

**Senao International Co., Ltd. and
Subsidiaries**

**Consolidated Financial Statements for the
Six Months Ended June 30, 2023 and 2022 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Senao International Co., Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of Senao International Co., Ltd. and its subsidiaries (collectively, the "Group") as of June 30, 2023 and 2022, and the related consolidated statements of comprehensive income, the consolidated statements of changes in equity and cash flows for the six months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Standards on Review Engagements of the Republic of China 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of (consolidated) financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2023 and 2022, and of its consolidated financial performance and its consolidated cash flows for the six months ended June 30, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Yih-Shin Kao and Mei Yen Chiang.

Yih-shin Kao 

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 4, 2023

Notice to Readers

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

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

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	June 30, 2023		December 31, 2022		June 30, 2022	
ASSETS	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 2,505,390	24	\$ 1,859,023	18	\$ 1,996,623	20
Notes receivable, net (Note 7)	79,719	1	89,061	1	88,816	1
Trade receivables, net (Note 7)	673,323	7	949,118	9	773,482	8
Trade receivables from related parties (Note 25)	984,844	10	975,128	9	993,032	10
Other receivables (Note 7)	320,909	3	299,091	3	184,450	2
Other receivables from related parties (Note 25)	136,605	1	144,967	1	135,941	1
Inventories (Note 8)	2,129,658	21	2,797,824	27	2,460,094	25
Prepayments (Note 25)	61,102	-	69,350	1	86,776	1
Other current assets (Note 14)	<u>66,080</u>	<u>1</u>	<u>65,660</u>	<u>1</u>	<u>56,915</u>	<u>-</u>
Total current assets	<u>6,957,630</u>	<u>68</u>	<u>7,249,222</u>	<u>70</u>	<u>6,776,129</u>	<u>68</u>
NONCURRENT ASSETS						
Financial assets at fair value through other comprehensive income	10,287	-	10,428	-	9,773	-
Investments accounted for using equity method (Note 10)	1,483,677	14	1,395,858	13	1,177,335	12
Property, plant and equipment (Notes 11, 20 and 25)	781,653	8	787,695	8	795,033	8
Right-of-use assets (Notes 12, 20 and 25)	688,616	7	609,540	6	629,506	7
Intangible assets (Notes 13 and 20)	98,315	1	107,640	1	128,926	1
Deferred tax assets	145,131	1	192,971	2	295,394	3
Refundable deposits (Note 25)	55,552	1	55,485	-	81,006	1
Other noncurrent assets (Notes 14 and 26)	<u>51,533</u>	<u>-</u>	<u>51,464</u>	<u>-</u>	<u>49,258</u>	<u>-</u>
Total noncurrent assets	<u>3,314,764</u>	<u>32</u>	<u>3,211,081</u>	<u>30</u>	<u>3,166,231</u>	<u>32</u>
TOTAL	<u>\$ 10,272,394</u>	<u>100</u>	<u>\$ 10,460,303</u>	<u>100</u>	<u>\$ 9,942,360</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Contract liabilities (Note 19)	\$ 91,641	1	\$ 132,722	2	\$ 97,208	1
Notes payable (Note 15)	5,101	-	6,705	-	3,858	-
Notes payable to related parties (Note 25)	18	-	18	-	18	-
Trade payables (Note 15)	1,753,784	17	1,953,167	19	1,423,278	14
Trade payables to related parties (Note 25)	157,337	2	379,584	4	260,776	3
Other payables (Note 16)	1,178,902	11	713,349	7	1,237,409	12
Other payables to related parties (Note 25)	161,748	2	224,945	2	139,922	1
Current tax liabilities	5,860	-	4,765	-	48,656	-
Lease liabilities - current (Notes 12, 20 and 25)	260,494	3	226,430	2	256,396	3
Other current liabilities (Note 25)	<u>37,388</u>	<u>-</u>	<u>38,785</u>	<u>-</u>	<u>64,507</u>	<u>1</u>
Total current liabilities	<u>3,652,273</u>	<u>36</u>	<u>3,680,470</u>	<u>36</u>	<u>3,532,028</u>	<u>35</u>
NONCURRENT LIABILITIES						
Deferred tax liabilities	18,929	-	20,079	-	23,211	-
Lease liabilities - noncurrent (Notes 12, 20 and 25)	439,660	4	395,519	4	386,939	4
Net defined benefit liabilities - noncurrent (Notes 17 and 20)	19,935	-	21,326	-	53,061	1
Guarantee deposits	<u>22,403</u>	<u>-</u>	<u>22,742</u>	<u>-</u>	<u>22,772</u>	<u>-</u>
Total noncurrent liabilities	<u>500,927</u>	<u>4</u>	<u>459,666</u>	<u>4</u>	<u>485,983</u>	<u>5</u>
Total liabilities	<u>4,153,200</u>	<u>40</u>	<u>4,140,136</u>	<u>40</u>	<u>4,018,011</u>	<u>40</u>
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT						
Share capital - ordinary shares (Note 18)	<u>2,582,527</u>	<u>25</u>	<u>2,582,527</u>	<u>24</u>	<u>2,582,527</u>	<u>26</u>
Capital surplus (Note 18)	<u>717,521</u>	<u>7</u>	<u>717,521</u>	<u>7</u>	<u>717,521</u>	<u>7</u>
Retained earnings (Note 18)						
Legal reserve	1,667,579	17	1,601,588	15	1,601,588	16
Special reserve	-	-	21,631	-	21,631	1
Unappropriated earnings	<u>1,125,757</u>	<u>11</u>	<u>1,372,000</u>	<u>14</u>	<u>1,003,647</u>	<u>10</u>
Total retained earnings	<u>2,793,336</u>	<u>28</u>	<u>2,995,219</u>	<u>29</u>	<u>2,626,866</u>	<u>27</u>
Other equity	<u>14,670</u>	<u>-</u>	<u>13,251</u>	<u>-</u>	<u>(14,869)</u>	<u>-</u>
Equity attributable to shareholders of the parent	6,108,054	60	6,308,518	60	5,912,045	60
NONCONTROLLING INTERESTS (Note 18)	<u>11,140</u>	<u>-</u>	<u>11,649</u>	<u>-</u>	<u>12,304</u>	<u>-</u>
Total equity	<u>6,119,194</u>	<u>60</u>	<u>6,320,167</u>	<u>60</u>	<u>5,924,349</u>	<u>60</u>
TOTAL	<u>\$ 10,272,394</u>	<u>100</u>	<u>\$ 10,460,303</u>	<u>100</u>	<u>\$ 9,942,360</u>	<u>100</u>

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

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Notes 19 and 25)								
Sales	\$ 6,811,058	97	\$ 6,708,761	96	\$ 14,841,005	97	\$ 14,572,619	97
Less: Sales returns	49,465	1	44,778	1	150,043	1	104,366	1
Sales discounts and allowances	195,462	3	155,193	2	428,945	3	371,872	2
Net sales	6,566,131	93	6,508,790	93	14,262,017	93	14,096,381	94
Service and repairs revenue	492,614	7	463,048	7	1,007,716	7	945,587	6
Total operating revenues	7,058,745	100	6,971,838	100	15,269,733	100	15,041,968	100
OPERATING COSTS (Notes 8, 17, 20 and 25)								
Cost of goods sold	6,143,802	88	6,049,233	87	13,361,550	88	13,137,792	87
Service and repairs costs	111,602	1	106,459	1	226,298	1	208,044	1
Total operating costs	6,255,404	89	6,155,692	88	13,587,848	89	13,345,836	88
GROSS PROFIT	803,341	11	816,146	12	1,681,885	11	1,696,132	12
OPERATING EXPENSES (Notes 17, 20 and 25)								
Selling and marketing expenses	613,685	9	653,144	10	1,287,635	9	1,339,266	9
General and administrative expenses	101,215	1	82,395	1	184,171	1	168,335	1
Total operating expenses	714,900	10	735,539	11	1,471,806	10	1,507,601	10
NET OTHER INCOME AND EXPENSES (Note 20)	(387)	-	172	-	(354)	-	107	-
INCOME FROM OPERATIONS	88,054	1	80,779	1	209,725	1	188,638	2
NON-OPERATING INCOME AND EXPENSES								
Other income (Notes 20 and 25)	20,712	-	20,807	1	40,276	-	41,461	-
Share of profit of associates accounted for using equity method	84,429	1	65,902	1	169,680	1	145,098	1
Interest income	4,370	-	998	-	5,325	-	1,554	-
Net gain on foreign currency exchange	148	-	149	-	208	-	515	-
Interest expense (Notes 20 and 25)	(3,050)	-	(2,265)	-	(6,058)	-	(4,227)	-
Miscellaneous disbursements	(430)	-	(199)	-	(519)	-	(287)	-
Total non-operating income and expenses	106,179	1	85,392	2	208,912	1	184,114	1
INCOME BEFORE INCOME TAX	194,233	2	166,171	3	418,637	2	372,752	3
INCOME TAX EXPENSE (Note 21)	25,148	-	56,324	1	52,873	-	81,693	1
NET INCOME	169,085	2	109,847	2	365,764	2	291,059	2

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SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
TOTAL OTHER								
COMPREHENSIVE								
INCOME (LOSS)								
Items that will not be								
reclassified to profit or								
loss:								
Unrealized gain or loss								
on investments in								
equity instruments at								
fair value through								
other comprehensive								
income	\$ 248	-	\$ (65)	-	\$ (141)	-	\$ (32)	-
Items that may be								
reclassified subsequently								
to profit or loss:								
Exchange differences on								
translating the								
financial statements of								
foreign operations	831	-	1,314	-	526	-	2,424	-
Share of exchange								
differences arising								
from the translation of								
the foreign operations								
of associates	1,742	-	2,297	-	1,034	-	4,370	-
	2,573	-	3,611	-	1,560	-	6,794	-
Total other								
comprehensive								
income (loss), net of								
income tax	2,821	-	3,546	-	1,419	-	6,762	-
TOTAL COMPREHENSIVE								
INCOME	\$ 171,906	2	\$ 113,393	2	\$ 367,183	2	\$ 297,821	2
NET INCOME								
ATTRIBUTABLE TO								
Shareholders of the parent	\$ 169,387	2	\$ 110,106	2	\$ 366,273	2	\$ 291,557	2
Noncontrolling interests	(302)	-	(259)	-	(509)	-	(498)	-
	\$ 169,085	2	\$ 109,847	2	\$ 365,764	2	\$ 291,059	2
COMPREHENSIVE								
INCOME								
ATTRIBUTABLE TO								
Shareholders of the parent	\$ 172,208	2	\$ 113,652	2	\$ 367,692	2	\$ 298,319	2
Noncontrolling interests	(302)	-	(259)	-	(509)	-	(498)	-
	\$ 171,906	2	\$ 113,393	2	\$ 367,183	2	\$ 297,821	2
EARNINGS PER SHARE								
(Note 22)								
Basic	\$ 0.66		\$ 0.43		\$ 1.42		\$ 1.13	
Diluted	\$ 0.65		\$ 0.43		\$ 1.41		\$ 1.13	

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

(Concluded)

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Equity Attributable to Stockholders of the Parent									
						Other Equity				
	Share Capital - Ordinary Shares (Note 18)	Capital Surplus (Note 18)	Retained Earnings (Note 18)			Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total	Noncontrolling Interests (Note 18)	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE, JANUARY 1, 2022	\$ 2,582,527	\$ 717,521	\$ 1,542,243	\$ 32,410	\$ 1,277,161	\$ 4,564	\$ (26,195)	\$ 6,130,231	\$ 12,802	\$ 6,143,033
Appropriation of 2021 earnings										
Legal reserve	-	-	59,345	-	(59,345)	-	-	-	-	-
Special reserve	-	-	-	(10,779)	10,779	-	-	-	-	-
Cash dividends distributed by the Company - \$2.00 per share	-	-	-	-	(516,505)	-	-	(516,505)	-	(516,505)
	-	-	59,345	(10,779)	(565,071)	-	-	(516,505)	-	(516,505)
Net income for the six months ended June 30, 2022	-	-	-	-	291,557	-	-	291,557	(498)	291,059
Other comprehensive income for the six months ended June 30, 2022	-	-	-	-	-	6,794	(32)	6,762	-	6,762
Total comprehensive income (loss) for the six months ended June 30, 2022	-	-	-	-	291,557	6,794	(32)	298,319	(498)	297,821
BALANCE, JUNE 30, 2022	<u>\$ 2,582,527</u>	<u>\$ 717,521</u>	<u>\$ 1,601,588</u>	<u>\$ 21,631</u>	<u>\$ 1,003,647</u>	<u>\$ 11,358</u>	<u>\$ (26,227)</u>	<u>\$ 5,912,045</u>	<u>\$ 12,304</u>	<u>\$ 5,924,349</u>
BALANCE, JANUARY 1, 2023	\$ 2,582,527	\$ 717,521	\$ 1,601,588	\$ 21,631	\$ 1,372,000	\$ 14,822	\$ (1,571)	\$ 6,308,518	\$ 11,649	\$ 6,320,167
Appropriation of 2022 earnings										
Legal reserve	-	-	65,991	-	(65,991)	-	-	-	-	-
Special reserve	-	-	-	(21,631)	21,631	-	-	-	-	-
Cash dividends distributed by the Company - \$2.20 per share	-	-	-	-	(568,156)	-	-	(568,156)	-	(568,156)
	-	-	65,991	(21,631)	(612,516)	-	-	(568,156)	-	(568,156)
Net income for the six months ended June 30, 2023	-	-	-	-	366,273	-	-	366,273	(509)	365,764
Other comprehensive loss for the six months ended June 30, 2023	-	-	-	-	-	1,560	(141)	1,419	-	1,419
Total comprehensive income (loss) for the six months ended June 30, 2023	-	-	-	-	366,273	1,560	(141)	367,692	(509)	367,183
BALANCE, JUNE 30, 2023	<u>\$ 2,582,527</u>	<u>\$ 717,521</u>	<u>\$ 1,667,579</u>	<u>\$ -</u>	<u>\$ 1,125,757</u>	<u>\$ 16,382</u>	<u>\$ (1,712)</u>	<u>\$ 6,108,054</u>	<u>\$ 11,140</u>	<u>\$ 6,119,194</u>

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

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

	For the Six Months Ended June 30	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 418,637	\$ 372,752
Adjustments for:		
Depreciation expense	175,144	177,196
Amortization expense	12,672	13,858
Reversal of expected credit loss	(1,460)	(220)
Interest expense	6,058	4,227
Interest income	(5,325)	(1,554)
Dividends income	(516)	-
Share of profit of associates accounted for using equity method	(169,680)	(145,098)
Net loss on disposal of property, plant and equipment	762	146
Net gain on lease modification	(408)	(253)
(Reversal of) write-down of inventories	(9,732)	2,708
Net (gain) loss on foreign currency exchange	519	1,956
Changes in operating assets and liabilities:		
Notes receivable	9,342	10,877
Trade receivables	277,255	120,262
Trade receivables from related parties	(9,716)	(84,117)
Other receivables	61,324	(25,213)
Other receivables from related parties	8,362	15,383
Inventories	677,898	233,555
Prepayments	8,248	(6,092)
Other current assets	(420)	(10,935)
Contract liabilities	(41,081)	14,509
Notes payable	(1,604)	(1,024)
Trade payables	(199,383)	(394,443)
Trade payables to related parties	(222,247)	(849,092)
Other payables	(102,603)	(150,486)
Other payables to related parties	(63,197)	(119,357)
Other current liabilities	(1,397)	27,598
Net defined benefit liabilities - noncurrent	(1,391)	(1,479)
Cash generated from (used in) operations	826,061	(794,336)
Interest paid	(6,058)	(4,227)
Income tax paid	(5,170)	(8,181)
Net cash generated from (used in) operating activities	814,833	(806,744)

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SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

	For the Six Months Ended June 30	
	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	\$ (16,572)	\$ (15,208)
Increase in refundable deposits	(67)	(4,226)
Acquisition of intangible assets	(3,347)	(749)
Increase in other noncurrent assets	(69)	-
Interest received	5,160	1,555
Dividends received	<u>516</u>	<u>-</u>
Net cash used in investing activities	<u>(14,379)</u>	<u>(18,628)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans	961,000	13,000
Repayment of short-term loans	(961,000)	(13,000)
Increase (decrease) in guarantee deposits	(339)	(190)
Repayment of the principal portion of lease liabilities	<u>(153,756)</u>	<u>(155,267)</u>
Net cash used in financing activities	<u>(154,095)</u>	<u>(155,457)</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS	<u>8</u>	<u>467</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	646,367	(980,362)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>1,859,023</u>	<u>2,976,985</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 2,505,390</u>	<u>\$ 1,996,623</u>

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

(Concluded)

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL

Senao International Co., Ltd. (“Senao”; Senao and subsidiaries are hereinafter collectively referred to as “the Group”) was incorporated in the Republic of China (“ROC”) on May 18, 1979. On January 12, 2001, Senao 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 May 24, 2001. In need of organizational rebuilding and professional operation of all kinds of businesses, Senao has spun off the wireless communication business segment, including its assets and liabilities and incorporated Senao Networks, Inc. pursuant to the Business Mergers and Acquisitions Act. The spin-off date was October 1, 2006.

After rebuilding the organization, Senao mainly sells mobile phones and the peripheral products, and provides the related repairs and maintenance services.

Chunghwa Telecom Co., Ltd. (“Chunghwa”) acquired the shares of Senao on January 15, 2007. Chunghwa has a substantial control over Senao, and it is the ultimate parent entity of Senao. As of June 30, 2023, Chunghwa’s ownership interest in Senao was 27.79%.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on August 4, 2023.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
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
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024
Amendments to IAS 12 “International Tax Reform - Pillar Two Model Rules”	Note 3

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

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

Note 3: The requirement that the Group applies the exception and the requirement to disclose that fact is applied immediately upon issuance of the amendments and retrospectively in accordance with IAS 8. The remaining disclosure requirements are applied for annual reporting periods beginning on or after January 1, 2023, but not for any interim period ending on or before December 31, 2023.

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

Basis of Preparation and Consolidation

- Refer to principles prepared and used to the consolidated financial statements for the year ended December 31, 2022.
- See Note 9, and Table 5 and Table 6 for detailed information on subsidiaries, percentages of ownership and main businesses.

Other Material Accounting Policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2022.

a. Defined benefit retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

b. Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, 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 management on an ongoing basis.

Refer to the statements of material accounting judgments and key sources of estimation uncertainty to the consolidated financial statements for the year ended December 31, 2022.

6. CASH AND CASH EQUIVALENTS

	June 30, 2023	December 31, 2022	June 30, 2022
Cash on hand and petty cash	\$ 204,876	\$ 322,061	\$ 198,873
Checking accounts and demand deposits	1,553,521	988,450	1,311,525
Cash equivalents			
Commercial paper	746,993	548,512	453,526
Time deposits	<u>-</u>	<u>-</u>	<u>32,699</u>
	<u>\$ 2,505,390</u>	<u>\$ 1,859,023</u>	<u>\$ 1,996,623</u>

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

	June 30, 2023	December 31, 2022	June 30, 2022
Bank deposits	0.01%-1.35%	0.01%-1.05%	0.01%-0.35%
Commercial paper	0.80%-0.95%	0.56%-0.67%	0.365%-0.38%
Time deposits	-	-	0.82%

7. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Notes receivable</u>			
Notes receivable	\$ 80,650	\$ 89,992	\$ 89,747
Less: Allowance for impairment loss	<u>931</u>	<u>931</u>	<u>931</u>
	<u>\$ 79,719</u>	<u>\$ 89,061</u>	<u>\$ 88,816</u>
<u>Trade receivables</u>			
Gross carrying amount	\$ 693,247	\$ 970,475	\$ 797,074
Less: Allowance for impairment loss	<u>19,924</u>	<u>21,357</u>	<u>23,592</u>
	<u>\$ 673,323</u>	<u>\$ 949,118</u>	<u>\$ 773,482</u>
<u>Other receivables</u>			
Suppliers allowance receivable	\$ 203,984	\$ 263,981	\$ 116,035
Dividends receivable	83,411	-	49,737
Others	<u>33,514</u>	<u>35,110</u>	<u>18,678</u>
	<u>\$ 320,909</u>	<u>\$ 299,091</u>	<u>\$ 184,450</u>

The average credit terms range from 30 to 90 days.

The Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties.

Since the Group's customers, apart from the abovementioned corporate customers, are large and unrelated to each other, the divergence of the credit risk is constrained.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group uses the lifetime expected loss provision for all notes receivable and trade receivables. The expected credit losses on notes receivable and trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date.

The Group writes off notes receivable or a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For notes receivable or trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of notes receivable and trade receivables based on the Group's provision matrix.

June 30, 2023

	Not Past Due	Less than 60 Days	61 to 90 Days	Over 91 Days*	Total
Expected credit loss rate	0%-0.0062%	0%-35.8800%	55.59%	0%-100%	
Notes receivable and trade receivables	\$ 748,635	\$ 52	\$ 6	\$ 25,204	\$ 773,897
Less: Loss allowance (Lifetime ECL)	<u>32</u>	<u>-</u>	<u>3</u>	<u>20,820</u>	<u>20,855</u>
Amortized cost	<u>\$ 748,603</u>	<u>\$ 52</u>	<u>\$ 3</u>	<u>\$ 4,384</u>	<u>\$ 753,042</u>

December 31, 2022

	Not Past Due	Less than 60 Days	61 to 90 Days	Over 91 Days*	Total
Expected credit loss rate	0%-0.0969%	14.8743%- 64.5161%	90.6628%	0%-100%	
Notes receivable and trade receivables	\$ 1,034,247	\$ 17	\$ 13	\$ 26,190	\$ 1,060,467
Less: Loss allowance (Lifetime ECL)	<u>771</u>	<u>11</u>	<u>12</u>	<u>21,494</u>	<u>22,288</u>
Amortized cost	<u>\$ 1,033,476</u>	<u>\$ 6</u>	<u>\$ 1</u>	<u>\$ 4,696</u>	<u>\$ 1,038,179</u>

June 30, 2022

	Not Past Due	Less than 60 Days	61 to 90 Days	Over 91 Days*	Total
Expected credit loss rate	0%-0.0959%	0%-50.6856%	0%-72.2732%	0%-100%	
Notes receivable and trade receivables	\$ 857,704	\$ 26	\$ 5	\$ 29,086	\$ 886,821
Less: Loss allowance (Lifetime ECL)	<u>566</u>	<u>13</u>	<u>4</u>	<u>23,940</u>	<u>24,523</u>
Amortized cost	<u>\$ 857,138</u>	<u>\$ 13</u>	<u>\$ 1</u>	<u>\$ 5,146</u>	<u>\$ 862,298</u>

* For those customers who provided the collateral, the Group evaluated the expected credit loss rate as 0% because the value of the collateral provided is greater than the carrying value of the notes receivable and trade receivables.

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

	For the Six Months Ended June 30	
	2023	2022
Balance at January 1	\$ 22,288	\$ 24,340
Add: Amounts recovered	27	405
Less: Net remeasurement of loss allowance	<u>(1,460)</u>	<u>(222)</u>
Balance at June 30	<u>\$ 20,855</u>	<u>\$ 24,523</u>

8. INVENTORIES

	June 30, 2023	December 31, 2022	June 30, 2022
Merchandise	\$ 2,129,658	\$ 2,797,824	\$ 2,460,094

The cost of inventories recognized as cost of goods sold for the three months ended June 30, 2023 and 2022 were \$6,143,802 thousand and \$6,049,233 thousand, respectively. The amounts included reversal of write-down of inventories and write-down of inventories \$14,970 thousand and \$8,946 thousand, respectively. The cost of inventories recognized as cost of goods sold for the six months ended June 30, 2023 and 2022 were \$13,361,550 thousand and \$13,137,792 thousand, respectively. The amounts included reversal of write-down of inventories and write-down of inventories \$9,732 thousand and \$2,708 thousand, respectively.

9. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements were as follows:

Name of Investor	Name of Investee	Nature of Activities	Percentage of Ownership			Remark
			June 30, 2023	December 31, 2022	June 30, 2022	
Senao International Co., Ltd.	Senao International (Samoa) Holding Ltd. ("Senao Samoa")	International investment	100.00	100.00	100.00	-
	Youth Co., Ltd. ("Youth")	Sale of information and communication technologies products	95.79	95.79	95.79	-
	Aval Technologies Co., Ltd. ("Aval")	Sale of information and communication technologies products	100.00	100.00	100.00	-
	Senyoung Insurance Agent Co., Ltd. ("Senyoung")	Property and liability insurance agency	100.00	100.00	100.00	-
Senao International (Samoa) Holding Ltd. (Senao Samoa) Youth Co., Ltd.	Senao International HK Limited ("Senao HK")	International investment	100.00	100.00	100.00	a
	ISPOT Co., Ltd. ("ISPOT")	Sale of information and communication technologies products	100.00	100.00	100.00	-
	Youyi Co., Ltd. ("Youyi")	Maintenance of information and communication technologies products	100.00	100.00	100.00	-
Aval Technologies Co., Ltd.	Wiin Technologies Co., Ltd. ("Wiin")	Sale of information and communication technologies products	100.00	100.00	100.00	-
Senyoung Insurance Agent Co., Ltd.	Senaolife Insurance Agent Co., Ltd. ("Senaolife")	Life insurance agency	-	100.00	100.00	b

Remarks:

- The liquidation and dissolution of Senao International HK Limited, a subsidiary, has been resolved by its board of directors on August 31, 2022; Senao HK's shareholders' meeting was held on April 25, 2023, in accordance with the local ordinances, the liquidation was completed on July 28, 2023.
- On April 22, 2022, the board of directors of Senyoung, a subsidiary, resolved to merge with its 100%-held Senaolife. The merger was completed on May 1, 2023, the merger date. Senyoung was the continuing entity after the merger.

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Investments in associates</u>			
Material associate			
Senao Networks, Inc. ("Senao Networks")	\$ 1,483,677	\$ 1,395,858	\$ 1,177,335

Material associate

	Proportion of Ownership and Voting Rights		
	June 30, 2023	December 31, 2022	June 30, 2022
Senao Networks	33.79%	33.79%	33.79%

Although the Group is the single largest shareholder of Senao Networks, it has only obtained 2 out of 7 director seats. In addition, considering factors such as the voting type of the shareholders' meeting of Senao Networks and the number of voting rights of the Group, the Group cannot determine its relevant activities, so the Group has no control over Senao Networks and only has a significant influence, and treats it as an associate.

Refer to Table 5 for the nature of activities, principal places of business and countries of incorporation of the associates.

The investments were accounted for using the equity method, and the share of profit or loss and other comprehensive income of those investments for the three months and six months ended June 30, 2023 and 2022 were based on the associate's financial statements which have been audited for the same period.

Fair values (Level 1) of investments in associates with available published price quotations are summarized as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Senao Networks	<u>\$ 4,227,653</u>	<u>\$ 3,299,228</u>	<u>\$ 2,893,041</u>

Summarized financial information in respect of each of the Group's material associates is set out below. The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

Senao Networks and its subsidiaries

	June 30, 2023	December 31, 2022	June 30, 2022
Current assets	\$ 8,046,279	\$ 10,715,882	\$ 6,937,063
Noncurrent assets	3,598,081	3,127,196	2,606,067
Current liabilities	(6,792,483)	(9,102,441)	(5,561,218)
Noncurrent liabilities	<u>(259,882)</u>	<u>(296,321)</u>	<u>(291,218)</u>
Equity	4,591,995	4,444,316	3,690,694
Noncontrolling interests	<u>(201,479)</u>	<u>(313,674)</u>	<u>(206,709)</u>
	<u>\$ 4,390,516</u>	<u>\$ 4,130,642</u>	<u>\$ 3,483,985</u>
Proportion of the Group's ownership	33.79%	33.79%	33.79%
Equity attributable to the Group (carrying amount of the investment)	<u>\$ 1,483,677</u>	<u>\$ 1,395,858</u>	<u>\$ 1,177,335</u>

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Operating revenue	\$ 4,155,694	\$ 3,492,516	\$ 8,663,631	\$ 6,354,666
Net profit for the year	\$ 270,761	\$ 243,760	\$ 570,826	\$ 505,680
Other comprehensive gain	<u>5,153</u>	<u>6,800</u>	<u>3,059</u>	<u>12,933</u>
Total comprehensive income for the year	<u>\$ 275,914</u>	<u>\$ 250,560</u>	<u>\$ 573,885</u>	<u>\$ 518,613</u>

11. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2023	December 31, 2022	June 30, 2022
Assets used by the Group			
Land	\$ 169,405	\$ 169,405	\$ 169,405
Buildings	120,851	122,046	124,168
Machinery and equipment	1,167	1,511	2,169
Computer telecommunications equipment	26,935	24,947	27,397
Office equipment	15,947	18,073	19,012
Leasehold improvements	16,645	18,008	14,811
Other equipment	<u>794</u>	<u>846</u>	<u>832</u>
	<u>351,744</u>	<u>354,836</u>	<u>357,794</u>
Assets leased under operating leases			
Land	149,879	149,879	149,879
Buildings	<u>280,030</u>	<u>282,980</u>	<u>287,360</u>
	<u>429,909</u>	<u>432,859</u>	<u>437,239</u>
	<u>\$ 781,653</u>	<u>\$ 787,695</u>	<u>\$ 795,033</u>

Except for depreciation expenses, there was no significant addition, disposal, and impairment of the property, plant and equipment used by the Group for the six months ended June 30, 2023 and 2022, respectively. The above items of property, plant and equipment used by the Group are depreciated on a straight-line basis over their estimated useful lives as follows:

	Assets Used by the Group	Assets Leased under Operating Leases
Buildings		
Main buildings	50-55 years	55 years
Mechatronic construction	15 years	15 years
Decoration construction	3-5 years	3-5 years
Machinery and equipment	5-8 years	-
Computer telecommunications equipment	3-8 years	-
Office equipment	3-6 years	-
Leasehold improvements	3-5 years	-
Other equipment	4-6 years	-

There was no indication that property, plant and equipment was impaired; therefore, the Company did not recognize any impairment loss for the six months ended June 30, 2023 and 2022.

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Carrying amount</u>			
Buildings	\$ 686,864	\$ 609,286	\$ 629,054
Transportation equipment	1,461	-	27
Others	<u>291</u>	<u>254</u>	<u>425</u>
	<u>\$ 688,616</u>	<u>\$ 609,540</u>	<u>\$ 629,506</u>
	For the Three Months Ended June 30	For the Six Months Ended June 30	
	2023	2022	2023
			2022
Additions to right-of-use assets		\$ 270,328	\$ 264,452
Depreciation charge for right-of-use assets			
Buildings	\$ 76,765	\$ 76,977	\$ 152,993
Transportation equipment	42	209	42
Others	<u>130</u>	<u>128</u>	<u>257</u>
	<u>\$ 76,937</u>	<u>\$ 77,314</u>	<u>\$ 153,292</u>
			<u>\$ 153,206</u>

The initial recognition of right-of-use assets and lease liabilities of \$270,328 thousand and \$264,452 thousand were noncash transactions for the six months ended June 30, 2023 and 2022, respectively.

Except for the addition and recognition of depreciation expenses listed above, there was no significant sublease or impairment of the right-of-use assets of the Group as of June 30, 2023 and 2022.

b. Lease liabilities

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Carrying amount</u>			
Current	\$ 260,494	\$ 226,430	\$ 256,396
Non-current	<u>\$ 439,660</u>	<u>\$ 395,519</u>	<u>\$ 386,939</u>

Range of discount rates for lease liabilities was as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Buildings	1.30%-2.35%	1.30%-2.25%	1.30%-1.80%
Transportation equipment	1.80%	-	1.30%
Others	1.30%-1.79%	1.30%-1.79%	1.30%

c. Material leasing activities and terms

The Group leases certain buildings for the use of offices and retail stores with lease terms of 1 to 10 years. The Group does not have bargain purchase options to acquire the buildings at the end of the lease terms.

d. Other lease information

Lease under operating leases for the leasing out of freehold property, plant and equipment are set out in Note 11.

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Expenses relating to low-value asset leases	<u>\$ 1,018</u>	<u>\$ 1,060</u>	<u>\$ 2,052</u>	<u>\$ 2,123</u>
Total cash outflow for leases			<u>\$ 161,137</u>	<u>\$ 161,610</u>

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

13. INTANGIBLE ASSETS

	June 30, 2023	December 31, 2022	June 30, 2022
Assets used by the Group			
Computer software	\$ 4,097	\$ 7,521	\$ 12,984
Licenses and franchises	81,328	84,647	97,888
Trademark	<u>12,890</u>	<u>15,472</u>	<u>18,054</u>
	<u>\$ 98,315</u>	<u>\$ 107,640</u>	<u>\$ 128,926</u>

Except for amortization expenses, there was no significant addition, disposal, and impairment of the intangible assets used by the Group for the six months ended June 30, 2023 and 2022, respectively.

Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	1-5 years
Licenses and franchises	20 years
Trademark	10-11 years

14. OTHER ASSETS

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Current</u>			
Trust account deposit*	<u>\$ 66,080</u>	<u>\$ 65,660</u>	<u>\$ 56,915</u>
<u>Non-current</u>			
Others	<u>\$ 51,533</u>	<u>\$ 51,464</u>	<u>\$ 49,258</u>

* Advanced receipts of electronic reward points of Senao are guaranteed by trust delivery. Senao signs a trust contract with the special deposit account bank (Cathay United Bank), and remits the advance receipts of electronic reward points to the trust account according to the trust contract, and the special trust account is recognized as other current assets. The outstanding electronic reward points held in trust are recognized as a contract liability. As of June 30, 2023, December 31, 2022 and June 30, 2022, the amount of the trust were \$18,301 thousand, \$20,930 thousand and \$23,425 thousand, respectively.

The annual yield rates of deposit were as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Trust account deposit	0.510%	0.385%	0.135%

15. NOTES PAYABLE AND TRADE PAYABLES

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Notes payable</u>			
Operating	<u>\$ 5,101</u>	<u>\$ 6,705</u>	<u>\$ 3,858</u>
<u>Trade payables</u>			
Operating	<u>\$ 1,753,784</u>	<u>\$ 1,953,167</u>	<u>\$ 1,423,278</u>

a. Notes payable

Notes payable were mainly from the payment for the rent of the offices and the business places.

b. Trade payables

The average credit period is one month. The Group has set up financial risk management policies in place to ensure that all payables will be paid within the pre-agreed credit terms.

16. OTHER PAYABLES

	June 30, 2023	December 31, 2022	June 30, 2022
Payables for dividends	\$ 568,156	\$ -	\$ 516,505
Payables for salaries	140,161	145,817	144,804
Payables for bonuses	80,677	162,648	86,725
Accrued compensation to employees and remuneration to directors	54,401	44,050	49,565
Accrued marketing compensation	28,761	46,998	90,870
Others	<u>306,746</u>	<u>313,836</u>	<u>348,940</u>
	<u>\$ 1,178,902</u>	<u>\$ 713,349</u>	<u>\$ 1,237,409</u>

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

Senao, Youth, ISPOT, Youyi, Aval, Wiin and Senyoung within the Group adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

Senao Samoa did not set up a pension plan.

Senao HK has a defined contribution pension plan. Senao HK did not have any regular employee as of June 30, 2023. Therefore, Senao HK did not recognize any pension cost.

b. Defined benefit plans

For the three months and six months ended June 30, 2023 and 2022, the pension expenses of defined benefit plans were calculated based on the pension cost rate determined by the actuarial calculation on December 31, 2022 and 2021, respectively.

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Operating costs	\$ 24	\$ 22	\$ 45	\$ 44
Operating expenses	<u>230</u>	<u>241</u>	<u>462</u>	<u>482</u>
	<u>\$ 254</u>	<u>\$ 263</u>	<u>\$ 507</u>	<u>\$ 526</u>

18. EQUITY

a. Share capital - ordinary shares

	June 30, 2023	December 31, 2022	June 30, 2022
Number of shares authorized (in thousands)	450,000	450,000	450,000
Shares authorized	<u>\$ 4,500,000</u>	<u>\$ 4,500,000</u>	<u>\$ 4,500,000</u>
Number of shares issued and fully paid (in thousands)	258,253	258,253	258,253
Shares issued	<u>\$ 2,582,527</u>	<u>\$ 2,582,527</u>	<u>\$ 2,582,527</u>

The issued ordinary shares with a par value at \$10 are entitled the right to vote and receive dividends.

b. Capital surplus

The capital surplus for the six months ended June 30, 2023 and 2022 were as follows:

	Share Premium	Compensation Costs Related to Share-based Payment	Movements of Capital Surplus for Associates Accounted for Using Equity Method and Subsidiaries	Movements of Capital Surplus due to Transactions of Treasury Shares	Total
Balance on January 1, 2023 and June 30, 2023	<u>\$ 346,007</u>	<u>\$ 215,648</u>	<u>\$ 131,358</u>	<u>\$ 24,508</u>	<u>\$ 717,521</u>
Balance on January 1, 2022 and June 30, 2022	<u>\$ 346,007</u>	<u>\$ 215,648</u>	<u>\$ 131,358</u>	<u>\$ 24,508</u>	<u>\$ 717,521</u>

Capital surplus from share premium and the premium from disposal of treasury shares may be utilized to offset deficits; furthermore, when Senao has no deficit, it may be distributed in cash or capitalized, which however is limited to a certain percentage of Senao's paid-in capital.

The capital surplus from movements of investments in associates and subsidiaries accounted for using equity method, subsequent invalidation from share-based payment transactions and those generated by reclassifying the employee share options to treasury shares under the share-based payment may only be utilized to offset deficits.

The capital surplus from share-based payment transactions cannot be utilized in any condition.

c. Retained earnings and dividends policy

Under the Senao's dividends policy, where Senao made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by Senao's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. Senao's board of directors shall, with more than two-thirds of the directors present, and the resolution of more than half of the directors present, shall distribute all or part of the dividends, bonuses, capital reserve or statutory surplus reserve in cash. And report to the shareholders' meeting, the provisions of the above paragraph which should be subject to the resolution of the shareholders' meeting is not applicable. For the Senao's policies on the distribution of employees' compensation and remuneration of directors, refer to Employees' compensation and remuneration of directors in Note 20-f.

In order to meet “the balanced dividend policy” to conform with Senao’s current operating environment and the goal of sustainability, the policy on the distribution of dividends emphasizes the need for Senao’s stability and growth. No less than 30% of the distributable remaining earnings shall be distributed as stockholders’ dividends, of which cash dividends to be distributed shall not be less than 10% of the total amount of dividends to be distributed.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals Senao’s paid-in capital. The legal reserve may be used to offset deficits. If Senao has no deficit and the legal reserve has exceeded 25% of Senao’s paid-in capital, the excess may be transferred to capital or distributed in cash.

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. Distribution can be made out of any subsequent reversal of the debit to other equity items.

The appropriations of earnings for 2022 and 2021 were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Fiscal Year 2022	For Fiscal Year 2021	For Fiscal Year 2022	For Fiscal Year 2021
Legal reserve	\$ 65,991	\$ 59,345		
Reversal of special reserve	21,631	10,779		
Cash dividends	568,156	516,505	\$ 2.20	\$ 2.00

The above appropriations for cash dividends have been resolved by Senao’s board of directors on February 17, 2023 and March 25, 2022, respectively; the other proposed appropriations have been resolved by the shareholders in their meeting held on May 29, 2023 and June 15, 2022.

Information on the appropriation of the Company’s earnings approved by the shareholders is available at the Market Observation Post System website.

d. Noncontrolling interests

	For the Six Months Ended June 30	
	2023	2022
Beginning balance	\$ 11,649	\$ 12,802
Shares attributed to noncontrolling interests		
Net loss of the year	<u>(509)</u>	<u>(498)</u>
Ending balance	<u>\$ 11,140</u>	<u>\$ 12,304</u>

19. REVENUE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Revenue from contracts with customers				
Revenue from sale of goods	\$ 6,566,131	\$ 6,508,790	\$ 14,262,017	\$ 14,096,381
Revenue from rendering of services	355,420	333,850	725,833	693,250
Revenue from repairs and maintenance services	<u>137,194</u>	<u>129,198</u>	<u>281,883</u>	<u>252,337</u>
	<u>\$ 7,058,745</u>	<u>\$ 6,971,838</u>	<u>\$ 15,269,733</u>	<u>\$ 15,041,968</u>

Refer to Note 30 for detail information relating to disaggregation of revenues.

Contract Balances

	June 30, 2023	December 31, 2022	June 30, 2022	January 1, 2022
<u>Contract liabilities</u>				
Sale of goods	\$ 84,773	\$ 120,539	\$ 85,992	\$ 70,373
Others	<u>6,868</u>	<u>12,183</u>	<u>11,216</u>	<u>12,326</u>
	<u>\$ 91,641</u>	<u>\$ 132,722</u>	<u>\$ 97,208</u>	<u>\$ 82,699</u>

The changes in the balance of contract liabilities primarily result from the timing difference between the Group's performance and the respective customer's payment.

20. NET INCOME

a. Other operating income and expenses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Net loss on disposal of property, plant and equipment	\$ (726)	\$ (81)	\$ (762)	\$ (146)
Net gain on lease modification	<u>339</u>	<u>253</u>	<u>408</u>	<u>253</u>
	<u>\$ (387)</u>	<u>\$ 172</u>	<u>\$ (354)</u>	<u>\$ 107</u>

b. Other income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Rental income	\$ 17,488	\$ 18,545	\$ 34,966	\$ 36,798
Dividends income	516	-	516	-
Others	<u>2,708</u>	<u>2,262</u>	<u>4,794</u>	<u>4,663</u>
	<u>\$ 20,712</u>	<u>\$ 20,807</u>	<u>\$ 40,276</u>	<u>\$ 41,461</u>

c. Finance costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Interest on lease liabilities	\$ 2,776	\$ 2,265	\$ 5,329	\$ 4,220
Interest on bank loans	<u>274</u>	<u>-</u>	<u>729</u>	<u>7</u>
	<u>\$ 3,050</u>	<u>\$ 2,265</u>	<u>\$ 6,058</u>	<u>\$ 4,227</u>

d. Depreciation and amortization expenses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Property, plant and equipment	\$ 11,356	\$ 11,510	\$ 21,852	\$ 23,990
Right-of-use assets	76,937	77,314	153,292	153,206
Intangible assets	<u>6,402</u>	<u>6,565</u>	<u>12,672</u>	<u>13,858</u>
	<u>\$ 94,695</u>	<u>\$ 95,389</u>	<u>\$ 187,816</u>	<u>\$ 191,054</u>
An analysis of depreciation by function				
Operating costs	\$ 222	\$ 231	\$ 423	\$ 447
Operating expenses	<u>88,071</u>	<u>88,593</u>	<u>174,721</u>	<u>176,749</u>
	<u>\$ 88,293</u>	<u>\$ 88,824</u>	<u>\$ 175,144</u>	<u>\$ 177,196</u>
An analysis of amortization by function				
Selling and marketing expenses	\$ 2,989	\$ 3,209	\$ 5,979	\$ 6,419
General and administrative expenses	<u>3,413</u>	<u>3,356</u>	<u>6,693</u>	<u>7,439</u>
	<u>\$ 6,402</u>	<u>\$ 6,565</u>	<u>\$ 12,672</u>	<u>\$ 13,858</u>

e. Employee benefits expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Post-employment benefits (Note 17)				
Defined contribution plans	\$ 16,798	\$ 18,499	\$ 33,915	\$ 35,955
Defined benefit plans	<u>254</u>	<u>264</u>	<u>507</u>	<u>527</u>
	17,052	18,763	34,422	36,482
Termination benefits	18,855	143	19,180	793
Other employee benefits	<u>366,761</u>	<u>392,604</u>	<u>770,795</u>	<u>796,182</u>
	<u>\$ 402,668</u>	<u>\$ 411,510</u>	<u>\$ 824,397</u>	<u>\$ 833,457</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 14,776	\$ 16,264	\$ 29,834	\$ 32,690
Operating expenses	<u>387,892</u>	<u>395,246</u>	<u>794,563</u>	<u>800,767</u>
	<u>\$ 402,668</u>	<u>\$ 411,510</u>	<u>\$ 824,397</u>	<u>\$ 833,457</u>

f. Compensation of employees and remuneration of directors

According to the Articles of Incorporation of Senao, Senao accrued employees' compensation and remuneration of directors at rates of no less than 3% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors.

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate and will be recognized in the following year.

The employees' compensation and remuneration of directors for the years December 31, 2022 and 2021, which had been approved by Senao's board of directors on February 17, 2023 and February 18, 2022, respectively, were as follows:

	For the Year Ended December 31	
	2022	2021
	Cash	Cash
Employees' compensation	<u>\$ 29,004</u>	<u>\$ 26,057</u>
Remuneration of directors	<u>\$ 12,430</u>	<u>\$ 11,167</u>

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2022 and 2021.

Information on the employees' compensation and remuneration of directors resolved by Senao's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

21. INCOME TAX

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Current tax				
In respect of the current period	\$ 1,610	\$ 19,850	\$ 3,813	\$ 47,342
Income tax on unappropriated earnings	2,370	1,419	2,370	1,419
Adjustments for prior year	-	(115,757)	-	(115,757)
Deferred tax				
In respect of the current period	22,560	169	48,082	(1,954)
Adjustments for prior year	<u>(1,392)</u>	<u>150,643</u>	<u>(1,392)</u>	<u>150,643</u>
Income tax expense recognized in profit or loss	<u>\$ 25,148</u>	<u>\$ 56,324</u>	<u>\$ 52,873</u>	<u>\$ 81,693</u>

According to the Income Tax Act in the ROC, the applicable tax rate used by the Group is 20%. Senao Samoa's income is exempt from taxation by law. Senao HK did not have any tax position until June 30, 2023.

b. Income tax assessments

The income tax returns of Youth, ISPOT, Youyi, Aval, Wiin, Senyoung and Senaolife have been assessed by the tax authorities through 2021.

The income tax returns of Senao have been assessed by the tax authorities through 2020.

22. EARNINGS PER SHARE (EPS)

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

Net Income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Net income used to compute the basic and diluted earnings per share				
Net income attributable to the parent	<u>\$ 169,387</u>	<u>\$ 110,106</u>	<u>\$ 366,273</u>	<u>\$ 291,557</u>

Weighted Average Number of Shares

(Thousand Shares)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Weighted average number of ordinary shares used in the computation of basic earnings per share	258,253	258,253	258,253	258,253
Effect of potentially dilutive ordinary shares				
Compensation of employees	<u>436</u>	<u>438</u>	<u>670</u>	<u>647</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>258,689</u>	<u>258,691</u>	<u>258,923</u>	<u>258,900</u>

Senao may settle the employee compensation in shares or cash; therefore, Senao presumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

23. CAPITAL MANAGEMENT

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

24. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The carrying amounts of the Group's financial assets and liabilities not measured at fair value approximate their fair values.

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

1) Fair value hierarchy

June 30, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic non-listed shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,287</u>	<u>\$ 10,287</u>

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic non-listed shares	\$ -	\$ -	\$ 10,428	\$ 10,428

June 30, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic non-listed shares	\$ -	\$ -	\$ 9,773	\$ 9,773

There were no transfers between Levels 1 and 2 for the six months ended June 30, 2023 and 2022.

2) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of non-listed domestic equity investments were determined using the balance sheet approach.

In the balance sheet approach, the total value, including all specific assets and liabilities of the evaluation target, is considered to reflect the entity's integrated value. A decrease in discount for lack of marketability would result in increase in fair value.

c. Categories of financial instruments

	June 30, 2023	December 31, 2022	June 30, 2022
<u>Financial assets</u>			
Financial assets at amortized cost (a)	\$ 4,868,021	\$ 4,483,215	\$ 4,356,269
Financial assets at FVTOCI			
Equity instruments	10,287	10,428	9,773
<u>Financial liabilities</u>			
Financial liabilities at amortized cost (b)	3,004,054	2,947,994	2,806,938

Remarks:

- The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, trade receivables from related parties, other receivables from related parties, partial other receivables, other current assets, refundable deposits and partial other noncurrent assets.
- The balances include financial liabilities measured at amortized cost, which comprise notes payable, notes payable to related parties, trade payables, trade payables to related parties, other payables to related parties, partial other payables and guarantee deposits.

d. Financial risk management objectives and policies

The Group's major financial instruments include receivables, payables and lease liabilities. The Group's Finance Department provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group 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 Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the board of directors, whose purpose was to effectively manage the risks caused by changes in foreign currency rates and interest rates. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Group's Finance Department reports quarterly to the Group's board of directors, which assesses if the report is consistent with the established operating strategies and risk standards.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group entered into foreign exchange forward contracts to manage its exposure to foreign currency risk.

There has been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

Sensitivity analysis

The Group was mainly exposed to the fluctuations of USD.

The Group's sensitivity to a 5% increase and decrease in the New Taiwan dollars (i.e. the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 5%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign exchange forward contracts, and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. The movement in pre-tax profit associated with the New Taiwan dollar strengthening 5% against the USD. For a 5% weakening of the New Taiwan dollars against the relevant currency, the pre-tax profit and the balances below would be an equal and negative change.

The Group does not have significant foreign currency risk.

b) Interest rate risk

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Fair value interest rate risk			
Financial assets	\$ 814,773	\$ 615,872	\$ 544,840
Financial liabilities	700,154	621,949	643,335
Cash flow interest rate risk			
Financial assets	1,507,132	949,326	1,271,990

Sensitivity analysis

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

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the six months ended June 30, 2023 and 2022 would increase/decrease by \$1,884 thousand and \$1,590 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its demand deposits.

c) Other price risk

The Group was exposed to equity price risk through its investments in equity securities. Equity investments are held for strategic rather than trading purposes. The Group manages this exposure by maintaining a portfolio of investments with different risks. In addition, the Group has appointed related departments, such as finance and investment, to monitor the price risk.

Sensitivity analysis

The sensitivity analysis was based on the exposure to equity price risks at the end of the reporting period. If equity prices of financial assets at FVTOCI had increased/decreased by 5%, the pre-tax other comprehensive income would have increase/decreased by \$514 thousand.

The Group does not have significant other price risk.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As of the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of counterparties to discharge an obligation and financial guarantees provided by the Group, could arise from the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Group's main credit risk is concentrated on the Group's major clients. The receivables from the major clients composed 51%, 45% and 52% of the total trade receivables as of June 30, 2023, December 31, 2022 and June 30, 2022, respectively. The clients mentioned above have good credit records, no material default risk was assessed; material credit risk did not exist.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

a) Liquidity and interest rate risk table

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities

June 30, 2023

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	<u>\$ 2,981,651</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,403</u>

Information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	Total
Lease liabilities	<u>\$ 266,817</u>	<u>\$ 448,539</u>	<u>\$ 4,438</u>	<u>\$ 719,794</u>

December 31, 2022

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	<u>\$ 2,925,252</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,742</u>

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

	Less than 1 Year	1-5 Years	5-10 Years	Total
Lease liabilities	<u>\$ 233,733</u>	<u>\$ 397,698</u>	<u>\$ 5,980</u>	<u>\$ 637,411</u>

June 30, 2022

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
Non-derivative <u>financial liabilities</u>				
Non-interest bearing	\$ 2,784,166	\$ -	\$ -	\$ 22,772

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

	Less than 1 Year	1-5 Years	5-10 Years	Total
Lease liabilities	\$ 261,762	\$ 391,549	\$ 2,650	\$ 655,961

b) Financing facilities

	June 30, 2023	December 31, 2022	June 30, 2022
Unsecured bank loan facility			
Amount used	\$ -	\$ -	\$ -
Amount unused	4,530,000	3,430,000	3,580,000
	\$ 4,530,000	\$ 3,430,000	\$ 3,580,000

25. TRANSACTIONS WITH RELATED PARTIES

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

Company	Relationship
Chunghwa Telecom Co., Ltd. (“Chunghwa Telecom”)	Ultimate parent entity
Fellow subsidiary	
CHIEF Telecom Inc.	Chunghwa Telecom’s subsidiary
Chunghwa System Integration Co., Ltd.	Chunghwa Telecom’s subsidiary
Spring House Entertainment Tech. Inc.	Chunghwa Telecom’s subsidiary
Smartfun Digital Co., Ltd.	Chunghwa Telecom’s subsidiary
Honghwa International Co., Ltd.	Chunghwa Telecom’s subsidiary
CHT Security Co., Ltd.	Chunghwa Telecom’s subsidiary
International Integrated Systems, Inc.	Chunghwa Telecom’s subsidiary
Chunghwa Precision Test Tech. Co., Ltd.	Chunghwa Telecom’s subsidiary
Associate	
Senao Networks, Inc. (“Senao Networks”)	Senao’s investee using the equity method
Emplus Technologies, Inc.	Senao Networks’s subsidiary
EnGenius Networks Inc.	Senao Networks’s subsidiary

(Continued)

Company	Relationship
Other related party	
Senao Technical and Cultural Foundation	A nonprofit organization of which the funds donated by SENAO exceeds one third of its total funds
E-Life Mall Co., Ltd.	Substantial related party
Engenius Technologies Co., Ltd.	Substantial related party
Cheng Keng Investment Co., Ltd.	Substantial related party
Cheng Feng Investment Co., Ltd.	Substantial related party
Hwa Shun Investment Co., Ltd.	Substantial related party
Yu Yu Investment Co., Ltd.	Substantial related party
All Oriented Investment Co., Ltd.	Substantial related party
Kangsin Co., Ltd.	Substantial related party
TsannKuen Co., Ltd.	Substantial related party
Taiwan International Standard Electronics Co., Ltd.	Chunghwa Telecom's investment accounted for equity method
KKBOX Taiwan Co., Ltd.	Chunghwa Telecom's investment accounted for equity method
Next Commercial Bank Co., Ltd.	Chunghwa Telecom's investment accounted for equity method
BMT Biomedical Engineering Technology Co., Ltd.	Substantial related party of Chunghwa Telecom's associate
(Concluded)	

- b. Balances and transactions between Senao and subsidiaries have been eliminated on consolidation and not disclosed in this note. For the information on endorsements and guarantees Senao made for its subsidiaries, refer to attached Table 1. Terms of the transactions with related parties were not significantly different from transactions with non-related parties. Details of transactions between the Group and other related parties are disclosed below.

1) Operating revenues

Line Items	Related Party Category	For the Three Months Ended June 30		For the Six Months Ended June 30	
		2023	2022	2023	2022
Sales	Ultimate parent entity	\$ 1,663,505	\$ 1,603,675	\$ 3,470,972	\$ 3,215,712
	Fellow subsidiaries	352	156	1,407	1,269
	Associates	62	3,583	1,918	3,583
	Other related parties	<u>897</u>	<u>3,276</u>	<u>12,400</u>	<u>9,951</u>
		<u>\$ 1,664,816</u>	<u>\$ 1,610,690</u>	<u>\$ 3,486,697</u>	<u>\$ 3,230,515</u>
Service	Ultimate parent entity	\$ 266,006	\$ 237,537	\$ 530,113	\$ 495,826
	Fellow subsidiaries	<u>-</u>	<u>149</u>	<u>7</u>	<u>930</u>
		<u>\$ 266,006</u>	<u>\$ 237,686</u>	<u>\$ 530,120</u>	<u>\$ 496,756</u>
Repairs and maintenance	Ultimate parent entity	\$ 1,767	\$ 7	\$ 2,560	\$ 100
	Fellow subsidiaries	14	1	22	17
	Associates	-	6	-	6
	Other related parties	<u>235</u>	<u>100</u>	<u>253</u>	<u>227</u>
		<u>\$ 2,016</u>	<u>\$ 114</u>	<u>\$ 2,835</u>	<u>\$ 350</u>

2) Purchases of goods

Related Party Category	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Ultimate parent entity	\$ 454,646	\$ 584,378	\$ 1,583,610	\$ 1,447,607
Fellow subsidiaries	251	4,785	3,303	4,785
Associates	-	-	1,202	-
Other related parties	<u>1,146</u>	<u>5</u>	<u>1,146</u>	<u>149</u>
	<u>\$ 456,043</u>	<u>\$ 589,168</u>	<u>\$ 1,589,261</u>	<u>\$ 1,452,541</u>

3) Operating expenses

Related Party Category	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Ultimate parent entity	\$ 78,140	\$ 72,876	\$ 154,071	\$ 146,688
Fellow subsidiaries	66	943	133	1,009
Associates	478	-	1,206	-
Other related parties	<u>3,378</u>	<u>3,291</u>	<u>7,243</u>	<u>7,064</u>
	<u>\$ 82,062</u>	<u>\$ 77,110</u>	<u>\$ 162,653</u>	<u>\$ 154,761</u>

Operating expenses paid to ultimate parent entity were mainly the marketing expenses resulting from goods sold by the ultimate parent entity for Senao.

4) Non-operating transactions

Line Items	Related Party Category	For the Three Months Ended June 30		For the Six Months Ended June 30	
		2023	2022	2023	2022
Non-operating income	Ultimate parent entity	\$ 186	\$ 219	\$ 304	\$ 501
	Other related parties	<u>478</u>	<u>185</u>	<u>661</u>	<u>462</u>
		<u>\$ 664</u>	<u>\$ 404</u>	<u>\$ 965</u>	<u>\$ 963</u>

5) Receivables from related parties

Line Item	Related Party Category	June 30, 2023	December 31, 2022	June 30, 2022
Accounts receivable from related parties	Ultimate parent entity	\$ 984,029	\$ 971,313	\$ 992,240
	Fellow subsidiaries	55	214	79
	Other related parties	<u>760</u>	<u>3,601</u>	<u>713</u>
		<u>\$ 984,844</u>	<u>\$ 975,128</u>	<u>\$ 993,032</u>

The outstanding receivables from related parties are unsecured. As of June 30, 2023, December 31, 2022 and June 30, 2022, no allowance loss was recognized for receivables from related parties.

6) Other receivables from related parties

Line Item	Related Party Category	June 30, 2023	December 31, 2022	June 30, 2022
Other receivables from related parties	Ultimate parent entity	<u>\$ 136,605</u>	<u>\$ 144,967</u>	<u>\$ 135,941</u>

Other receivables were mainly balances of sales proceeds of goods sold by the ultimate parent entity for Senao.

7) Prepayments

Line Item	Related Party Category	June 30, 2023	December 31, 2022	June 30, 2022
Prepaid rents	Ultimate parent entity	<u>\$ 231</u>	<u>\$ 231</u>	<u>\$ 231</u>

8) Refundable deposits

Line Item	Related Party Category	June 30, 2023	December 31, 2022	June 30, 2022
Refundable deposits	Ultimate parent entity	<u>\$ 546</u>	<u>\$ 546</u>	<u>\$ 24,660</u>

9) Notes payable to related parties

Line Item	Related Party Category	June 30, 2023	December 31, 2022	June 30, 2022
Notes payable to related parties	Ultimate parent entity	<u>\$ 18</u>	<u>\$ 18</u>	<u>\$ 18</u>

10) Trade payables to related parties

Line Item	Related Party Category	June 30, 2023	December 31, 2022	June 30, 2022
Trade payables to related parties	Ultimate parent entity	\$ 156,059	\$ 378,565	\$ 259,517
	Fellow subsidiaries	74	974	1,256
	Associates	-	45	-
	Other related parties	<u>1,204</u>	<u>-</u>	<u>3</u>
		<u>\$ 157,337</u>	<u>\$ 379,584</u>	<u>\$ 260,776</u>

The trade payables to related parties were unsecured.

11) Other payables to related parties

Line Item	Related Party Category	June 30, 2023	December 31, 2022	June 30, 2022
Other payables to related parties	Ultimate parent entity	\$ 156,663	\$ 218,610	\$ 135,943
	Fellow subsidiaries	-	-	23
	Associates	1,707	2,424	665
	Other related parties	<u>3,378</u>	<u>3,911</u>	<u>3,291</u>
		<u>\$ 161,748</u>	<u>\$ 224,945</u>	<u>\$ 139,922</u>

The balances for the ultimate parent entity were proceeds of goods sold by Senao for the ultimate parent entity and the collection of monthly fees and bills on behalf of the ultimate parent entity. The balances of associates were daily subsistence allowance in Hwa Ya's plants for Senao and the payment of acquisition of computer telecommunications equipment and miscellaneous disbursements for Senao. The transactions with other related parties were donations to other related parties.

12) Other current liabilities

Line Item	Related Party Category	June 30, 2023	December 31, 2022	June 30, 2022
Other advance receipts	Associates	<u>\$ 3,990</u>	<u>\$ 3,990</u>	<u>\$ 3,990</u>

13) Acquisitions of property, plant and equipment

Related Party Category	Purchase Price			
	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2023	2022	2023	2022
Associates	<u>\$ 250</u>	<u>\$ -</u>	<u>\$ 520</u>	<u>\$ -</u>

The Group purchased computer telecommunications equipment from subsidiaries and associates.

14) Lease arrangements - the Group is lessee

Senao entered into a contract with the ultimate parent entity and the rent was paid by monthly or quarterly installments.

Acquisition of right-of-use assets

Related Party Category	For the Six Months Ended	
	June 30	
	2023	2022
Ultimate parent entity	<u>\$ 35,215</u>	<u>\$ 38,654</u>

Line Item	Related Party Category	June 30, 2023	December 31, 2022	June 30, 2022
Lease liabilities - current	Ultimate parent entity	<u>\$ 22,864</u>	<u>\$ 6,550</u>	<u>\$ 24,501</u>
Lease liabilities - noncurrent	Ultimate parent entity	<u>\$ 5,130</u>	<u>\$ 6,469</u>	<u>\$ 9,679</u>

Line Items	Related Party Category	For the Three Months Ended June 30		For the Six Months Ended June 30	
		2023	2022	2023	2022
Interest expense	Ultimate parent entity	\$ 124	\$ 129	\$ 288	\$ 277
Lease expense (accounted for operating expense)	Ultimate parent entity	\$ 4,599	\$ 2,560	\$ 8,797	\$ 4,904

15) Lease arrangements - the Group is lessor

Senao Networks entered into a contract with Senao to lease partial Hwa Ya's plant. The rental income referred to the rental level of similar assets and was received monthly according to the lease agreement.

Line Items	Related Party Category	For the Three Months Ended June 30		For the Six Months Ended June 30	
		2023	2022	2023	2022
Non-operating income	Associates	\$ 11,400	\$ 11,400	22,811	\$ 22,811
	Other related parties	-	-	2	2
		<u>\$ 11,400</u>	<u>\$ 11,400</u>	<u>\$ 22,813</u>	<u>\$ 22,813</u>

c. Compensation of key management personnel

The remuneration of directors and members of key management personnel for the years ended June 30, 2023 and 2022 was as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Short-term employee benefits	\$ 18,919	\$ 10,383	\$ 35,329	\$ 28,054
Termination benefits	<u>17,875</u>	<u>172</u>	<u>18,244</u>	<u>345</u>
	<u>\$ 36,794</u>	<u>\$ 10,555</u>	<u>\$ 53,573</u>	<u>\$ 28,399</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

26. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The Group used part of the bank deposits, which are recognized as other current assets, as collateral for the importation of goods. As of June 30, 2023, December 31, 2022 and June 30, 2022, the amount of the collateral was both \$1,700 thousand.

27. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments of the Group as of June 30, 2023 and 2022 were as follows:

The Group applied for post-release duty payment to the customs. As of June 30, 2023, December 31, 2022 and June 30, 2022, the amount of bank guarantees for the application were both \$10,000 thousand.

28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group does not have significant assets and liabilities denominated in foreign currencies.

29. ADDITIONAL DISCLOSURES

a. Information about significant transactions and investees:

- 1) Financing provided to others: None.
- 2) Endorsements/guarantees provided: See Table 1.
- 3) Marketable securities held (excluding investments in subsidiaries and associates): See Table 2.
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: See Table 3.
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: See Table 4.
- 9) Names, locations, and other information of investees in which the Company exercises significant influence (excluding investment in mainland China): See Table 5.
- 10) Trading in derivative instruments: See Note 24.

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: See Table 6.
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None.
 - c) The amount of property transactions and the amount of the resultant gains or losses: None.

- d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position: None.
- c. Intercompany relationships and significant intercompany transactions: See Table 7.
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: See Table 8.

30. SEGMENT INFORMATION

The Group's reportable segments were sales department and other departments.

Sales department - selling information and communication products and the peripheral products.

Other departments - other unreported operating activities and departments. These departments provide services to support the sales department. Also, the sales made by the subsidiaries were part of other departments.

a. Segment revenues and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segments.

	Sales	Others	Total
<u>For the six months ended June 30, 2023</u>			
Revenue from external customers	<u>\$ 13,518,072</u>	<u>\$ 1,751,661</u>	<u>\$ 15,269,733</u>
Segment income	<u>\$ 411,762</u>	<u>\$ (13,237)</u>	\$ 398,525
Share of profit of associates accounted for using the equity method			169,680
Rental income			34,966
Interest income			5,325
Dividends income			516
Gain on foreign currency exchange			208
Other gain and loss			(354)
Interest expense			(6,058)
Central administration costs and remuneration to directors			<u>(184,173)</u>
Profit before tax			<u>\$ 418,637</u>
			(Continued)

	Sales	Others	Total
<u>For the six months ended June 30, 2022</u>			
Revenue from external customers	\$ 13,290,819	\$ 1,751,149	\$ 15,041,968
Segment income	\$ 438,241	\$ (76,999)	\$ 361,242
Share of profit of associates accounted for using the equity method			145,098
Rental income			36,798
Interest income			1,554
Gain on foreign currency exchange			515
Other gain and loss			107
Interest expense			(4,227)
Central administration costs and remuneration to directors			(168,335)
Profit before tax			\$ 372,752
			(Concluded)

The segment revenues reported above all came from transactions with external customers.

Segment profit represented the profit before tax earned by each segment without share of profit of associates accounted for using the equity method, rental income, exchange gains or losses, other gains and losses, interest income, interest expense and central administration costs and remuneration to directors. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

The measures of segment total assets and liabilities are not reported to the chief operating decision maker. Therefore, the information is not disclosed.

c. Disaggregation of revenues from customer contracts

	Sales	Others	Total
<u>For the six months ended June 30, 2023</u>			
Information and communication products	\$ 11,345,237	\$ 714,707	\$ 12,059,944
Revenues from services and repairs	785,649	222,067	1,007,716
Others	<u>1,387,186</u>	<u>814,887</u>	<u>2,202,073</u>
	\$ 13,518,072	\$ 1,751,661	\$ 15,269,733
<u>For the six months ended June 30, 2022</u>			
Information and communication products	\$ 11,192,479	\$ 848,757	\$ 12,041,236
Revenues from services and repairs	728,024	217,563	945,587
Others	<u>1,370,316</u>	<u>684,829</u>	<u>2,055,145</u>
	\$ 13,290,819	\$ 1,751,149	\$ 15,041,968

TABLE 1

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

**ENDORSEMENTS/GUARANTEES PROVIDED
SIX MONTHS ENDED JUNE 30, 2023
(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 (Note 3)	Maximum Balance for the Period (Note 4)	Ending Balance (Note 4)	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 (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 5)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent (Note 5)	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China (Note 5)	Note
		Name	Nature of Relationship (Note 2)											
0	Senao International Co., Ltd.	Aval Wiin	b b	\$ 610,805 610,805	\$ 300,000 200,000	\$ 300,000 200,000	\$ 300,000 200,000	\$ - -	4.91% 3.27%	\$ 3,054,027 3,054,027	Yes Yes	- -	- -	

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

- a. “0” for the parent.
- 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 joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act.

Note 3: The total amount of endorsement or guarantee that the parent is allowed to provide is up to 50% of the net equity of the parent. The limits on endorsement or guarantee amount provided to each guaranteed party is up to 10% of the net equity of the parent.

Note 4: The maximum balance for the year and the ending balance are quota approved by the board of directors.

Note 5: The following circumstances represent “Yes”:

- a. Endorsement/Guarantee given by parent on behalf of subsidiaries.
- b. Endorsement/Guarantee given by subsidiaries on behalf of parent.

TABLE 2

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD (NOT INCLUDING SUBSIDIARY AND RELATED PARTY)
JUNE 30, 2023
(Amounts in Thousands of New Taiwan Dollars)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2023				Note
				Shares (Thousands/Thousand Units)	Carrying Value	Percentage of Ownership	Fair Value	
Senao International Co., Ltd.	<u>Stocks</u> N.T.U. Innovation Incubation Corporation	-	Financial assets at FVOCI	1,200	\$ 10,287	9.41	\$ 10,287	

Note: For related information on subsidiaries and associates, refer to Tables 5 and 6.

TABLE 3

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
SIX MONTHS ENDED JUNE 30, 2023
(Amounts in Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction (Note 2)		Notes/Trade Payable or Receivable		Note
			Purchase/ Sales	Amount	% to Total	Payment Terms	Units Price	Payment Terms	Ending Balance	% to Total	
Senao International Co., Ltd.	Chunghwa Telecom	Ultimate parent entity	Sales	\$ 3,780,490	24.76	30-90 days	\$ -	-	\$ 979,820	56.38	Note 1
			Purchase	1,583,610	12.63	30 days	-	-	(156,077)	(8.14)	
	Aval	Subsidiary	Sales	230,223	1.51	60 days	-	-	82,415	4.74	
			Purchase	101,651	0.81	30 days	-	-	(15,032)	(0.78)	
Aval	Chunghwa Telecom	Ultimate parent entity	Sales	223,155	1.46	30 days	-	-	4,209	0.24	Note 1

Note 1: The sales from Chunghwa Telecom Co., Ltd. include sales revenue, service revenue and repairs and maintenance revenue.

Note 2: Terms of the transactions with related parties were not significantly different from transactions with non-related parties.

TABLE 4

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
JUNE 30, 2023
(Amounts in Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amounts	Action Taken		
Senao International Co., Ltd.	Chunghwa Telecom	Ultimate parent entity	\$ 1,116,426 (Note 1)	7.83 (Note 2)	\$ -	-	\$ 517,949	\$ -

Note 1: The receivables from related parties included \$133,087 thousand which is the amount of products sold by Chunghwa Telecom Co., Ltd. for Senao, but not yet collected.

Note 2: The computation of the turnover of average receivables balance had already subtracted the receivables from Chunghwa Telecom Co., Ltd. for products sold for Senao.

TABLE 5

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES IN WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INVESTMENT IN MAINLAND CHINA)
SIX MONTHS ENDED JUNE 30, 2023
(Amounts in Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2023			Net Income (Loss) of the Investee	Recognized Gain (Loss)	Note
				June 30, 2023	December 31, 2022	Shares (Thousands)	Percentage of Ownership (%)	Carrying Value			
Senao International Co., Ltd.	Senao Networks	Taiwan	Telecommunication facilities manufacturing and sales	\$ 202,758	\$ 202,758	16,579	33.79	\$ 1,483,677	\$ 502,119	\$ 169,680	Note 1
	Senao Samoa	Samoa Islands	International investment	2,046,143 (US\$ 68,275)	2,046,143 (US\$ 68,275)	1,191	100.00	37,776 (US\$ 1,213)	402 (US\$ 13)	402 (US\$ 13)	Notes 1 and 6
	Youth	Taiwan	Sale of information and communication technologies products	427,850	427,850	14,752	95.79	175,563	(756)	(4,781)	Notes 1, 2 and 6
	Aval	Taiwan	Sale of information and communication technologies products	89,550	89,550	12,555	100.00	132,762	3,199	3,202	Notes 1, 3 and 6
	Senyoung	Taiwan	Property and liability insurance agency	59,000	59,000	5,900	100.00	112,969	12,152	12,152	Notes 1 and 6
Youth	ISPOT	Taiwan	Sale of information and communication technologies products	53,021	53,021	-	100.00	13,864	311	215	Notes 1, 4 and 6
	Youyi	Taiwan	Maintenance of information and communication technologies products	21,354	21,354	-	100.00	4,523	(472)	(627)	Notes 1, 5 and 6
Aval	Wiin	Taiwan	Sale of information and communication technologies products	29,550	29,550	4,418	100.00	46,748	938	938	Notes 1 and 6
Senyoung	Senaolife	Taiwan	Life insurance agency	-	29,500	-	-	-	(2,013)	(2,013)	Notes 1,6 and 8
Senao Samoa	Senao HK	Hong Kong	International investment	2,060,467 (US\$ 68,740)	2,060,467 (US\$ 68,740)	80,440	100.00	33,924 (US\$ 1,114)	-	-	Notes 1,6 and 9

Note 1: Calculated for the same period as the period of the reviewed financial statements.

Note 2: Loss of Youth Co., Ltd. of \$756 thousand in 2023; the amount of \$117 thousand is the premium and the intangible assets resulting from acquisition on the basis of fair value and its accumulated amortization; the amount of \$1 thousand is comprised of lease arrangements between the parent entity and subsidiaries; the amount of \$4,142 thousand is the deduction from the amortization of this premium and intangible assets.

Note 3: An investment gain of \$3,199 thousand; the amount of \$3 thousand is comprised of lease arrangements between the parent entity and subsidiaries.

Note 4: An investment gain of \$311 thousand; the amount of \$96 thousand is comprised of adjustment from the increase of continuing interest.

Note 5: An investment loss of \$472 thousand; the amount of \$155 thousand is comprised of adjustment from the increase of continuing interest and lease arrangements between the parent entity and subsidiaries.

Note 6: The amount was eliminated upon consolidation.

Note 7: Information on investees in mainland China, refer to Table 6.

Note 8: On April 22, 2022, the board of directors of Senyoung, a subsidiary, resolved to merge with its 100%-held Senaolife. The merger was completed on May 1, 2023, the merger date. Senyoung was the continuing entity after the merger.

Note 9: The liquidation and dissolution of Senao International HK Limited, a subsidiary, has been resolved by its board of directors on August 31, 2022; Senao HK’s shareholders’ meeting was held on April 25, 2023, in accordance with the local ordinances, the liquidation was completed on July 28, 2023.

TABLE 6

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
SIX MONTHS ENDED JUNE 30, 2023
(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, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2023	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 2 and 3)	Carrying Value as of June 30, 2023 (Notes 2 and 3)	Accumulated Inward Remittance of Earnings as of June 30, 2023	Note
					Outflow	Inflow							
Senao International Trading (Shanghai) Co., Ltd.	Sale of information and communication technologies products	\$ 955,838 (US\$ 32,000)	b	\$ 955,838 (US\$ 32,000)	\$ -	\$ -	\$ 955,838 (US\$ 32,000)	\$ -	100	\$ -	\$ -	\$ -	Note 5

Accumulated Investment in Mainland China as of June 30, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Stipulated by Investment Commission, MOEA (Note 4)
\$ 955,838 (US\$ 32,000)	\$ 2,047,858 (US\$ 68,292)	\$ 3,671,516

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

- a. Direct investment.
- b. Investments through a holding company, which means Senao International (Samoa) Holding Ltd. here, registered in a third region.
- c. Others.

Note 2: Calculated as the same period of audited financial statements.

Note 3: The amount was eliminated upon consolidation.

Note 4: We calculated the upper limit on investment in accordance with the “Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area”.

Note 5: Senao International Trading (Shanghai) Co., Ltd. was approved to dissolve its business on December 23, 2020 by the Board of Directors. The liquidation of Senao International Trading (Shanghai) Co., Ltd was completed in April 2021, and the residual fund has been repatriated to Senao International (SAMOA) Holding Ltd. As of June 30, 2023, the investment commission of MOEA has not yet approved the deregistration of Senao International Trading (Shanghai) Co., Ltd.

TABLE 7

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
SIX MONTHS ENDED JUNE 30, 2023
(Amounts in Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Relationship (Note 2)	Transactions Details			
				Financial Statement Accounts	Amount (Note 3)	Payment Terms (Note 4)	% of Total Sales or Assets (Note 5)
0	Senao International Co., Ltd.	Aval	a	Sales revenue	\$ 230,223	-	2
				Cost of goods sold	101,651	-	1
				Trade receivables from related parties	82,415	-	1
		Wiin	a	Trade payables to related parties	15,032	-	-
				Cost of goods sold	11,826	-	-
				Trade payable to related parties	4,277	-	-
		Senyoung	a	Service revenue	46,179	-	-
				Trade receivables from related parties	32,137	-	-
1	Aval	Youth	c	Sales revenue	49,584	-	-
				Trade receivables from related parties	4,557	-	-
		ISPOT	c	Sales revenue	34,870	-	-
				Trade receivables from related parties	5,900	-	-
2	Wiin	Youth	c	Sales revenue	6,314	-	-
				Trade receivables from related parties	623	-	-
3	Senao International Co., Ltd.	Youth	a	Right-of-use assets	1,319	-	-
				Lease liabilities	1,320	-	-

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

- a. “0” for the parent.
- b. Subsidiaries are numbered from “1”.

Note 2: Related party transactions are divided into three categories as follows (there is no need for repeated disclosure between the entities, i.e., if the parent company discloses a transaction with a subsidiary, the subsidiary does not have to disclose the same information in the financial statements. Also, if a subsidiary discloses a transaction with another subsidiary, the other subsidiary does not have to disclose the same information in the financial statements):

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

Note 3: The amount was eliminated upon consolidation.

Note 4: The transaction terms related to the related parties are determined by both sides.

Note 5: For assets and liabilities, amount is shown as a percentage to consolidated total assets as of June 30, 2023, while revenues, costs and expenses are shown as a percentage to consolidated revenues for the period ended June 30, 2023.

TABLE 8**SENAO INTERNATIONAL CO., LTD.****INFORMATION OF MAJOR SHAREHOLDERS
JUNE 30, 2023**

Name of Major Shareholders	Shares	
	Number of Shares	Percentage of Ownership (%)
Chunghwa Telecom Co., Ltd.	71,773,155	27.79
Hwa Shun Investment Co., Ltd.	20,509,659	7.94
Engenius Technologies Co., Ltd.	19,508,509	7.55
Yu Yu Investment Co., Ltd.	19,044,478	7.37
Cheng Feng Investment Co., Ltd.	19,003,436	7.35
Cheng Keng Investment Co., Ltd.	14,820,975	5.73

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.