.	416,466,184	5.36

Note: This table presents information provided by the Taiwan Depository & Clearing Corporation on stockholders holding greater than 5% of Chungwa'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.

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**STATEMENT 1****CHUNGHWA TELECOM CO., LTD.****STATEMENT OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

<b>Item</b>	<b>Period</b>	<b>Annual Interest Rate / Earnings Rate</b>	<b>Amount</b>
Cash			
Cash on hand			\$ <u>126,582</u>
Bank deposits			
Checking deposits			747,559
Demand deposits			<u>2,558,200</u>
			<u>3,432,341</u>
Cash equivalents			
Commercial paper			
Dah Chung Bills Finance Corporation	2022.11.04~2023.01.18	1.04%~1.30%	3,133,226
Grand Bills Finance Corporation	2022.12.14~2023.01.18	1.04%~1.08%	2,990,210
Ta Ching Bills Finance Corporation	2022.12.14~2023.01.18	1.03%~1.09%	2,303,509
China Bills Finance Corporation	2022.12.09~2023.01.18	1.02%~1.09%	2,263,655
Taiwan Finance Corporation	2022.11.04~2023.01.18	1.04%~1.24%	1,881,006
International Bills Finance Corporation	2022.12.05~2023.01.13	1.02%~1.09%	1,794,016
Mega Bills Finance Co., Ltd	2022.12.12~2023.01.18	1.02%~1.09%	1,705,268
Taiwan Cooperative Bills Finance Corporation	2022.11.30~2023.01.18	1.04%~1.10%	1,694,297
CTBC Bank Co., Ltd.	2022.12.28~2023.01.13	0.90%	849,125
Taishin International Bank Co., Ltd.	2022.12.12~2023.01.04	1.02%	<u>429,409</u>
			<u>19,043,721</u>
Negotiable certificates of deposit	2022.10.21~2023.03.30	1.20%~1.45%	<u>15,500,000</u>
			<u>34,543,721</u>
			<u>\$ 37,976,062</u>

Note: Including USD9,262 thousand @30.71, EUR2,252 thousand @32.72 and HKD1,720 thousand @3.938.

## CHUNGHWA TELECOM CO., LTD.

STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS-NONCURRENT  
 FOR THE YEAR ENDED DECEMBER 31, 2022  
 (In Thousands of New Taiwan Dollars)

Investee Company	Balance, January 1, 2022		Additions in Investment		Decrease in Investment		Balance, December 31, 2022			Note
	Shares (In Thousand)	Amount	Shares (In Thousand)	Amount	Shares (In Thousand)	Amount	Shares (In Thousand)	Percentage of Ownership (%)	Amount	
Financial assets at fair value through profit or loss										
Taiwania Capital Buffalo Fund Co., Ltd.	555,600	\$ 647,998	-	\$ -	-	\$ 80,795	555,600	12.90	\$ 567,203	Note 1
TOP TAIWAN XIV VENTURE CAPITAL CO., LTD.	-	-	20,000	191,109	-	-	20,000	9.17	191,109	Note 2
Innovation Works Development Fund, L.P.	-	236,672	-	-	-	134,024	-	3.55	102,648	Notes 1 and 3
Taiwania Capital Buffalo Fund VI, L.P.	-	-	-	93,114	-	-	-	10.00	93,114	Note 2
Film and drama investing agreements	-	-	-	24,122	-	-	-	-	24,122	Note 2
		<u>\$ 884,670</u>		<u>\$ 308,345</u>		<u>\$ 214,819</u>			<u>\$ 978,196</u>	

Note 1: Decrease in investment was fair value adjustments.

Note 2: Additions in investment were the investment in a new company and fair value adjustments.

Note 3: Decrease in investment was cash refund from capital reduction.

**CHUNGHWA TELECOM CO., LTD.****STATEMENT OF TRADE NOTES AND ACCOUNTS RECEIVABLE, NET  
DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Mobile broadband services revenue	\$ 6,925,685
Project services revenue	4,531,261
Leased line services revenue	3,860,717
Internet and value-added services revenue	2,326,745
Local telephone services revenue	1,867,430
Others (Note)	<u>3,272,992</u>
	22,784,830
Less: Loss allowance	<u>(1,335,778)</u>
	<u>\$21,449,052</u>

Note: The amount of individual item included in others does not exceed 5% of the account balance.

**CHUNGHWA TELECOM CO., LTD.****STATEMENT OF INVENTORIES****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

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Item	Amount	
	Cost	Market Price (Note)
Merchandise	\$ 1,026,261	\$ 1,381,961
Project in process	<u>3,876,742</u>	<u>5,519,182</u>
	<u>\$ 4,903,003</u>	<u>\$ 6,901,143</u>

Note: Amount of net realizable value.

## CHUNGHWA TELECOM CO., LTD.

STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME-NONCURRENT  
 FOR THE YEAR ENDED DECEMBER 31, 2022  
 (In Thousands of New Taiwan Dollars)

Investee Company	Balance, January 1, 2022		Additions in Investment		Decrease in Investment		Balance, December 31, 2022			Note
	Shares (In Thousand)	Amount	Shares (In Thousand)	Amount	Shares (In Thousand)	Amount	Shares (In Thousand)	Percentage of Ownership (%)	Amount	
Financial assets at fair value through other comprehensive income										
Non-listed stocks										
Taipei Financial Center Corp.	172,927	\$ 2,911,585	-	\$ 96,806	-	\$ -	172,927	11.76	\$ 3,008,391	Note 1
4 Gamers Entertainment Inc.	136	123,432	-	-	-	8,016	136	19.93	115,416	Note 1
Industrial Bank of Taiwan II Venture Capital Co., Ltd. (IBT II)	5,252	15,475	-	-	-	2,063	5,252	16.67	13,412	Note 1
Taiwan mobile payment Co., Ltd.	1,200	4,197	-	49	-	-	1,200	2.00	4,246	Note 1
Innovation Works Limited	1,000	3,917	-	5,668	-	7,184	1,000	1.93	2,401	Note 2
Global Mobile Corp.	7,617	-	-	-	-	-	7,617	2.76	-	
RPTI Intergroup International Ltd.	4,765	-	-	-	-	-	4,765	10.19	-	
		<u>\$ 3,058,606</u>		<u>\$ 102,523</u>		<u>\$ 17,263</u>			<u>\$ 3,143,866</u>	

Note 1: Change in investment was fair value adjustments.

Note 2: Addition in investment was fair value adjustments. Decrease in investment was cash refund from capital reduction.

## CHUNGHWA TELECOM CO., LTD.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)

Investee Company	Balance, January 1, 2022		Additions in Investment		Decrease in Investment		Increase (Decrease) in Using the Equity Method	Balance, December 31, 2022			Market Value / Net Asset Value	Note
	Shares (In Thousand)	Amount	Shares (In Thousand)	Amount	Shares (In Thousand)	Amount		Shares (In Thousand)	Percentage of Ownership (%)	Amount		
Investments accounted for using equity method												
Subsidiaries												
Listed stocks												
Senao International Co., Ltd.	71,773	\$ 211,023	-	\$ -	-	\$ 143,546	\$ (10,782)	71,773	28	\$ 56,695	\$ 2,203,431	Notes 2 and 3
CHIEF Telecom Inc.	39,426	1,845,072	-	-	-	366,660	505,028	39,426	56	1,983,440	11,078,706	Notes 2 and 3
Non-listed stocks												
Light Era Development Co., Ltd.	300,000	3,856,921	-	-	-	30,502	13,323	300,000	100	3,839,742	3,878,164	Notes 1 and 3
Chunghwa Investment Co., Ltd.	68,085	3,202,188	-	-	-	34,043	8,590	68,085	89	3,176,735	3,252,190	Notes 1 and 3
Chunghwa Telecom Singapore Pte., Ltd.	26,383	1,057,720	-	-	-	279,767	342,681	26,383	100	1,120,634	1,120,686	Notes 1 and 3
Honghwa International Co., Ltd.	18,000	616,610	-	-	-	322,890	436,364	18,000	100	730,084	818,163	Notes 1 and 3
Chunghwa System Integration Co., Ltd.	60,000	716,992	-	-	-	25,890	27,028	60,000	100	718,130	683,033	Notes 1 and 3
Donghwa Telecom Co., Ltd.	178,590	613,536	-	-	-	-	94,185	178,590	100	707,721	707,721	Note 1
International Integrated Systems, Inc.	37,211	586,133	-	-	-	61,397	117,973	37,211	51	642,709	608,224	Notes 1 and 3
Chunghwa Telecom Global, Inc.	6,000	464,281	-	-	-	-	132,799	6,000	100	597,080	591,067	Note 1
CHT Security Co., Ltd.	24,000	375,827	-	-	-	109,980	139,185	24,000	73	405,032	463,796	Notes 1 and 3
CHYP Multimedia Marketing & Communications Co., Ltd.	15,000	201,424	-	-	-	20,082	22,846	15,000	100	204,188	202,988	Notes 1 and 3
Prime Asia Investments Group Ltd.	1	153,582	-	-	-	-	9,340	1	100	162,922	162,922	Note 1
Spring House Entertainment Tech. Inc.	8,251	143,613	-	-	-	10,726	25,519	8,251	56	158,406	142,671	Notes 1 and 3
Chunghwa Leading Photonics Tech. Co., Ltd.	7,050	121,879	-	-	-	-	28,192	7,050	75	150,071	151,905	Note 1
Chunghwa Telecom Japan Co., Ltd.	1	98,852	-	-	-	-	25,548	1	100	124,400	124,400	Note 1
Chunghwa Telecom (Thailand) Co., Ltd.	1,300	99,853	-	-	-	-	14,758	1,300	100	114,611	114,611	Note 1
Chunghwa Telecom Vietnam Co., Ltd.	-	97,014	-	-	-	-	6,494	-	100	103,508	103,508	Note 1
Smartfun Digital Co., Ltd.	6,500	79,876	-	-	-	10,500	12,388	6,500	65	81,764	82,334	Notes 1 and 3
Chunghwa Sochamp Technology Inc.	2,040	(4,908)	-	-	-	-	2,691	2,040	37	(2,217)	6,554	Note 1
		<u>14,537,488</u>				<u>1,415,983</u>	<u>1,954,150</u>			<u>15,075,655</u>		
Associates												
Listed stocks												
KingwayTek Technology Co., Ltd.	9,557	258,943	955	-	-	8,410	16,592	10,512	23	267,125	804,187	Notes 2, 3 and 4
Non-listed stocks												
Next Commercial Bank Co., Ltd.	419,000	3,592,054	-	-	-	-	(418,745)	419,000	42	3,173,309	3,208,839	Note 1
Viettel-CHT Co., Ltd.	-	447,097	-	-	-	40,850	152,285	-	30	558,532	558,532	Notes 1 and 3
Taiwan International Standard Electronics Co., Ltd.	1,760	347,269	-	-	-	136,527	85,759	1,760	40	296,501	340,066	Notes 1 and 3
Chunghwa PChome Fund I Co., Ltd.	20,000	222,491	-	-	-	11,520	66,805	20,000	50	277,776	277,776	Notes 1 and 3
So-net Entertainment Taiwan Limited	9,429	217,021	-	-	-	-	11,163	9,429	30	228,184	210,329	Note 1
WiAdvance Technology Corporation	3,700	253,873	-	-	-	-	(26,005)	3,700	20	227,868	45,380	Note 1
KKBOX Taiwan Co., Ltd.	4,438	157,524	-	-	-	-	16,110	4,438	30	173,634	134,394	Note 1
Taiwan International Ports Logistics Corporation	8,000	70,121	-	-	-	-	30,957	8,000	27	101,078	101,078	Note 1
Cornerstone Ventures Co., Ltd.	490	6,588	-	-	-	-	155	490	49	6,743	6,743	Note 1
		<u>5,572,981</u>				<u>197,307</u>	<u>(64,924)</u>			<u>5,310,750</u>		
Joint Ventures												
Non-listed stocks												
Chunghwa SEA Holdings	1,020	9,932	-	-	-	-	(255)	1,020	51	9,677	9,677	Note 1
		<u>\$ 20,120,401</u>		<u>\$ -</u>		<u>\$ 1,613,290</u>	<u>\$ 1,888,971</u>			<u>\$ 20,396,082</u>		

Note 1: The amounts of net asset value were based on audited financial statements.

Note 2: Fair value was based on the closing price on December 30, 2022.

Note 3: Decrease in investment was cash dividends received.

Note 4: Additions in shares of investment was stock dividends received.

## CHUNGHWA TELECOM CO., LTD.

STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS  
DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)

	Land and Buildings (Handsets Base Stations)	Land and Buildings (Others)	Equipment	Total
<u>Cost</u>				
Balance on January 1, 2022	\$ 14,880,430	\$ 2,103,640	\$ 4,124,561	\$ 21,108,631
Additions	3,240,608	426,547	4,650	3,671,805
Decreases	<u>(459,805)</u>	<u>(572,268)</u>	<u>(15,530)</u>	<u>(1,047,603)</u>
Balance on December 31, 2022	<u>\$ 17,661,233</u>	<u>\$ 1,957,919</u>	<u>\$ 4,113,681</u>	<u>\$ 23,732,833</u>
<u>Accumulated depreciation and impairment</u>				
Balance on January 1, 2022	\$ 7,890,932	\$ 866,653	\$ 1,613,502	\$ 10,371,087
Depreciation expenses	2,863,650	376,338	327,848	3,567,836
Decreases	<u>(270,194)</u>	<u>(453,385)</u>	<u>(15,530)</u>	<u>(739,109)</u>
Balance on December 31, 2022	<u>\$ 10,484,388</u>	<u>\$ 789,606</u>	<u>\$ 1,925,820</u>	<u>\$ 13,199,814</u>
Balance on January 1, 2022, net	<u>\$ 6,989,498</u>	<u>\$ 1,236,987</u>	<u>\$ 2,511,059</u>	<u>\$ 10,737,544</u>
Balance on December 31, 2022, net	<u>\$ 7,176,845</u>	<u>\$ 1,168,313</u>	<u>\$ 2,187,861</u>	<u>\$ 10,533,019</u>

**CHUNGHWA TELECOM CO., LTD.****STATEMENT OF TRADE NOTES AND ACCOUNTS PAYABLE****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Payable of spare parts for equipment	\$ 4,650,381
Payable of products	1,049,614
Other (Note)	<u>6,738,052</u>
	<u>\$ 12,438,047</u>

Note: The amount of each item in others does not exceed 5% of the account balance.



## CHUNGHWA TELECOM CO., LTD.

STATEMENT OF BONDS PAYABLE  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)

Bond Name	Trustee	Issuance Period	Repayment of the Principal and Interest Payment Date	Coupon Rate (%)	Total Amount	Repayments Made	Balance at December 31, 2022	Balance of unamortized discount	Carrying Value	Guarantee
Unsecured domestic bonds	Bank of Taiwan	2020.07~2025.07	Interest payable in July annually and one-time repayment upon maturity	0.50	\$ 8,800,000	\$ -	\$ 8,800,000	\$ (4,840)	\$ 8,795,160	None
	Bank of Taiwan	2020.07~2027.07	Interest payable in July annually and one-time repayment upon maturity	0.54	7,500,000	-	7,500,000	(5,227)	7,494,773	None
	Bank of Taiwan	2020.07~2030.07	Interest payable in July annually and one-time repayment upon maturity	0.59	3,700,000	-	3,700,000	(2,990)	3,697,010	None
	Bank of Taiwan	2021.04~2026.04	Interest payable in April annually and one-time repayment upon maturity	0.42	1,900,000	-	1,900,000	(1,398)	1,898,602	None
	Bank of Taiwan	2021.04~2028.04	Interest payable in April annually and one-time repayment upon maturity	0.46	4,100,000	-	4,100,000	(3,445)	4,096,555	None
	Bank of Taiwan	2021.04~2031.04	Interest payable in April annually and one-time repayment upon maturity	0.50	1,000,000	-	1,000,000	(923)	999,077	None
	Bank of Taiwan	2022.03~2027.03	Interest payable in March annually and one-time repayment upon maturity	0.69	<u>3,500,000</u>	<u>-</u>	<u>3,500,000</u>	<u>(3,820)</u>	<u>3,496,180</u>	None
					<u>\$ 30,500,000</u>	<u>\$ -</u>	<u>\$ 30,500,000</u>	<u>\$ (22,643)</u>	<u>\$ 30,477,357</u>	

**CHUNGHWA TELECOM CO., LTD.****STATEMENT OF LEASE LIABILITIES****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Period</b>	<b>Discount Rate (%)</b>	<b>Amount</b>
Land and buildings			
Handsets base stations	1~20 years	0.37~1.71	\$ 6,892,045
Others	1~30 years	0.37~1.68	1,205,212
Equipment	1~8 years	0.37~1.35	<u>2,008,190</u>
			10,105,447
Less: Lease Liabilities-current			<u>(3,038,698)</u>
Lease Liabilities-noncurrent			<u>\$ 7,066,749</u>

**CHUNGHWA TELECOM CO., LTD.****STATEMENT OF OPERATING COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Depreciation	\$ 30,281,487
Cost of products	14,663,150
Amortization	12,220,683
Salaries	9,632,320
Compensation	5,897,900
Repair, maintenance and warranty expenses	5,886,735
Other (Note)	<u>34,628,423</u>
	<u>\$ 113,210,698</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

## CHUNGHWA TELECOM CO., LTD.

STATEMENT OF OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)

Item	Marketing	General and Administrative	Research and Development	Expected Credit Loss	Total
Salaries	\$ 5,744,357	\$ 1,621,026	\$ 1,140,391	\$ -	\$ 8,505,774
Compensation	3,569,922	982,227	717,443	-	5,269,592
Professional service fee	2,163,430	388,477	352,370	-	2,904,277
Welfare fee	1,073,210	274,150	196,060	-	1,543,420
Depreciation	689,335	532,413	134,480	-	1,356,228
Marketing and promotion expenses	1,012,267	-	-	-	1,012,267
Expected credit loss	-	-	-	115,870	115,870
Other (Note)	<u>3,330,898</u>	<u>1,444,371</u>	<u>271,481</u>	<u>-</u>	<u>5,046,750</u>
	<u>\$ 17,583,419</u>	<u>\$ 5,242,664</u>	<u>\$ 2,812,225</u>	<u>\$ 115,870</u>	<u>\$ 25,754,178</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

## CHUNGHWA TELECOM CO., LTD.

STATEMENT OF EMPLOYEE BENEFIT, DEPRECIATION AND AMORTIZATION BY FUNCTION  
FOR THE YEAR ENDED DECEMBER 31, 2022 and 2021  
(In Thousands of New Taiwan Dollars)

	Year Ended December 31, 2022			Year Ended December 31, 2021		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefit expenses						
Salaries	\$ 9,632,320	\$ 8,505,774	\$ 18,138,094	\$ 10,406,347	\$ 7,915,159	\$ 18,321,506
Insurance	1,070,168	910,003	1,980,171	1,160,738	896,858	2,057,596
Pension	784,327	686,134	1,470,461	913,816	679,325	1,593,141
Remuneration to directors	-	45,018	45,018	-	44,017	44,017
Others	6,665,712	6,005,635	12,671,347	7,053,247	5,372,048	12,425,295
	<u>\$ 18,152,527</u>	<u>\$ 16,152,564</u>	<u>\$ 34,305,091</u>	<u>\$ 19,534,148</u>	<u>\$ 14,907,407</u>	<u>\$ 34,441,555</u>
Depreciation	<u>\$ 30,281,487</u>	<u>\$ 1,356,228</u>	<u>\$ 31,637,715</u>	<u>\$ 29,654,574</u>	<u>\$ 1,094,289</u>	<u>\$ 30,748,863</u>
Amortization	<u>\$ 12,220,683</u>	<u>\$ 112,862</u>	<u>\$ 12,333,545</u>	<u>\$ 12,026,219</u>	<u>\$ 134,407</u>	<u>\$ 12,160,626</u>

Note 1: The average numbers of the Company's employees were 19,882 and 20,351, including 10 non-employee directors in 2022 and 2021, respectively.

Note 2: The average employee benefits expense were \$1,724 thousand and \$1,691 thousand for the years ended December 31, 2022 and 2021, respectively. (Which refers to [total employee benefits-total directors' remuneration] divided by [number of employees-number of non-employee directors].)

Note 3: The average salary expenses were \$913 thousand and \$901 thousand for the years ended December 31, 2022 and 2021, respectively. (Which refers to [salary expenses] divided by [number of employees-number of non-employee directors]). The change of average salary expenses is approximately 1.3%.

Note 4: The Company does not have supervisors; therefore, there is no remuneration to supervisors.

Note 5: The remuneration policies for directors, management personnel, and employees were as follows:

- a. General directors and independent directors:
  - (i) Fixed remuneration is based on monthly basis resolved by the Board of Directors.
  - (ii) Floating remuneration is based on distribution stated in the Company's Articles of Incorporation. Please refer to Note 27(7) for details. Independent directors are excluded from the aforementioned distribution.
- b. The remuneration to management personnel is based on the executive performance management and guidelines which are linked to the Company's performance, business unit performance and personal performance. In addition, the result of corporate social responsibilities is a reference item taking into consideration for the floating remuneration.
- c. Compensation to employees is based on the Company's salary guidance.
- d. The remuneration to directors and management personnel are evaluated regularly and determined by the compensation committee of the Company.

Note 6: The Company's salary expenses refer to recurring grants such as base salary, job premiums, and overtime pay, etc.