

Senao International Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Three Months Ended March 31, 2024 and 2023 and Independent Auditors' Review Report

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

INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated balance sheet of Senao International Co., Ltd. and its subsidiaries (collectively, the "Group") as of March 31, 2024, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three months then ended, and the related notes to the consolidated financial statements, including a summary of material 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" that came into effect as endorsed by the Financial Supervisory Commission (FSC). Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

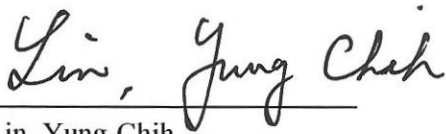
We conducted our review in accordance with the Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2024, and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 "Interim Financial Reporting" that came into effect as endorsed by the FSC.

Other matter

The consolidated financial statements of Senao International Co., Ltd. and its subsidiaries as of three months ended March 31, 2023 were reviewed by other auditors, whose report dated April 28, 2023 expressed an unqualified conclusion on those statements.



Lin, Yung-Chih



Pan, Hui-Lin

For and on behalf of PricewaterhouseCoopers, Taiwan

April 26, 2024

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

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

ASSETS	March 31, 2024		December 31, 2023		March 31, 2023	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Notes 6 and 26)	\$ 2,413,270	23	\$ 2,168,285	22	\$ 1,261,399	13
Notes receivable, net (Note 7)	88,964	1	70,134	1	83,960	1
Trade receivables, net (Note 7)	572,078	6	606,191	6	679,343	7
Trade receivables from related parties (Note 26)	1,086,771	10	894,645	9	1,138,742	11
Other receivables (Notes 7)	180,170	2	207,450	2	353,706	4
Other receivables from related parties (Note 26)	153,944	1	124,595	1	189,586	2
Inventories (Note 8)	2,540,534	24	2,379,632	24	2,861,097	28
Prepayments (Note 26)	74,405	1	66,300	1	76,239	1
Other current assets (Note 14)	<u>22,597</u>	<u>-</u>	<u>22,528</u>	<u>-</u>	<u>65,802</u>	<u>1</u>
Total current assets	<u>7,132,733</u>	<u>68</u>	<u>6,539,760</u>	<u>66</u>	<u>6,709,874</u>	<u>68</u>
NONCURRENT ASSETS						
Financial assets at fair value through other comprehensive income	11,341	-	9,969	-	10,039	-
Investments accounted for using equity method (Note 10)	1,608,490	15	1,564,311	16	1,480,401	15
Property, plant and equipment (Notes 11 and 20)	779,321	7	786,284	8	784,893	8
Right-of-use assets (Notes 12, 20 and 26)	704,885	7	642,474	7	651,650	6
Intangible assets (Notes 13 and 20)	100,688	1	103,104	1	103,751	1
Deferred tax assets	57,233	1	84,567	1	166,825	2
Refundable deposits (Note 26)	55,504	1	55,265	1	56,129	-
Other noncurrent assets (Notes 14 and 27)	<u>47,560</u>	<u>-</u>	<u>47,559</u>	<u>-</u>	<u>51,533</u>	<u>-</u>
Total noncurrent assets	<u>3,365,022</u>	<u>32</u>	<u>3,293,533</u>	<u>34</u>	<u>3,305,221</u>	<u>32</u>
TOTAL	<u>\$ 10,497,755</u>	<u>100</u>	<u>\$ 9,833,293</u>	<u>100</u>	<u>\$ 10,015,095</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Contract liabilities (Note 19)	\$ 120,622	1	\$ 90,454	1	\$ 121,537	1
Notes payable (Note 15)	2,146	-	3,075	-	2,469	-
Notes payable to related parties (Note 26)	18	-	18	-	18	-
Trade payables (Note 15)	1,875,686	18	1,489,909	15	1,795,555	18
Trade payables to related parties (Note 26)	298,416	3	148,106	2	73,319	1
Other payables (Note 16)	1,127,895	11	673,181	7	1,099,439	11
Other payables to related parties (Note 26)	200,658	2	264,940	3	197,181	2
Current tax liabilities	2,771	-	891	-	6,966	-
Lease liabilities - current (Notes 12, 20 and 26)	270,408	3	236,694	3	255,939	3
Other current liabilities (Note 26)	<u>40,218</u>	<u>-</u>	<u>42,280</u>	<u>-</u>	<u>44,626</u>	<u>-</u>
Total current liabilities	<u>3,938,838</u>	<u>38</u>	<u>2,949,548</u>	<u>31</u>	<u>3,597,049</u>	<u>36</u>
NONCURRENT LIABILITIES						
Deferred tax liabilities	17,819	-	17,663	-	19,455	-
Lease liabilities - noncurrent (Notes 12, 20 and 26)	446,542	5	417,423	4	407,690	4
Net defined benefit liabilities - noncurrent (Notes 17 and 20)	226	-	1,054	-	20,610	-
Guarantee deposits	<u>22,547</u>	<u>-</u>	<u>22,403</u>	<u>-</u>	<u>23,003</u>	<u>-</u>
Total noncurrent liabilities	<u>487,134</u>	<u>5</u>	<u>458,543</u>	<u>4</u>	<u>470,758</u>	<u>4</u>
Total liabilities	<u>4,425,972</u>	<u>43</u>	<u>3,408,091</u>	<u>35</u>	<u>4,067,807</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>26</u>	<u>2,582,527</u>	<u>26</u>
Capital surplus (Note 18)	<u>717,664</u>	<u>7</u>	<u>717,664</u>	<u>7</u>	<u>717,521</u>	<u>7</u>
Retained earnings (Note 18)						
Legal reserve	1,667,579	16	1,667,579	17	1,601,588	16
Special reserve	-	-	-	-	21,631	-
Unappropriated earnings	<u>1,097,508</u>	<u>9</u>	<u>1,478,865</u>	<u>15</u>	<u>1,000,730</u>	<u>11</u>
Total retained earnings	<u>2,765,087</u>	<u>25</u>	<u>3,146,444</u>	<u>32</u>	<u>2,623,949</u>	<u>27</u>
Other equity	<u>(3,827)</u>	<u>-</u>	<u>(32,003)</u>	<u>-</u>	<u>11,849</u>	<u>-</u>
Equity attributable to shareholders of the parent	6,061,451	57	6,414,632	65	5,935,846	60
NONCONTROLLING INTERESTS (Note 18)						
	<u>10,332</u>	<u>-</u>	<u>10,570</u>	<u>-</u>	<u>11,442</u>	<u>-</u>
Total equity	<u>6,071,783</u>	<u>57</u>	<u>6,425,202</u>	<u>65</u>	<u>5,947,288</u>	<u>60</u>
TOTAL	<u>\$ 10,497,755</u>	<u>100</u>	<u>\$ 9,833,293</u>	<u>100</u>	<u>\$ 10,015,095</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) (Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2024		2023	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 19 and 26)				
Sales	\$ 7,868,372	97	\$ 8,029,947	98
Less: Sales returns	69,888	1	100,578	1
Sales discounts and allowances	198,266	2	233,483	3
Net sales	7,600,218	94	7,695,886	94
Service and repairs revenue	534,100	6	515,102	6
Total operating revenues	8,134,318	100	8,210,988	100
OPERATING COSTS (Notes 8, 17, 20 and 26)				
Cost of goods sold	7,148,869	88	7,217,748	88
Service and repairs costs	106,755	1	114,696	1
Total operating costs	7,255,624	89	7,332,444	89
GROSS PROFIT	878,694	11	878,544	11
OPERATING EXPENSES (Notes 17, 20 and 26)				
Selling and marketing expenses	660,050	8	673,950	9
General and administrative expenses	88,122	1	82,956	1
Total operating expenses	748,172	9	756,906	10
NET OTHER INCOME AND EXPENSES (Note 20)	5	-	33	-
INCOME FROM OPERATIONS	130,527	2	121,671	1
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 20 and 26)	17,991	-	19,564	-
Share of profit of associates accounted for using equity method	17,375	-	85,251	1
Interest income (Note 26)	1,441	-	955	-
Net gain on foreign currency exchange	23	-	60	-
Interest expense (Notes 20 and 26)	(3,045)	-	(3,008)	-
Miscellaneous disbursements	-	-	(89)	-
Total non-operating income and expenses	33,785	-	102,733	1
INCOME BEFORE INCOME TAX	164,312	2	224,404	2
INCOME TAX EXPENSE (Note 21)	29,402	-	27,725	-
NET INCOME	134,910	2	196,679	2

(Continued)

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2024		2023	
	Amount	%	Amount	%
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	\$ 1,372	-	(\$ 389)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	-	-	(305)	-
Share of exchange differences arising from the translation of the foreign operations of associates	26,804	1	(708)	-
	<u>26,804</u>	<u>1</u>	<u>(1,013)</u>	<u>-</u>
Total other comprehensive income (loss), net of income tax	<u>28,176</u>	<u>1</u>	<u>(1,402)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 163,086</u>	<u>2</u>	<u>\$ 195,277</u>	<u>2</u>
NET INCOME ATTRIBUTABLE TO :				
Shareholders of the parent	\$ 135,148	2	\$ 196,886	2
Noncontrolling interests	(238)	-	(207)	-
	<u>\$ 134,910</u>	<u>2</u>	<u>\$ 196,679</u>	<u>2</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO :				
Shareholders of the parent	\$ 163,324	2	\$ 195,484	2
Noncontrolling interests	(238)	-	(207)	-
	<u>\$ 163,086</u>	<u>2</u>	<u>\$ 195,277</u>	<u>2</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 0.52</u>		<u>\$ 0.76</u>	
Diluted	<u>\$ 0.52</u>		<u>\$ 0.76</u>	

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) (Reviewed, Not Audited)

	Equity Attributable to Shareholders 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 or 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, 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										
Cash dividends distributed by the Company – \$2.20 per share	-	-	-	-	(568,156)	-	-	(568,156)	-	(568,156)
Net income for the three months ended March 31, 2023	-	-	-	-	196,886	-	-	196,886	(207)	196,679
Other comprehensive loss for the three months ended March 31, 2023	-	-	-	-	-	(1,013)	(389)	(1,402)	-	(1,402)
Total comprehensive income (loss) for the three months ended March 31, 2023	-	-	-	-	196,886	(1,013)	(389)	195,484	(207)	195,277
BALANCE, MARCH 31, 2023	<u>\$ 2,582,527</u>	<u>\$ 717,521</u>	<u>\$ 1,601,588</u>	<u>\$ 21,631</u>	<u>\$ 1,000,730</u>	<u>\$ 13,809</u>	<u>(\$ 1,960)</u>	<u>\$ 5,935,846</u>	<u>\$ 11,442</u>	<u>\$ 5,947,288</u>
BALANCE, JANUARY 1, 2024	\$ 2,582,527	\$ 717,664	\$ 1,667,579	\$ -	\$ 1,478,865	(\$ 29,973)	(\$ 2,030)	\$ 6,414,632	\$ 10,570	\$ 6,425,202
Appropriation of 2023 earnings										
Cash dividends distributed by the Company – \$2.00 per share	-	-	-	-	(516,505)	-	-	(516,505)	-	(516,505)
Net income for the three months ended March 31, 2024	-	-	-	-	135,148	-	-	135,148	(238)	134,910
Other comprehensive income for the three months ended March 31, 2024	-	-	-	-	-	26,804	1,372	28,176	-	28,176
Total comprehensive income (loss) for the three months ended March 31, 2024	-	-	-	-	135,148	26,804	1,372	163,324	(238)	163,086
BALANCE, MARCH 31, 2024	<u>\$ 2,582,527</u>	<u>\$ 717,664</u>	<u>\$ 1,667,579</u>	<u>\$ -</u>	<u>\$ 1,097,508</u>	<u>(\$ 3,169)</u>	<u>(\$ 658)</u>	<u>\$ 6,061,451</u>	<u>\$ 10,332</u>	<u>\$ 6,071,783</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)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 164,312	\$ 224,404
Adjustments for:		
Depreciation	86,226	86,851
Amortization	7,292	6,270
Expected credit loss (gain)	2,365	(180)
Interest expense	3,045	3,008
Interest income	(1,441)	(955)
Share of profit of associates accounted for using equity method	(17,375)	(85,251)
Net loss on disposal of property, plant and equipment	28	36
Net gain on lease modification	(33)	(69)
(Reversal of allowance) provision for inventory and obsolescence	(16,838)	5,238
Net gain on foreign currency exchange	(18)	(305)
Changes in operating assets and liabilities:		
Notes receivable	(18,830)	5,101
Trade receivables	31,748	269,955
Trade receivables from related parties	(192,126)	(163,614)
Other receivables	27,228	(54,699)
Other receivables from related parties	(29,349)	(44,619)
Inventories	(144,064)	(68,511)
Prepayments	(8,105)	(6,889)
Other current assets	(69)	(142)
Contract liabilities	30,168	(11,185)
Notes payable	(929)	(4,236)
Trade payables	385,777	(157,612)
Trade payables to related parties	150,310	(306,265)
Other payables	(61,791)	(182,066)
Other payables to related parties	(64,282)	(27,764)
Other current liabilities	(2,062)	5,841
Net defined benefit liabilities - noncurrent	(828)	(716)
Cash from operations	330,359	(508,374)
Interest paid	(3,045)	(3,008)
Income tax paid	(151)	(72)
Net cash used in operating activities	<u>327,163</u>	<u>(511,454)</u>

(Continued)

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2024	2023
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(\$ 3,315)	(\$ 7,730)
Increase in refundable deposits	(239)	(644)
Acquisition of intangible assets	(4,876)	(2,381)
Increase in other noncurrent assets	(1)	(69)
Interest received	<u>1,612</u>	<u>1,109</u>
Net cash used in investing activities	(<u>6,819</u>)	(<u>9,715</u>)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans	-	561,000
Repayment of short-term loans	-	(561,000)
Increase in guarantee deposits	144	261
Repayment of the principal portion of lease liabilities	(<u>75,522</u>)	(<u>76,718</u>)
Net cash used in financing activities	(<u>75,378</u>)	(<u>76,457</u>)
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS	<u>19</u>	<u>2</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	244,985	(597,624)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>2,168,285</u>	<u>1,859,023</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 2,413,270</u>	<u>\$ 1,261,399</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 THREE MONTHS ENDED MARCH 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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 reorganization 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.

Senao mainly sells mobile phones, information appliance, home appliances, peripheral products, and health care 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 substantial control over Senao, and it is the ultimate parent entity of Senao. As of March 31, 2024, 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 April 26, 2024.

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 IFRS Accounting Standards as endorsed by the FSC had no material impact on the Group’s accounting policies.

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
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 (Note 3)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards 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 amendments provide some transition relief regarding disclosure requirements.

- c. The IFRS Accounting Standards issued by International Accounting Standards Board (IASB) but not yet endorsed by the FSC

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note)
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 18 “Presentation and disclosure in financial statements”	January 1, 2027

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

As of the date the consolidated financial statements were authorized for issue, the above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

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 by the FSC.

Basis of Preparation and Consolidation

- Refer to principles prepared and used in the consolidated financial statements for the year ended December 31, 2023.
- See Note 9, and Table 5 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, 2023.

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 expense

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. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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, 2023.

6. CASH AND CASH EQUIVALENTS

	March 31, 2024	December 31, 2023	March 31, 2023
Cash on hand and petty cash	\$ 281,009	\$ 242,531	\$ 237,376
Checking accounts and demand deposits	1,672,088	1,330,390	851,008
Cash equivalents			
Commercial paper	460,173	595,364	173,015
	<u>\$ 2,413,270</u>	<u>\$ 2,168,285</u>	<u>\$ 1,261,399</u>

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

	March 31, 2024	December 31, 2023	March 31, 2023
Bank deposits	0.01%-1.45%	0.01%-1.45%	0.01%-1.25%
Commercial paper	1.00%-1.18%	0.98%-1.10%	0.60%-0.70%

7. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2024</u>
<u>Notes receivable</u>			
Notes receivable	\$ 89,895	\$ 71,065	\$ 84,891
Less: Allowance for impairment loss	<u>931</u>	<u>931</u>	<u>931</u>
	<u>\$ 88,964</u>	<u>\$ 70,134</u>	<u>\$ 83,960</u>
 <u>Trade receivables</u>			
Gross carrying amount	\$ 591,885	\$ 623,617	\$ 700,536
Less: Allowance for impairment loss	<u>19,807</u>	<u>17,426</u>	<u>21,193</u>
	<u>\$ 572,078</u>	<u>\$ 606,191</u>	<u>\$ 679,343</u>
 <u>Other receivables</u>			
Suppliers allowance receivable	\$ 150,593	\$ 169,664	\$ 325,922
Others	<u>29,577</u>	<u>37,786</u>	<u>27,784</u>
	<u>\$ 180,170</u>	<u>\$ 207,450</u>	<u>\$ 353,706</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.

March 31, 2024

	<u>Not Past Due</u>	<u>Less than 60 Days</u>	<u>61 to 90 Days</u>	<u>Over 91 Days*</u>	<u>Total</u>
Expected credit loss rate	0%-0.0074%	4.2498%- 10.8009%	37.2008%	0%-100%	
Notes receivable and trade receivables	\$ 621,578	\$ 35,336	\$ -	\$ 24,866	\$ 681,780
Less: Loss allowance (Lifetime ECL)	<u>40</u>	<u>40</u>	<u>-</u>	<u>20,658</u>	<u>20,738</u>
Amortized cost	<u>\$ 621,538</u>	<u>\$ 35,296</u>	<u>\$ -</u>	<u>\$ 4,208</u>	<u>\$ 661,042</u>

December 31, 2023

	<u>Not Past Due</u>	<u>Less than 60 Days</u>	<u>61 to 90 Days</u>	<u>Over 91 Days*</u>	<u>Total</u>
Expected credit loss rate	0%	0%	0%	0%-100%	
Notes receivable and trade receivables	\$ 632,741	\$ 38,244	\$ 1,097	\$ 22,600	\$ 694,682
Less: Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,357</u>	<u>18,357</u>
Amortized cost	<u>\$ 632,741</u>	<u>\$ 38,244</u>	<u>\$ 1,097</u>	<u>\$ 4,243</u>	<u>\$ 676,325</u>

March 31, 2023

	<u>Not Past Due</u>	<u>Less than 60 Days</u>	<u>61 to 90 Days</u>	<u>Over 91 Days*</u>	<u>Total</u>
Expected credit loss rate	0%-0.0969%	14.8743%- 64.5161%	90.6628%	0%-100%	
Notes receivable and trade receivables	\$ 759,326	\$ 177	\$ 105	\$ 25,819	\$ 785,427
Less: Loss allowance (Lifetime ECL)	<u>656</u>	<u>94</u>	<u>95</u>	<u>21,279</u>	<u>22,124</u>
Amortized cost	<u>\$ 758,670</u>	<u>\$ 83</u>	<u>\$ 10</u>	<u>\$ 4,540</u>	<u>\$ 763,303</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 Three Months Ended March 31	
	<u>2024</u>	<u>2023</u>
Balance at January 1	\$ 18,357	\$ 22,288
Add: Amounts recovered	16	16
Less: Provision for (reversal of) impairment losses	<u>2,365</u>	<u>(180)</u>
Balance at March 31	<u>\$ 20,738</u>	<u>\$ 22,124</u>

8. INVENTORIES

	March 31, 2024	December 31, 2023	March 31, 2023
Merchandise	<u>\$ 2,540,534</u>	<u>\$ 2,379,632</u>	<u>\$ 2,861,097</u>

The cost of inventories recognized as cost of goods sold for the three months ended March 31, 2024 was \$7,148,869 thousand. The amounts included the profit from inventory recovery due to inventory disposal and market price changes in net realizable value of \$16,838 thousand. The cost of inventories recognized as cost of goods sold for the three months ended March 31, 2023 were \$7,217,748 thousand. The amounts included loss on provision for inventory and obsolescence of \$5,238 thousand.

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
			March 31, 2024	December 31, 2023	March 31, 2023	
Senao International Co., Ltd.	Senao International (Samoa) Holding Ltd. (“Senao Samoa”)	International investment	-	-	100.00	a
	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)	Senao International HK Limited (“Senao HK”)	International investment	-	-	100.00	b
Youth Co., Ltd.	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	c

Name of Investor	Name of Investee	Nature of Activities	Percentage of Ownership			Remark
			March 31, 2024	December 31, 2023	March 31, 2023	
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	d

Remark:

- The liquidation and dissolution of Senao Samoa, a subsidiary, has been resolved by its shareholders on August 22, 2023, and the liquidation process was completed on September 29, 2023. Receivables from disposal of investments, which have been collected, and gain on disposal of investments were recognized after the disposal of its shares.
- 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 approved the liquidation on April 25, 2023. In accordance with the local ordinances, the liquidation was completed on July 28, 2023.
- On September 23, 2023, the board of directors of Youth, a subsidiary, resolved the liquidation and dissolution of its subsidiary, Youyi, and the liquidation date was set to be October 31, 2023. The liquidation and dissolution procedures were completed on November 14, 2023.
- On April 22, 2022, the board of directors of Senyoung, a subsidiary, resolved to merge with its subsidiary, Senaolife. The merger was completed on May 1, 2023. Senyoung is the continuing entity after the merger.

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Investments in associates</u>			
Material associate			
Senao Networks, Inc. (“Senao Networks”)	\$ 1,608,490	\$ 1,564,311	\$ 1,480,401

Material associate

	Proportion of Ownership and Voting Rights		
	March 31, 2024	December 31, 2023	March 31, 2023
Senao Networks	33.79%	33.79%	33.79%

Although the Group is the single largest shareholder of Senao Networks, as of March 31, 2024, based on the evaluation of the active participation of other shareholders in Senao Networks’ shareholder meetings in the past, the Group did not have absolute dominance in voting on resolutions at the shareholders’ meeting and held less than half of the directors’ seats, which shows that the Group has no actual ability to unilaterally direct the relevant activities of the company, so it is judged that it does not control the company 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.

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

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Senao Networks	\$ <u>3,556,203</u>	\$ <u>4,061,863</u>	\$ <u>5,670,029</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

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Current assets	\$ 6,762,389	\$ 8,053,590	\$ 9,100,679
Noncurrent assets	4,060,764	3,999,193	3,324,129
Current liabilities	(5,631,098)	(6,953,911)	(7,581,417)
Noncurrent liabilities	(256,674)	(233,577)	(282,006)
Equity	4,935,381	4,865,295	4,561,385
Noncontrolling interests	(175,515)	(236,165)	(180,562)
	<u>\$ 4,759,866</u>	<u>\$ 4,629,130</u>	<u>\$ 4,380,823</u>
Proportion of the Group's ownership	33.79%	33.79%	33.79%
Equity attributable to the Group (carrying amount of the investment)	<u>\$ 1,608,490</u>	<u>\$ 1,564,311</u>	<u>\$ 1,480,401</u>

	<u>For the Three Months Ended March 31</u>	
	<u>2024</u>	<u>2023</u>
Operating revenue	\$ <u>2,857,209</u>	\$ <u>4,507,937</u>
Net profit for the year	\$ 71,861	\$ 300,065
Other comprehensive income (loss)	<u>79,320</u>	(<u>2,094</u>)
Total comprehensive income for the year	<u>\$ 151,181</u>	<u>\$ 297,971</u>

11. PROPERTY, PLANT AND EQUIPMENT

	March 31, 2024	December 31, 2023	March 31, 2023
Assets used by the Group			
Land	\$ 172,415	\$ 172,415	\$ 169,405
Buildings	120,336	121,436	121,915
Machinery and equipment	821	900	1,338
Computer telecommunications equipment	30,677	31,569	26,945
Office equipment	14,001	14,930	16,709
Leasehold improvements	13,926	15,817	15,986
Other equipment	<u>653</u>	<u>653</u>	<u>867</u>
	<u>352,829</u>	<u>357,720</u>	<u>353,165</u>
Assets leased under operating leases			
Land	149,879	149,879	149,879
Buildings	<u>276,613</u>	<u>278,685</u>	<u>281,849</u>
	<u>426,492</u>	<u>428,564</u>	<u>431,728</u>
	<u>\$ 779,321</u>	<u>\$ 786,284</u>	<u>\$ 784,893</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 three months ended March 31, 2024 and 2023, 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 three months ended March 31, 2024 and 2023.

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Carrying amount</u>			
Buildings	\$ 703,241	\$ 641,143	\$ 651,232
Transportation equipment	1,086	1,211	-
Others	<u>558</u>	<u>120</u>	<u>418</u>
	<u>\$ 704,885</u>	<u>\$ 642,474</u>	<u>\$ 651,650</u>

	For the Three Months Ended March 31	
	2024	2023
Additions to right-of-use assets	<u>\$ 141,431</u>	<u>\$ 122,106</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 75,723	\$ 76,228
Transportation equipment	125	-
Others	<u>128</u>	<u>127</u>
	<u>\$ 75,976</u>	<u>\$ 76,355</u>

The initial recognition of right-of-use assets and lease liabilities of \$141,431 thousand and \$122,106 thousand were noncash transactions for the three months ended March 31, 2024 and 2023, 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 March 31, 2024 and 2023.

b. Lease liabilities

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Carrying amount</u>			
Current	<u>\$ 270,408</u>	<u>\$ 236,694</u>	<u>\$ 255,939</u>
Non-current	<u>\$ 446,542</u>	<u>\$ 417,423</u>	<u>\$ 407,690</u>

Range of discount rates for lease liabilities was as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Buildings	1.30%-2.50%	1.30%-2.35%	1.30%-2.25%
Transportation equipment	1.80%	1.80%	-
Others	1.30%-1.90%	1.30%-1.84%	1.30%-1.79%

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 March 31	
	2024	2023
Expenses relating to low-value asset leases	<u>\$ 923</u>	<u>\$ 1,034</u>
Interest expense on lease liabilities	<u>\$ 3,045</u>	<u>\$ 2,553</u>
Total cash outflow for leases	<u>\$ 79,490</u>	<u>\$ 80,305</u>

The Group leases certain office equipment which 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

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Assets used by the Group			
Computer software	\$ 15,323	\$ 14,788	\$ 6,583
Licenses and franchises	76,348	78,008	82,987
Trademark	<u>9,017</u>	<u>10,308</u>	<u>14,181</u>
	<u>\$ 100,688</u>	<u>\$ 103,104</u>	<u>\$ 103,751</u>

Except for amortization expenses, there was no significant addition, disposal, and impairment of the intangible assets used by the Group for the three months ended March 31, 2024 and 2023.

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

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
<u>Current</u>			
Trust account deposit (Note)	<u>\$ 22,597</u>	<u>\$ 22,528</u>	<u>\$ 65,802</u>
<u>Non-current</u>			
Others	<u>\$ 47,560</u>	<u>\$ 47,559</u>	<u>\$ 51,533</u>

Note : Advance 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 March 31, 2024, December 31, 2023 and March 31, 2023, the amount of the trust were \$15,538 thousand, \$16,540 thousand and \$19,922 thousand, respectively.

The annual yield rates of deposit were as follows:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Trust account deposit	<u>0.64%</u>	<u>0.51%</u>	<u>0.51%</u>

15. NOTES PAYABLE AND TRADE PAYABLES

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
<u>Notes payable</u>			
Operating	<u>\$ 2,146</u>	<u>\$ 3,075</u>	<u>\$ 2,469</u>
<u>Trade payables</u>			
Operating	<u>\$ 1,875,686</u>	<u>\$ 1,489,909</u>	<u>\$ 1,795,555</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

	March 31, 2024	December 31, 2023	March 31, 2023
Payables for dividends	\$ 516,505	\$ -	\$ 568,156
Payables for salaries	148,171	142,899	55,014
Accrued marketing compensation	67,981	51,192	29,729
Payables for bonuses	50,070	157,832	55,725
Accrued compensation to employees and remuneration to directors	53,496	44,406	56,403
Others	<u>291,672</u>	<u>276,852</u>	<u>334,412</u>
	<u>\$ 1,127,895</u>	<u>\$ 673,181</u>	<u>\$ 1,099,439</u>

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

Senao, Youth, ISPOT, 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.

b. Defined benefit plans

For the three months ended March 31, 2024 and 2023, the pension expenses of defined benefit plans were calculated based on the pension cost rate determined by the actuarial calculation on December 31, 2023 and 2022, 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 March 31	
	2024	2023
Operating costs	\$ 4	\$ 21
Operating expenses	<u>40</u>	<u>232</u>
	<u>\$ 44</u>	<u>\$ 253</u>

18. EQUITY

a. Share capital - ordinary shares

	March 31, 2024	December 31, 2023	March 31, 2023
Number of shares authorized (in thousands)	<u>450,000</u>	<u>450,000</u>	<u>450,000</u>
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)	<u>258,253</u>	<u>258,253</u>	<u>258,253</u>
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 three months ended March 31, 2024 and 2023 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, 2024 and March 31, 2024	<u>\$ 346,007</u>	<u>\$ 215,648</u>	<u>\$ 131,501</u>	<u>\$ 24,508</u>	<u>\$ 717,664</u>
Balance on January 1, 2023 and March 31, 2023	<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 and subsequent invalidation from share-based payment transactions may only be utilized to offset deficits.

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 of 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, which shall be reported to the shareholders during their meeting. The provisions of the above paragraph which should be subject to the resolution of the shareholders is not applicable. For 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 against deficit. 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 2023 and 2022 were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Fiscal Year 2023	For Fiscal Year 2022	For Fiscal Year 2023	For Fiscal Year 2022
Legal reserve	\$ 71,938	\$ 65,991		
Reversal of special reserve	32,004	(21,631)		
Cash dividends	516,505	568,156	\$ 2.00	\$ 2.20

The above appropriations for cash dividends have been resolved by Senao's board of directors on February 16, 2024 and February 17, 2023, respectively; the other proposed appropriations have been resolved by the shareholders in their meeting held on May 29, 2023; the other proposed appropriations for 2023 will be resolved by the shareholders in their meeting to be held on May 20, 2024.

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 Three Months Ended March 31	
	2024	2023
Beginning balance	\$ 10,570	\$ 11,649
Shares attributed to noncontrolling interests		
Net loss of the year	(238)	(207)
Ending balance	<u>\$ 10,332</u>	<u>\$ 11,442</u>

19. REVENUE

	For the Three Months Ended March 31	
	2024	2023
Revenue from contracts with customers		
Revenue from sale of goods	\$ 7,600,218	\$ 7,695,886
Revenue from rendering of services	402,834	370,413
Revenue from repairs and maintenance services	<u>131,266</u>	<u>144,689</u>
	<u>\$ 8,134,318</u>	<u>\$ 8,210,988</u>

Refer to Note 31 for detailed information relating to disaggregation of revenues.

Contract Balances

	March 31, 2024	December 31, 2023	March 31, 2023	January 1, 2023
<u>Contract liabilities</u>				
Sale of goods	\$ 113,365	\$ 84,811	\$ 111,791	\$ 120,539
Others	<u>7,257</u>	<u>5,643</u>	<u>9,746</u>	<u>12,183</u>
	<u>\$ 120,622</u>	<u>\$ 90,454</u>	<u>\$ 121,537</u>	<u>\$ 132,722</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 March 31	
	2024	2023
Net loss on disposal of property, plant and equipment	(\$ 28)	(\$ 36)
Net gain on lease modification	<u>33</u>	<u>69</u>
	<u>\$ 5</u>	<u>\$ 33</u>

b. Other income

	For the Three Months Ended March 31	
	2024	2023
Rental income	\$ 16,121	\$ 17,478
Others	<u>1,870</u>	<u>2,086</u>
	<u>\$ 17,991</u>	<u>\$ 19,564</u>

c. Finance costs

	For the Three Months Ended March 31	
	2024	2023
Interest on lease liabilities	\$ 3,045	\$ 2,553
Interest on bank loans	<u>-</u>	<u>455</u>
	<u>\$ 3,045</u>	<u>\$ 3,008</u>

d. Depreciation and amortization expenses

For the Three Months Ended March 31		
	2024	2023
Property, plant and equipment	\$ 10,250	\$ 10,496
Right-of-use assets	75,976	76,355
Intangible assets	<u>7,292</u>	<u>6,270</u>
	<u>\$ 93,518</u>	<u>\$ 93,121</u>
 An analysis of depreciation by function		
Operating costs	\$ 216	\$ 201
Operating expenses	<u>86,010</u>	<u>86,650</u>
	<u>\$ 86,226</u>	<u>\$ 86,851</u>
 An analysis of amortization by function		
Operating expenses	<u>\$ 7,292</u>	<u>\$ 6,270</u>

e. Employee benefits expense

For the Three Months Ended March 31		
	2024	2023
Post-employment benefits (Note 17)		
Defined contribution plans	\$ 16,868	\$ 17,117
Defined benefit plans	<u>44</u>	<u>253</u>
	16,912	17,370
Termination benefits	45	325
Other employee benefits	<u>394,585</u>	<u>404,034</u>
Total employee benefits expense	<u>\$ 411,542</u>	<u>\$ 421,729</u>
 An analysis of employee benefits expense by function		
Operating costs	\$ 15,258	\$ 15,058
Operating expenses	<u>396,284</u>	<u>406,671</u>
	<u>\$ 411,542</u>	<u>\$ 421,729</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 ended December 31, 2023 and 2022, which had been approved by Senao's board of directors on February 16, 2024 and February 17, 2023, respectively, were as follows:

For the Year Ended December 31		
	2023	2022
	Cash	Cash
Employees' compensation	<u>\$ 29,685</u>	<u>\$ 29,004</u>
Remuneration of directors	<u>\$ 12,722</u>	<u>\$ 12,430</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, 2023 and 2022.

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 March 31	
	2024	2023
Current tax		
In respect of the current period	\$ 1,912	\$ 2,203
Deferred tax		
In respect of the current period	<u>27,490</u>	<u>25,522</u>
Income tax expense recognized in profit or loss	<u>\$ 29,402</u>	<u>\$ 27,725</u>

According to the Income Tax Act in the ROC, the applicable tax rate used by the Group is 20%.

b. Income tax assessments

The income tax returns of Senao through 2021 have been assessed by the tax authorities.

The income tax returns of Youth, ISPOT, Aval, Wiin and Senyoung through 2022 have been assessed by the tax authorities.

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 March 31	
	2024	2023
Net income used to compute the basic and diluted earnings per share		
Net income attributable to the parent	<u>\$ 135,148</u>	<u>\$ 196,886</u>

Weighted Average Number of Shares

(Thousand Shares)

	For the Three Months Ended March 31	
	2024	2023
Weighted average number of ordinary shares used in the computation of basic earnings per share	258,253	258,253
Effect of potentially dilutive ordinary shares		
Compensation of employees	<u>665</u>	<u>703</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>258,918</u>	<u>258,956</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 a going concern 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

March 31, 2024

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic non-listed shares	\$ -	\$ -	\$ 11,341	\$ 11,341
<u>December 31, 2023</u>				

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic non-listed shares	\$ -	\$ -	\$ 9,969	\$ 9,969

March 31, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic non-listed shares	\$ -	\$ -	\$ 10,039	\$ 10,039

There were no transfers between Levels 1 and 2 for the three months ended March 31, 2024 and 2023.

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

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Financial assets</u>			
Financial assets at amortized cost (a)	\$ 4,616,453	\$ 4,192,368	\$ 3,874,277
Financial assets at FVTOCI			
Equity instruments	11,341	9,969	10,039
<u>Financial liabilities</u>			
Financial liabilities at amortized cost (b)	3,275,629	2,256,495	3,023,842

Remarks:

- a) 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.
- b) 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 expose 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:

	March 31, 2024	December 31, 2023	March 31, 2023
Fair value interest rate risk			
Financial assets	\$ 482,770	\$ 617,892	\$ 240,517
Financial liabilities	716,949	654,117	663,629
Cash flow interest rate risk			
Financial assets	1,634,221	1,291,679	810,942

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 held constant, the Group's pre-tax profit for the three months ended March 31, 2024 and 2023 would increase/decrease by \$1,021 thousand and \$507 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 \$567 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 comprised 60%, 53% and 54% of the total trade receivables as of March 31, 2024, December 31, 2023 and March 31, 2023, respectively. The clients mentioned above have good credit records, and 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

March 31, 2024

	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	\$ 3,253,082	\$ -	\$ -	\$ 22,547

Information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	Total
Lease liabilities	\$ 276,407	\$ 446,716	\$ 3,376	\$ 726,499

December 31, 2023

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
Non-derivative financial liabilities				
Non-interest bearing	\$ 2,234,092	\$ -	\$ -	\$ 22,403

Information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	Total
Lease liabilities	\$ 246,127	\$ 423,098	\$ 3,376	\$ 672,601

March 31, 2023

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
Non-derivative financial liabilities				
Non-interest bearing	\$ 3,000,839	\$ -	\$ -	\$ 23,003

Information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	Total
Lease liabilities	\$ 263,795	\$ 411,140	\$ 5,114	\$ 680,049

b) Financing facilities

	March 31, 2024	December 31, 2023	March 31, 2023
Unsecured bank loan facility			
Amount used	\$ -	\$ -	\$ -
Amount unused	4,330,000	4,330,000	2,730,000
	<u>\$ 4,330,000</u>	<u>\$ 4,330,000</u>	<u>\$ 2,730,000</u>

25. CHANGES IN LIABILITIES FROM FINANCING ACTIVITIES

	Dividends payable	Lease liabilities	Guarantee deposits received	Liabilities from financing activities-gross
At January 1, 2024	\$ -	\$ 654,117	\$ 22,403	\$ 676,520
Changes in cash flow from financing activities	-	(75,522)	144	(75,378)
Changes in other non-cash items	516,505	138,355	-	654,860
At March 31, 2024	<u>\$ 516,505</u>	<u>\$ 716,950</u>	<u>\$ 22,547</u>	<u>\$ 1,256,002</u>

	Dividends payable	Lease liabilities	Guarantee deposits received	Liabilities from financing activities-gross
At January 1, 2023	\$ -	\$ 621,949	\$ 22,742	\$ 644,691
Changes in cash flow from financing activities	-	(76,718)	261	(76,457)
Changes in other non-cash items	<u>568,156</u>	<u>118,398</u>	<u>-</u>	<u>686,554</u>
At March 31, 2023	<u>\$ 568,156</u>	<u>\$ 663,629</u>	<u>\$ 23,003</u>	<u>\$ 1,254,788</u>

26. 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
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
International Integrated Systems, Inc.	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
Other related party	
Senao Technical and Cultural Foundation	A nonprofit organization of which the funds donated by SENA0 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 Investment Co., Ltd.	Substantial related party
All Oriented Investment Co., Ltd.	Substantial related party
Kangsin Co., Ltd.	Substantial related party
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

- 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

		For the Three Months Ended March 31	
Line Item	Related Party Category	2024	2023
Sales	Ultimate parent entity	\$ 1,952,733	\$ 1,807,467
	Fellow subsidiaries	1,280	1,055
	Associates	2,438	1,856
	Other related parties	2,253	11,503
		<u>\$ 1,958,704</u>	<u>\$ 1,821,881</u>
Service	Ultimate parent entity	\$ 300,445	\$ 264,107
	Fellow subsidiaries	360	7
		<u>\$ 300,805</u>	<u>\$ 264,114</u>
Repairs and maintenance	Ultimate parent entity	\$ 158	\$ 793
	Fellow subsidiaries	17	8
	Other related parties	7	18
		<u>\$ 182</u>	<u>\$ 819</u>

2) Purchases of goods

		For the Three Months Ended March 31	
Related Party Category		2024	2023
Ultimate parent entity		\$ 1,093,591	\$ 1,128,964
Fellow subsidiaries		2,210	3,052
Associates		175	1,202
Other related parties		(450)	-
		<u>\$ 1,095,526</u>	<u>\$ 1,133,218</u>

3) Operating expenses

		For the Three Months Ended March 31	
Related Party Category		2024	2023
Ultimate parent entity		\$ 82,499	\$ 75,931
Fellow subsidiaries		63	67
Associates		200	728
Other related parties		3,888	3,865
		<u>\$ 86,650</u>	<u>\$ 80,591</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

		For the Three Months Ended March 31	
Line Item	Related Party Category	2024	2023
Non-operating income	Ultimate parent entity	\$ 73	\$ 118
	Other related parties	91	183
		<u>\$ 164</u>	<u>\$ 301</u>

5) Receivables from related parties

Line Item	Related Party Category	March 31, 2024	December 31, 2023	March 31, 2023
Accounts receivable from related parties	Ultimate parent entity	\$ 1,084,760	\$ 892,147	\$ 1,132,433
	Fellow subsidiaries	542	1,796	140
	Other related parties	1,469	702	6,169
		<u>\$ 1,086,771</u>	<u>\$ 894,645</u>	<u>\$ 1,138,742</u>

The outstanding receivables from related parties are unsecured. For the three months ended March 31, 2024, December 31, 2023 and March 31, 2023, no allowance loss was recognized for receivables from related parties.

6) Other receivables from related parties

Line Item	Related Party Category	March 31, 2024	December 31, 2023	March 31, 2023
Other receivables from related parties	Ultimate parent entity	\$ 153,940	\$ 124,216	\$ 189,585
	Associates	-	126	-
	Other related parties	4	253	1
		<u>\$ 153,944</u>	<u>\$ 124,595</u>	<u>\$ 189,586</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	March 31, 2024	December 31, 2023	March 31, 2023
Prepaid rents	Ultimate parent entity	<u>\$ -</u>	<u>\$ 231</u>	<u>\$ -</u>

8) Refundable deposits

Line Item	Related Party Category	March 31, 2024	December 31, 2023	March 31, 2023
Refundable deposits	Ultimate parent entity	<u>\$ 546</u>	<u>\$ 546</u>	<u>\$ 546</u>

9) Notes payable to related parties

Line Item	Related Party Category	March 31, 2024	December 31, 2023	March 31, 2023
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	March 31, 2024	December 31, 2023	March 31, 2023
Trade payables to related parties	Ultimate parent entity	\$ 298,343	\$ 147,596	\$ 72,115
	Fellow subsidiaries	25	26	1,204
	Associates	42	-	-
	Other related parties	6	484	-
		<u>\$ 298,416</u>	<u>\$ 148,106</u>	<u>\$ 73,319</u>

The trade payables to related parties were unsecured.

11) Other payables to related parties

Line Item	Related Party Category	March 31, 2024	December 31, 2023	March 31, 2023
Other payables to related parties	Ultimate parent entity	\$ 196,161	\$ 260,044	\$ 191,516
	Fellow subsidiaries	-	22	70
	Associates	609	930	1,730
	Other related parties	3,888	3,944	3,865
		<u>\$ 200,658</u>	<u>\$ 264,940</u>	<u>\$ 197,181</u>

The balances for the ultimate parent entity pertain to 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 pertain to 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 pertain to donations to other related parties.

12) Other current liabilities

Line Item	Related Party Category	March 31, 2024	December 31, 2023	March 31, 2023
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 March 31	
	2024	2023
	<u></u>	<u></u>
Associates	\$ -	\$ 270

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 Three Months Ended	
	March 31	
	2024	2023
Ultimate parent entity	\$ 62,743	\$ 34,234

Line Item	Related Party Category	March 31, 2024	December 31, 2023	March 31, 2023
Lease liabilities - current	Ultimate parent entity	\$ 35,084	\$ 4,865	\$ 32,032
Lease liabilities - noncurrent	Ultimate parent entity	\$ 26,298	\$ 3,158	\$ 4,983

Line Item	Related Party Category	For the Three Months Ended	
		March 31	
		2024	2023
Interest expense	Ultimate parent entity	\$ 298	\$ 164
Lease expense (accounted for operating expense)	Ultimate parent entity	\$ 5,257	\$ 4,198

15) Lease arrangements - the Group is lessor

Senao Networks entered into a contract with Senao to lease part of 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 Item	Related Party Category	For the Three Months Ended	
		March 31	
		2024	2023
Non-operating income	Associates	\$ 11,411	\$ 11,411
	Other related parties	2	2
		\$ 11,413	\$ 11,413

16) Transactions with Next Commercial Bank Co., Ltd.

Line Item	For the Three Months Ended	
	March 31, 2024	
	March 31, 2024	March 31, 2024
Bank deposits and time deposits	\$ 50,100	
Interest income		\$ 91

c. Compensation of key management personnel

The remuneration of directors and members of key management personnel for the three months ended March 31, 2024 and 2023 was as follows:

	For the Three Months Ended	
	March 31	
	2024	2023
Short-term employee benefits	\$ 15,131	\$ 16,410
Termination benefits	195	369
	\$ 15,326	\$ 16,779

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

27. 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 March 31, 2024, December 31, 2023 and March 31, 2023, the amount of the collateral was \$0, \$0 and \$1,700 thousand, respectively.

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments of the Group as of March 31, 2024 and 2023 were as follows:

The Group applied for post-release duty payment to the customs. As of March 31, 2024, December 31, 2023 and March 31, 2023, the amount of bank guarantees for the application was \$10,000 thousand.

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

30. 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: None.

- b. Information on investments in mainland China

None.

- c. Intercompany relationships and significant intercompany transactions: See Table 6.

- 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 7.

31. 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 three months ended March 31, 2024</u>			
Revenue from external customers	<u>\$ 7,416,198</u>	<u>\$ 718,120</u>	<u>\$ 8,134,318</u>
Segment income	<u>\$ 221,803</u>	<u>(\$ 1,289)</u>	<u>\$ 220,514</u>
Share of profit of associates accounted for using the equity method			17,375
Rental income			16,121
Interest income			1,441
Gain on foreign currency exchange			23
Other gain and loss			5
Interest expense			(3,045)
Central administration costs and remuneration to directors			(88,122)
Profit before tax			<u>\$ 164,312</u>
<u>For the three months ended March 31, 2023</u>			
Revenue from external customers	<u>\$ 7,238,933</u>	<u>\$ 972,055</u>	<u>\$ 8,210,988</u>
Segment income	<u>\$ 217,548</u>	<u>(\$ 10,957)</u>	<u>\$ 206,591</u>
Share of profit of associates accounted for using the equity method			85,251
Rental income			17,478
Interest income			955
Gain on foreign currency exchange			60
Other gain and loss			33
Interest expense			(3,008)
Central administration costs and remuneration to directors			(82,956)
Profit before tax			<u>\$ 224,404</u>

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

	<u>Sales</u>	<u>Others</u>	<u>Total</u>
<u>For the three months ended March 31, 2024</u>			
Information and communication products	\$ 6,087,525	\$ 313,776	\$ 6,401,301
Revenues from services and repairs	425,072	109,028	534,100
Others	<u>903,601</u>	<u>295,316</u>	<u>1,198,917</u>
	<u>\$ 7,416,198</u>	<u>\$ 718,120</u>	<u>\$ 8,134,318</u>
<u>For the three months ended March 31, 2023</u>			
Information and communication products	\$ 6,121,197	\$ 420,045	\$ 6,541,242
Revenues from services and repairs	394,788	120,314	515,102
Others	<u>722,948</u>	<u>431,696</u>	<u>1,154,644</u>
	<u>\$ 7,238,933</u>	<u>\$ 972,055</u>	<u>\$ 8,210,988</u>

TABLE 1

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
THREE MONTHS ENDED MARCH 31, 2024
(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	b	\$ 606,145	\$ 300,000	\$ 300,000	\$ 300,000	\$ -	4.95%	\$ 3,030,726	Yes	-	-	
		Wiin	b	606,145	200,000	200,000	200,000	-	3.30%	3,030,726	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)
MARCH 31, 2024
(Amounts in Thousands of New Taiwan Dollars)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2024				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	\$ 11,341	9.41	\$ 11,341	

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

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
THREE MONTHS ENDED MARCH 31, 2024
(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	\$ 2,252,837	27.70	30-90 days	\$ -	-	\$ 1,084,760	62.06	Note 1
			Purchase	1,093,591	15.16	30 days	-	-	(298,361)	(13.71)	

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
MARCH 31, 2024
(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	\$ 1,238,700 (Note 1)	9.12 (Note 2)	\$ -	-	\$ 193,160	\$ -

Note 1: The receivables from related parties included \$149,828 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 INVESTEEs IN WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INVESTMENT IN MAINLAND CHINA)
THREE MONTHS ENDED MARCH 31, 2024
(Amounts in Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2024			Net Income (Loss) of the Investee	Recognized Gain (Loss)	Note
				March 31, 2024	December 31, 2023	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	\$ 1,608,490	\$ 51,416	\$ 17,375	Note 1
	Youth	Taiwan	Sale of information and communication technologies products	427,850	427,850	14,752	95.79	167,377	17	(2,013)	Notes 1 and 2
	Aval	Taiwan	Sale of information and communication technologies products	89,550	89,550	12,555	100.00	138,018	556	555	Notes 1, 3 and 5
	Senyoung	Taiwan	Property and liability insurance agency	59,000	59,000	8,909	100.00	134,369	7,119	7,119	Notes 1 and 5
	ISPOT	Taiwan	Sale of information and communication technologies products	53,021	53,021	-	100.00	14,789	263	215	Notes 1, 4 and 5
Aval	Wiin	Taiwan	Sale of information and communication technologies products	29,550	29,550	4,418	100.00	49,512	262	262	Note 1

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

Note 2: Profit of Youth of \$17 thousand in 2024; the amount of \$41.4 thousand is the premium and the intangible assets resulting from acquisition on the basis of fair value and its accumulated amortization; the amount of \$0.4 thousand is the detuction from comprised of lease arrangements between the parent entity and subsidiaries; the amount of \$2,071 thousand is the deduction from the amortization of this premium and intangible assets.

Note 3: An investment gain of \$556 thousand; the amount of \$0.1 thousand is comprised of lease arrangements between the parent entity and subsidiaries.

Note 4: An investment gain of \$263 thousand; the amount of \$48 thousand is comprised of adjustment from the increase of continuing interest.

Note 5: The amount was eliminated upon consolidation.

TABLE 6

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
THREE MONTHS ENDED MARCH 31, 2024
(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	(\$ 7,146)	-	-
				Cost of goods sold	40,391	-	-
				Trade receivables from related parties	-	-	-
		Wiin	a	Trade payables to related parties	4,358	-	-
				Cost of goods sold	3,328	-	-
				Trade payables to related parties	1,205	-	-
		Senyoung	a	Service revenue	25,925	-	-
				Trade receivables from related parties	31,702	-	-
1	Aval	Youth	c	Sales revenue	18,230	-	-
				Trade receivables from related parties	1,998	-	-
		ISPOT	c	Sales revenue	21,366	-	-
				Trade receivables from related parties	7,654	-	-
0	Senao International Co., Ltd.	Youth	a	Right-of-use assets	471	-	-
			a	Lease liabilities	475	-	-

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 March 31, 2024, while revenues, costs and expenses are shown as a percentage to consolidated revenues for the period ended March 31, 2023.

TABLE 7**SENAO INTERNATIONAL CO., LTD.****INFORMATION OF MAJOR SHAREHOLDERS
MARCH 31, 2024**

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.