

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

**Consolidated Financial Statements for the
Three Months Ended March 31, 2025 and 2024 and
Independent Auditors' Review Report**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial English from 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

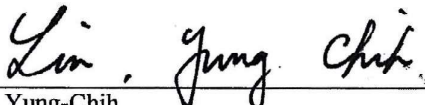
We have reviewed the accompanying consolidated balance sheets of Senao International Co., Ltd. and its subsidiaries (collectively, the “Group”) as of March 31, 2025 and 2024, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three months then 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 reviews.

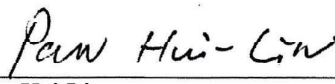
Scope of Review

We conducted our reviews 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 reviews, 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, 2025 and 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.


Lin, Yung-Chih


Pan, Hui-Lin

For and on Behalf of PricewaterhouseCoopers, Taiwan

May 2, 2025

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, 2025		December 31, 2024		March 31, 2024	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Notes 6 and 25)	\$ 1,480,107	15	\$ 1,897,404	18	\$ 2,413,270	23
Financial assets at fair value through profit or loss - current (Notes 7 and 29)	1,001	-	263	-	-	-
Notes receivable, net (Note 8)	63,985	1	55,369	1	88,964	1
Trade receivables, net (Note 8)	478,796	5	633,304	6	572,078	6
Trade receivables from related parties (Note 25)	1,079,219	11	1,002,895	10	1,086,771	10
Other receivables (Notes 8)	245,210	2	278,682	3	180,170	2
Other receivables from related parties (Note 25)	170,694	2	165,150	2	153,944	1
Inventories (Note 9)	2,693,547	27	2,598,586	25	2,540,534	24
Prepayments (Note 25)	79,736	1	82,907	1	74,405	1
Other current assets (Note 15)	22,966	-	22,996	-	22,597	-
Total current assets	6,315,261	64	6,737,556	66	7,132,733	68
NONCURRENT ASSETS						
Financial assets at fair value through other comprehensive income (Note 29)	10,842	-	11,091	-	11,341	-
Investments accounted for using equity method (Note 11)	2,051,979	20	1,998,346	19	1,608,490	15
Property, plant and equipment (Notes 12 and 21)	775,848	8	777,533	7	779,321	7
Right-of-use assets (Notes 13, 21 and 25)	620,847	6	643,621	6	704,885	7
Intangible assets (Notes 14 and 21)	94,257	1	96,139	1	100,688	1
Deferred tax assets	27,604	-	20,499	-	57,233	1
Refundable deposits (Note 25)	55,175	1	54,838	1	55,504	1
Net defined benefit assets-noncurrent (Notes 15, 18 and 21)	24,005	-	23,030	-	-	-
Other non-current assets (Note 15)	49,059	-	50,426	-	47,560	-
Total noncurrent assets	3,709,616	36	3,675,523	34	3,365,022	32
TOTAL	\$ 10,024,877	100	\$ 10,413,079	100	\$ 10,497,755	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Contract liabilities (Note 20)	\$ 171,960	2	\$ 95,713	1	\$ 120,622	1
Notes payable (Note 16)	7,480	-	3,496	-	2,146	-
Notes payable to related parties (Note 25)	-	-	-	-	18	-
Trade payables (Note 16)	1,536,018	15	1,887,263	18	1,875,686	18
Trade payables to related parties (Note 25)	237,872	2	244,098	2	298,416	3
Other payables (Note 17)	961,806	10	699,231	7	1,127,895	11
Other payables to related parties (Note 25)	191,074	2	251,629	2	200,658	2
Current tax liabilities	57,858	1	38,379	-	2,771	-
Lease liabilities - current (Notes 13, 21 and 25)	272,394	3	279,988	3	270,408	3
Other current liabilities (Note 25)	44,398	-	49,452	-	40,218	-
Total current liabilities	3,480,860	35	3,549,249	33	3,938,838	38
NONCURRENT LIABILITIES						
Deferred tax liabilities	20,450	-	16,558	-	17,819	-
Lease liabilities - noncurrent (Notes 13, 21 and 25)	361,354	4	376,666	4	446,542	5
Net defined benefit liabilities - noncurrent (Notes 18 and 21)	-	-	-	-	226	-
Guarantee deposits	22,196	-	22,547	-	22,547	-
Total noncurrent liabilities	404,000	4	415,771	4	487,134	5
Total liabilities	3,884,860	39	3,965,020	37	4,425,972	43
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT						
Share capital - ordinary shares (Note 19)	2,582,527	26	2,582,527	25	2,582,527	25
Capital surplus (Note 19)	738,199	7	738,199	7	717,664	7
Retained earnings (Note 19)						
Legal reserve	1,739,517	17	1,739,517	17	1,667,579	16
Special reserve	32,003	-	32,003	-	-	-
Unappropriated earnings	1,044,963	11	1,355,510	14	1,097,508	9
Total retained earnings	2,816,483	28	3,127,030	31	2,765,087	25
Other equity	(6,528)	-	(9,318)	-	(3,827)	-
Equity attributable to shareholders of the parent	6,130,681	61	6,438,438	63	6,061,451	57
NONCONTROLLING INTERESTS (Note 19)	9,336	-	9,621	-	10,332	-
Total equity	6,140,017	61	6,448,059	63	6,071,783	57
TOTAL	\$ 10,024,877	100	\$ 10,413,079	100	\$ 10,497,755	100

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			
	2025		2024	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 20 and 25)				
Sales	\$ 7,364,569	97	\$ 7,868,372	97
Less: Sales returns	70,957	1	69,888	1
Sales discounts and allowances	<u>220,852</u>	<u>3</u>	<u>198,266</u>	<u>2</u>
Net sales	7,072,760	93	7,600,218	94
Service and repairs revenue	<u>499,177</u>	<u>7</u>	<u>534,100</u>	<u>6</u>
Total operating revenues	<u>7,571,937</u>	<u>100</u>	<u>8,134,318</u>	<u>100</u>
OPERATING COSTS (Notes 9, 18, 21 and 25)				
Cost of goods sold	6,673,570	88	7,148,869	88
Service and repairs costs	<u>94,733</u>	<u>1</u>	<u>106,755</u>	<u>1</u>
Total operating costs	<u>6,768,303</u>	<u>89</u>	<u>7,255,624</u>	<u>89</u>
GROSS PROFIT	<u>803,634</u>	<u>11</u>	<u>878,694</u>	<u>11</u>
OPERATING EXPENSES (Notes 18, 21 and 25)				
Selling and marketing expenses	657,132	9	660,050	8
General and administrative expenses	<u>86,445</u>	<u>1</u>	<u>88,122</u>	<u>1</u>
Total operating expenses	<u>743,577</u>	<u>10</u>	<u>748,172</u>	<u>9</u>
NET OTHER INCOME AND EXPENSES (Note 21)	<u>341</u>	<u>-</u>	<u>5</u>	<u>-</u>
INCOME FROM OPERATIONS	<u>60,398</u>	<u>1</u>	<u>130,527</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 21 and 25)	21,927	-	17,991	-
Share of profit of associates accounted for using equity method	50,595	1	17,375	-
Interest income (Note 25)	1,179	-	1,441	-
Net gain on foreign currency exchange	-	-	23	-
Net gain on financial assets and liabilities at fair value through profit or loss (Note 7)	738	-	-	-
Interest expense (Notes 21 and 25)	(3,010)	-	(3,045)	-
Miscellaneous disbursements	(85)	-	-	-
Net loss on foreign currency exchange	<u>(62)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating income and expenses	<u>71,282</u>	<u>1</u>	<u>33,785</u>	<u>-</u>
INCOME BEFORE INCOME TAX	131,680	2	164,312	2
INCOME TAX EXPENSE (Note 22)	<u>16,395</u>	<u>-</u>	<u>29,402</u>	<u>-</u>
NET INCOME	<u>115,285</u>	<u>2</u>	<u>134,910</u>	<u>2</u>

(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			
	2025		2024	
	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	<u>(\$ 248)</u>	<u>-</u>	<u>\$ 1,372</u>	<u>-</u>
	<u>(248)</u>	<u>-</u>	<u>1,372</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Share of exchange differences arising from the translation of the foreign operations of associates	<u>3,038</u>	<u>-</u>	<u>26,804</u>	<u>1</u>
	<u>3,038</u>	<u>-</u>	<u>26,804</u>	<u>1</u>
Total other comprehensive income (loss), net of income tax	<u>2,790</u>	<u>-</u>	<u>28,176</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 118,075</u>	<u>2</u>	<u>\$ 163,086</u>	<u>2</u>
NET INCOME ATTRIBUTABLE TO :				
Shareholders of the parent	\$ 115,570	2	\$ 135,148	2
Noncontrolling interests	<u>(285)</u>	<u>-</u>	<u>(238)</u>	<u>-</u>
	<u>\$ 115,285</u>	<u>2</u>	<u>\$ 134,910</u>	<u>2</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO :				
Shareholders of the parent	\$ 118,360	2	\$ 163,324	2
Noncontrolling interests	<u>(285)</u>	<u>-</u>	<u>(238)</u>	<u>-</u>
	<u>\$ 118,075</u>	<u>2</u>	<u>\$ 163,086</u>	<u>2</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 0.45</u>		<u>\$ 0.52</u>	
Diluted	<u>\$ 0.45</u>		<u>\$ 0.52</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		Total	Noncontrolling Interests (Note 19)	Total Equity
	Share Capital Ordinary Shares (Note 19)	Capital Surplus (Note 19)	Retained Earnings (Note 19)			Exchange Differences on Translating Foreign Operations	Unrealized Gain or Loss on Financial Assets at Fair Value Through Other Comprehensive Income			
			Legal Reserve	Special Reserve	Unappropriated Earnings					
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	\$ 2,582,527	\$ 717,664	\$ 1,667,579	\$ -	\$ 1,097,508	(\$ 3,169)	(\$ 658)	\$ 6,061,451	\$ 10,332	\$ 6,071,783
BALANCE, JANUARY 1, 2025	\$ 2,582,527	\$ 738,199	\$ 1,739,517	\$ 32,003	\$ 1,355,510	(\$ 8,410)	(\$ 908)	\$ 6,438,438	\$ 9,621	\$ 6,448,059
Appropriation of 2024 earnings Cash dividends distributed by the Company – \$1.65 per share	-	-	-	-	(426,117)	-	-	(426,117)	-	(426,117)
Net income for the three months ended March 31, 2025	-	-	-	-	115,570	-	-	115,570	(285)	115,285
Other comprehensive income for the three months ended March 31, 2025	-	-	-	-	-	3,038	(248)	2,790	-	2,790
Total comprehensive income (loss) for the three months ended March 31, 2025	-	-	-	-	115,570	3,038	(248)	118,360	(285)	118,075
BALANCE, MARCH 31, 2025	\$ 2,582,527	\$ 738,199	\$ 1,739,517	\$ 32,003	\$ 1,044,963	(\$ 5,372)	(\$ 1,156)	\$ 6,130,681	\$ 9,336	\$ 6,140,017

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	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 131,680	\$ 164,312
Adjustments for:		
Depreciation expenses	86,593	86,226
Amortization expenses	9,823	7,292
Expected credit loss (gain)	2,724	2,365
Net gain on financial assets and liabilities at fair value through profit or loss	(738)	-
Interest expense	3,010	3,045
Interest income	(1,179)	(1,441)
Share of profit of associates accounted for using equity method	(50,595)	(17,375)
Net loss on disposal of property, plant and equipment	10	28
Net gain on lease modification	(351)	(33)
Provision for (reversal of) allowance for inventory obsolescence	4,924	(16,838)
Net gain on foreign currency exchange	-	(18)
Changes in operating assets and liabilities:		
Notes receivable	(8,616)	(18,830)
Trade receivables	151,784	31,748
Trade receivables from related parties	(76,324)	(192,126)
Other receivables	33,243	27,228
Other receivables from related parties	(5,544)	(29,349)
Inventories	(99,885)	(144,064)
Prepayments	3,171	(8,105)
Other current assets	30	(69)
Contract liabilities	76,247	30,168
Notes payable	3,984	(929)
Trade payables	(351,245)	385,777
Trade payables to related parties	(6,226)	150,310
Other payables	(163,542)	(61,791)
Other payables to related parties	(60,555)	(64,282)
Other current liabilities	(5,054)	(2,062)
Net defined benefit liabilities - noncurrent	(975)	(828)
Cash from operations	(323,606)	330,359
Interest paid	(3,010)	(3,045)
Income tax paid	(130)	(151)
Net cash (used in) generated from operating activities	(326,746)	327,163

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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	
	2025	2024
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(\$ 9,230)	(\$ 3,315)
Increase in refundable deposits	(337)	(239)
Acquisition of intangible assets	(7,941)	(4,876)
Increase in other noncurrent assets	-	(1)
Decrease in other noncurrent assets	1,367	-
Interest received	<u>1,409</u>	<u>1,612</u>
Net cash used in investing activities	(<u>14,732</u>)	(<u>6,819</u>)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in guarantee deposits	(351)	144
Repayment of the principal portion of lease liabilities	(<u>75,469</u>)	(<u>75,522</u>)
Net cash used in financing activities	(<u>75,820</u>)	(<u>75,378</u>)
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS	<u>1</u>	<u>19</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(417,297)	244,985
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>1,897,404</u>	<u>2,168,285</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 1,480,107</u>	<u>\$ 2,413,270</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, 2025 AND 2024 (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, 2025, 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 May 2, 2025.

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 issued by International Accounting Standards Board (IASB) but not yet endorsed by the FSC

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note)</u>
Specific provisions of Amendments to IFRS 9 and IFRS 7, “Amendments to the classification and measurement of financial instruments”	January 1, 2026
Amendments to IFRS 9 and IFRS 7, “Contracts referencing nature-dependent electricity”	January 1, 2026
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 18 “Presentation and disclosure in financial statements”	January 1, 2027
IFRS 19, ‘Subsidiaries without public accountability: disclosures’	January 1, 2027
Annual Improvements to IFRS Accounting Standards—Volume 11	January 1, 2026

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, except IFRS 18, “Presentation and disclosure in financial statements”, 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

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

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 the International Accounting Standard 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. The consolidated financial statements do not present all the disclosures required for a complete set of annual consolidated financial statements as required by IFRSs endorsed and issued into effect by the FSC.

Basis of Preparation and Consolidation

- a. Refer to principles prepared and used in the consolidated financial statements for the year ended December 31, 2024.
- b. See Note 10, 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, 2024.

- 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. 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, 2024.

6. CASH AND CASH EQUIVALENTS

	<u>March 31, 2025</u>	<u>December 31, 2024</u>	<u>March 31, 2024</u>
Cash on hand and petty cash	\$ 333,969	\$ 305,268	\$ 281,009
Checking accounts and demand deposits	966,056	1,105,259	1,672,088
Cash equivalents			
Commercial paper	180,082	484,926	460,173
Stimulus vouchers	-	1,951	-
	<u>\$ 1,480,107</u>	<u>\$ 1,897,404</u>	<u>\$ 2,413,270</u>

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

	<u>March 31, 2025</u>	<u>December 31, 2024</u>	<u>March 31, 2024</u>
Bank deposits	0.01%-0.80%	0.01%-0.80%	0.01%-1.45%
Commercial paper	1.07%-1.10%	1.07%~1.20%	1.00%-1.18%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>March 31, 2025</u>	<u>December 31, 2024</u>	<u>March 31, 2024</u>
<u>Financial assets - current</u>			
Financial assets held for trading			
Derivatives financial liabilities			
Forward exchange contracts	<u>\$ 1,001</u>	<u>\$ 263</u>	<u>\$ -</u>

At the end of the reporting period, the outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	<u>Currency</u>	<u>Maturity Date</u>	Notional Amount (In Thousands)
<u>March 31, 2025</u>			
Forward exchange contracts - buy	NTD/USD	2025.04.08~ 2025.04.18	NTD 183,337/ USD 5,560
<u>December 31, 2024</u>			
Forward exchange contracts - buy	NTD/USD	2025.01.03~ 2025.01.17	NTD 45,879/ USD 1,408

The Company entered into forward exchange contracts to hedge the exchange rate risk arising from assets and liabilities denominated in foreign currencies. The hedge accounting is not applicable as the criteria for an effective hedge are not met.

8. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	<u>March 31, 2025</u>	<u>December 31, 2024</u>	<u>March 31, 2024</u>
<u>Notes receivable</u>			
Notes receivable	\$ 64,916	\$ 56,300	\$ 89,895
Less: Allowance for impairment loss	(931)	(931)	(931)
	<u>\$ 63,985</u>	<u>\$ 55,369</u>	<u>\$ 88,964</u>
<u>Trade receivables</u>			
Trade receivables	\$ 501,875	\$ 653,650	\$ 591,885
Less: Allowance for impairment loss	(23,079)	(20,346)	(19,807)
	<u>\$ 478,796</u>	<u>\$ 633,304</u>	<u>\$ 572,078</u>
<u>Other receivables</u>			
Suppliers allowance receivable	\$ 193,243	\$ 217,954	\$ 150,593
Others	51,967	60,728	29,577
	<u>\$ 245,210</u>	<u>\$ 278,682</u>	<u>\$ 180,170</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, 2025

	<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%-0.1312%	46.1890%- 60.7925%	98.1343%	100%	
Notes receivable and trade receivables	\$ 538,685	\$ 5,361	\$ 109	\$ 22,636	\$ 566,791
Less: Loss allowance (Lifetime ECL)	(539)	(2,504)	(107)	(20,860)	(24,010)
Amortized cost	<u>\$ 538,146</u>	<u>\$ 2,857</u>	<u>\$ 2</u>	<u>\$ 1,776</u>	<u>\$ 542,781</u>

December 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%-0.0303%	22.7092%-~ 53.3748%	98.1343%	100%	
Notes receivable and trade receivables	\$ 686,940	\$ 128	\$ 48	\$ 22,834	\$ 709,950
Less: Loss allowance (Lifetime ECL)	(154)	(68)	(47)	(21,008)	(21,277)
Amortized cost	<u>\$ 686,786</u>	<u>\$ 60</u>	<u>\$ 1</u>	<u>\$ 1,826</u>	<u>\$ 688,673</u>

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)	(40)	(40)	-	(20,658)	(20,738)
Amortized cost	<u>\$ 621,538</u>	<u>\$ 35,296</u>	<u>\$ -</u>	<u>\$ 4,208</u>	<u>\$ 661,042</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>2025</u>	<u>2024</u>
Balance at January 1	\$ 21,277	\$ 18,357
Amounts recovered	9	16
Provision for impairment losses	<u>2,724</u>	<u>2,365</u>
Balance at March 31	<u>\$ 24,010</u>	<u>\$ 20,738</u>

9. INVENTORIES

	<u>March 31, 2025</u>	<u>December 31, 2024</u>	<u>March 31, 2024</u>
Merchandise	<u>\$ 2,693,547</u>	<u>\$ 2,598,586</u>	<u>\$ 2,540,534</u>

The cost of inventories recognized as cost of goods sold for the three months ended March 31, 2025 were \$6,673,570 thousand. The amounts included loss on provision for inventory and obsolescence of \$4,924 thousand.

The cost of inventories recognized as cost of goods sold for the three months ended March 31, 2024 were \$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.

10. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements were as follows:

<u>Name of Investor</u>	<u>Name of Investee</u>	<u>Nature of Activities</u>	<u>Percentage of Ownership</u>			<u>Remark</u>
			<u>March 31, 2025</u>	<u>December 31, 2024</u>	<u>March 31, 2024</u>	
Senao International Co., Ltd.	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	
Youth Co., Ltd.	ISPOT Co., Ltd. ("ISPOT")	Sale 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	

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<u>March 31, 2025</u>	<u>December 31, 2024</u>	<u>March 31, 2024</u>
<u>Investments in associates</u>			
Material associate			
Senao Networks, Inc. (“Senao Networks”)	<u>\$ 2,051,979</u>	<u>\$ 1,998,346</u>	<u>\$ 1,608,490</u>

Material associate

	<u>Proportion of Ownership and Voting Rights</u>		
	<u>March 31, 2025</u>	<u>December 31, 2024</u>	<u>March 31, 2024</u>
Senao Networks	33.16%	33.16%	33.79%

Although the Group is the single largest shareholder of Senao Networks, as of March 31, 2025, 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 6 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, 2025</u>	<u>December 31, 2024</u>	<u>March 31, 2024</u>
Senao Networks	<u>\$ 3,857,743</u>	<u>\$ 3,838,161</u>	<u>\$ 3,556,203</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, 2025</u>	<u>December 31, 2024</u>	<u>March 31, 2024</u>
Current assets	\$ 8,830,593	\$ 8,606,330	\$ 6,762,389
Noncurrent assets	4,351,113	4,231,876	4,060,764
Current liabilities	(5,822,102)	(5,698,916)	(5,631,098)
Noncurrent liabilities	(879,203)	(791,961)	(256,674)
Equity	6,480,401	6,347,329	4,935,381
Noncontrolling interests	(291,611)	(320,297)	(175,515)
	<u>\$ 6,188,790</u>	<u>\$ 6,027,032</u>	<u>\$ 4,759,866</u>
Proportion of the Group’s ownership	33.16%	33.16%	33.79%
Equity attributable to the Group (carrying amount of the investment)	<u>\$ 2,051,979</u>	<u>\$ 1,998,346</u>	<u>\$ 1,608,490</u>

	For the Three Months Ended March 31	
	2025	2024
Operating revenue	<u>\$ 3,994,126</u>	<u>\$ 2,857,209</u>
Net profit for the year	<u>\$ 198,993</u>	<u>\$ 71,861</u>
Other comprehensive income	<u>9,403</u>	<u>79,320</u>
Total comprehensive income for the year	<u>\$ 208,396</u>	<u>\$ 151,181</u>

12. PROPERTY, PLANT AND EQUIPMENT

	March 31, 2025	December 31, 2024	March 31, 2024
Assets used by the Group			
Land	\$ 172,415	\$ 172,415	\$ 172,415
Buildings	116,951	118,019	120,336
Machinery and equipment	2,406	2,562	821
Computer telecommunications equipment	35,430	30,012	30,677
Office equipment	14,204	15,517	14,001
Leasehold improvements	15,722	18,087	13,926
Other equipment	<u>418</u>	<u>486</u>	<u>653</u>
	<u>357,546</u>	<u>357,099</u>	<u>352,829</u>
Assets leased under operating leases			
Land	149,879	149,879	149,879
Buildings	<u>268,423</u>	<u>270,555</u>	<u>276,613</u>
	<u>418,302</u>	<u>420,434</u>	<u>426,492</u>
	<u>\$ 775,848</u>	<u>\$ 777,533</u>	<u>\$ 779,321</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, 2025 and 2024.

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	3-7 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, 2025 and 2024.

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>March 31, 2025</u>	<u>December 31, 2024</u>	<u>March 31, 2024</u>
<u>Carrying amount</u>			
Buildings	\$ 620,004	\$ 642,560	\$ 703,241
Transportation equipment	584	710	1,086
Others	<u>259</u>	<u>351</u>	<u>558</u>
	<u>\$ 620,847</u>	<u>\$ 643,621</u>	<u>\$ 704,885</u>
		<u>For the Three Months Ended March 31</u>	
		<u>2025</u>	<u>2024</u>
Depreciation charge for right-of-use assets			
Buildings		\$ 75,470	\$ 75,723
Transportation equipment		125	125
Others		<u>93</u>	<u>128</u>
		<u>\$ 75,688</u>	<u>\$ 75,976</u>

The initial recognition of right-of-use assets and lease liabilities of \$75,943 thousand and \$141,431 thousand were noncash transactions for the three months ended March 31, 2025 and 2024, 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, 2025 and 2024.

b. Lease liabilities

	<u>March 31, 2025</u>	<u>December 31, 2024</u>	<u>March 31, 2024</u>
<u>Carrying amount</u>			
Current	<u>\$ 272,394</u>	<u>\$ 279,988</u>	<u>\$ 270,408</u>
Non-current	<u>\$ 361,354</u>	<u>\$ 376,666</u>	<u>\$ 446,542</u>

Range of discount rates for lease liabilities was as follows:

	<u>March 31, 2025</u>	<u>December 31, 2024</u>	<u>March 31, 2024</u>
Buildings	1.30%-2.63%	1.30%-2.63%	1.30%-2.50%
Transportation equipment	1.80%	1.80%	1.80%
Others	1.80%-1.90%	1.80%-1.90%	1.30%-1.90%

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 12.

	For the Three Months Ended March 31	
	2025	2024
Expenses relating to low-value asset leases	<u>\$ 1,002</u>	<u>\$ 923</u>
Interest expense on lease liabilities	<u>\$ 3,010</u>	<u>\$ 3,045</u>
Total cash outflow for leases	<u>\$ 79,481</u>	<u>\$ 79,490</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.

14. INTANGIBLE ASSETS

	March 31, 2025	December 31, 2024	March 31, 2024
	Assets used by the Group		
Computer software	\$ 20,695	\$ 19,626	\$ 15,323
Licenses and franchises	69,709	71,369	76,348
Trademark	<u>3,853</u>	<u>5,144</u>	<u>9,017</u>
	<u>\$ 94,257</u>	<u>\$ 96,139</u>	<u>\$ 100,688</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, 2025 and 2024.

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

15. OTHER ASSETS

	March 31, 2025	December 31, 2024	March 31, 2024
	<u>Current</u>		
Trust account deposit (Note)	<u>\$ 22,966</u>	<u>\$ 22,996</u>	<u>\$ 22,597</u>
<u>Non-current</u>			
Net defined benefit assets	\$ 24,005	\$ 23,030	\$ -
Others	<u>49,059</u>	<u>50,426</u>	<u>47,560</u>
	<u>\$ 73,064</u>	<u>\$ 73,456</u>	<u>\$ 47,560</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, 2025, December 31, 2024 and March 31, 2024, the amount of the trust were \$13,143 thousand, \$13,564 thousand and \$15,538 thousand, respectively.

The annual yield rates of deposit were as follows:

	<u>March 31, 2025</u>	<u>December 31, 2024</u>	<u>March 31, 2024</u>
Trust account deposit	0.635%	0.635%	0.640%

16. NOTES PAYABLE AND TRADE PAYABLES

	<u>March 31, 2025</u>	<u>December 31, 2024</u>	<u>March 31, 2024</u>
<u>Notes payable</u>			
Operating	\$ 7,480	\$ 3,496	\$ 2,146
<u>Trade payables</u>			
Operating	\$ 1,536,018	\$ 1,887,263	\$ 1,875,686

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.

17. OTHER PAYABLES

	<u>March 31, 2025</u>	<u>December 31, 2024</u>	<u>March 31, 2024</u>
Payables for dividends	\$ 426,117	\$ -	\$ 516,505
Payables for salaries	149,301	149,622	148,171
Payables for bonuses	51,810	170,022	50,070
Accrued marketing compensation	37,643	38,256	67,981
Accrued compensation to employees and remuneration to directors	39,978	32,462	53,496
Others	256,957	308,869	291,672
	<u>\$ 961,806</u>	<u>\$ 699,231</u>	<u>\$ 1,127,895</u>

18. 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, 2025 and 2024, the pension expenses of defined benefit plans were calculated based on the pension cost rate determined by the actuarial calculation on December 31, 2024 and 2023, 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	
	2025	2024
Operating costs (reversal)	(\$ 9)	\$ 4
Operating expenses (reversal)	(95)	40
	<u>(\$ 104)</u>	<u>\$ 44</u>

19. EQUITY

a. Share capital - ordinary shares

	March 31, 2025	December 31, 2024	March 31, 2024
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, 2025 and 2024 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, 2025 and March 31, 2025	<u>\$ 346,007</u>	<u>\$ 215,648</u>	<u>\$ 152,036</u>	<u>\$ 24,508</u>	<u>\$ 738,199</u>
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>

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.

The change in the equity method recognition of the capital reserve of affiliated companies January 1, 2025 and for the three months ended March 31, 2025 is primarily due to the cash capital increase and new share issuance by Senao Networks in October, 2024, which Senao did not subscribe to in proportion to its shareholding.

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 21-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 2024 and 2023 were as follows:

	Appropriation of Earnings		Dividends Per Share	
	For Fiscal Year	For Fiscal Year	For Fiscal	For Fiscal
	2024	2023	Year 2024	Year 2023
Legal reserve	\$ 49,709	\$ 71,938		
(Reversal) provision of special reserve	(22,685)	32,003		
Cash dividends	426,117	516,505	\$ 1.65	\$ 2.00

The above appropriations for cash dividends have been resolved by Senao’s board of directors on February 14, 2025 and February 16, 2024, respectively; the other proposed appropriations for 2023 have been resolved by the shareholders in their meeting held on May 20, 2024; the other proposed appropriations for 2024 will be resolved by the shareholders in their meeting to be held on May 28, 2025.

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	
	2025	2024
Beginning balance	\$ 9,621	\$ 10,570
Shares attributed to noncontrolling interests		
Net loss of the year	(285)	(238)
Ending balance	<u>\$ 9,336</u>	<u>\$ 10,332</u>

20. REVENUE

	For the Three Months Ended March 31	
	2025	2024
Revenue from contracts with customers		
Revenue from sale of goods	\$ 7,072,760	\$ 7,600,218
Revenue from rendering of services	383,735	402,834
Revenue from repairs and maintenance services	<u>115,442</u>	<u>131,266</u>
	<u>\$ 7,571,937</u>	<u>\$ 8,134,318</u>

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

Contract Balances

	March 31, 2025	December 31, 2024	March 31, 2024	January 1, 2024
<u>Contract liabilities</u>				
Sale of goods	\$ 167,383	\$ 89,830	\$ 113,365	\$ 84,811
Others	<u>4,577</u>	<u>5,883</u>	<u>7,257</u>	<u>5,643</u>
	<u>\$ 171,960</u>	<u>\$ 95,713</u>	<u>\$ 120,622</u>	<u>\$ 90,454</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.

21. NET INCOME

a. Other operating income and expenses

	For the Three Months Ended March 31	
	2025	2024
Net loss on disposal of property, plant and equipment	(\$ 10)	(\$ 28)
Net gain on lease modification	<u>351</u>	<u>33</u>
	<u>\$ 341</u>	<u>\$ 5</u>

b. Other income

	For the Three Months Ended March 31	
	2025	2024
Rental income	\$ 18,724	\$ 16,121
Others	<u>3,203</u>	<u>1,870</u>
	<u>\$ 21,927</u>	<u>\$ 17,991</u>

c. Interest expense

	For the Three Months Ended March 31	
	2025	2024
Interest on lease liabilities	<u>\$ 3,010</u>	<u>\$ 3,045</u>

d. Depreciation and amortization expenses

	For the Three Months Ended March 31	
	2025	2024
Property, plant and equipment	\$ 10,905	\$ 10,250
Right-of-use assets	75,688	75,976
Intangible assets	<u>9,823</u>	<u>7,292</u>
	<u>\$ 96,416</u>	<u>\$ 93,518</u>
 An analysis of depreciation by function		
Operating costs	\$ 174	\$ 216
Operating expenses	<u>86,419</u>	<u>86,010</u>
	<u>\$ 86,593</u>	<u>\$ 86,226</u>
 An analysis of amortization by function		
Selling and marketing expenses	\$ 4,163	\$ 3,382
General and administrative expenses	<u>5,660</u>	<u>3,910</u>
	<u>\$ 9,823</u>	<u>\$ 7,292</u>

e. Employee benefits expense

	For the Three Months Ended March 31	
	2025	2024
Post-employment benefits (Note 18)		
Defined contribution plans	\$ 17,942	\$ 16,868
Defined benefit plans	(<u>104</u>)	<u>44</u>
	17,838	16,912
Termination benefits	4	45
Other employee benefits	<u>395,160</u>	<u>394,585</u>
Total employee benefits expense	<u>\$ 413,002</u>	<u>\$ 411,542</u>
 An analysis of employee benefits expense by function		
Operating costs	\$ 13,705	\$ 15,258
Operating expenses	<u>399,297</u>	<u>396,284</u>
	<u>\$ 413,002</u>	<u>\$ 411,542</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 were as follows:

	For the Three months Ended March 31	
	2025	2024
Employees' compensation	<u>\$ 5,268</u>	<u>\$ 6,372</u>
Remuneration of directors	<u>\$ 2,247</u>	<u>\$ 2,718</u>

The employees' compensation and remuneration of directors for the years ended December 31, 2024 and 2023, which had been approved by Senao's board of directors on February 14, 2025 and February 16, 2024, respectively, were as follows:

	For the Year Ended December 31	
	2024	2023
	Cash	Cash
Employees' compensation	<u>\$ 21,071</u>	<u>\$ 29,685</u>
Remuneration of directors	<u>\$ 9,030</u>	<u>\$ 12,722</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, 2024 and 2023.

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.

22. 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	
	2025	2024
Current tax		
In respect of the current period	\$ 19,545	\$ 1,912
Deferred tax		
In respect of the current period	(3,150)	27,490
Income tax expense recognized in profit or loss	<u>\$ 16,395</u>	<u>\$ 29,402</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 Senyoung through 2022 have been assessed by the tax authorities.

The income tax returns of Senao, Youth, ISPOT, Aval and Wiin through 2023 have been assessed by the tax authorities.

23. 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	
	<u>2025</u>	<u>2024</u>
Net income attributable to the parent	<u>\$ 115,570</u>	<u>\$ 135,148</u>
Weighted Average Number of Shares	(Thousand Shares)	
	For the Three Months Ended March 31	
	<u>2025</u>	<u>2024</u>
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>451</u>	<u>665</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>258,704</u>	<u>258,918</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.

24. CHANGES IN LIABILITIES FROM FINANCING ACTIVITIES

	<u>Dividends payable</u>	<u>Lease liabilities</u>	<u>Guarantee deposits received</u>	<u>Liabilities from financing activities-gross</u>
At January 1, 2025	\$ -	\$ 656,654	\$ 22,547	\$ 679,201
Changes in cash flow from financing activities	-	(75,469)	(351)	(75,820)
Changes in other non-cash items	<u>426,117</u>	<u>52,563</u>	<u>-</u>	<u>478,680</u>
At March 31, 2025	<u>\$ 426,117</u>	<u>\$ 633,748</u>	<u>\$ 22,196</u>	<u>\$ 1,082,061</u>

	<u>Dividends payable</u>	<u>Lease liabilities</u>	<u>Guarantee deposits received</u>	<u>Liabilities from financing activities-gross</u>
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	<u>516,505</u>	<u>138,355</u>	<u>-</u>	<u>654,860</u>
At March 31, 2024	<u>\$ 516,505</u>	<u>\$ 716,950</u>	<u>\$ 22,547</u>	<u>\$ 1,256,002</u>

25. TRANSACTIONS WITH RELATED PARTIES

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

<u>Company</u>	<u>Relationship</u>
Chunghwa Telecom Co., Ltd. (“Chunghwa Telecom”)	Ultimate parent entity
Fellow subsidiary	
Chunghwa System Integration Co., Ltd.	Chunghwa Telecom’s subsidiary
Spring House Entertainment Tech. Inc.	Chunghwa Telecom’s subsidiary
CHT Security Co., Ltd.	Chunghwa Telecom’s subsidiary
CHIEF Telecom 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
Chunghwa Precision Test Tech. Co., Ltd.	Chunghwa Telecom’s subsidiary of a 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 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
Tsann Kuen Enterprise 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

<u>Line Item</u>	<u>Related Party Category</u>	For the Three Months Ended March 31	
		2025	2024
Sales	Ultimate parent entity	\$ 1,748,898	\$ 1,952,733
	Fellow subsidiaries	1,986	1,280
	Associates	1,249	2,438
	Other related parties	<u>35,176</u>	<u>2,253</u>
		<u>\$ 1,787,309</u>	<u>\$ 1,958,704</u>
Service	Ultimate parent entity	\$ 268,699	\$ 300,445
	Fellow subsidiaries	<u>396</u>	<u>360</u>
		<u>\$ 269,095</u>	<u>\$ 300,805</u>
Repairs and maintenance	Ultimate parent entity	\$ 262	\$ 158
	Fellow subsidiaries	3	17
	Other related parties	<u>119</u>	<u>7</u>
		<u>\$ 384</u>	<u>\$ 182</u>

2) Purchases of goods

<u>Related Party Category</u>	For the Three Months Ended March 31	
	2025	2024
Ultimate parent entity	\$ 977,033	\$ 1,093,591
Fellow subsidiaries	5	2,210
Associates	266	175
Other related parties	<u>-</u>	<u>(450)</u>
	<u>\$ 977,304</u>	<u>\$ 1,095,526</u>

3) Operating expenses

<u>Related Party Category</u>	For the Three Months Ended March 31	
	2025	2024
Ultimate parent entity	\$ 80,947	\$ 82,499
Fellow subsidiaries	796	63
Associates	180	200
Other related parties	<u>3,595</u>	<u>3,888</u>
	<u>\$ 85,518</u>	<u>\$ 86,650</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

<u>Line Item</u>	<u>Related Party Category</u>	For the Three Months Ended March 31	
		2025	2024
Non-operating income	Ultimate parent entity	\$ 4	\$ 73
	Other related parties	<u>719</u>	<u>91</u>
		<u>\$ 723</u>	<u>\$ 164</u>

5) Receivables from related parties

<u>Line Item</u>	<u>Related Party Category</u>	<u>March 31, 2025</u>	<u>December 31, 2024</u>	<u>March 31, 2024</u>
Accounts receivable from related parties	Ultimate parent entity	\$ 1,056,243	\$ 990,466	\$ 1,084,760
	Fellow subsidiaries	271	3,153	542
	Associates	216	235	-
	Other related parties	<u>22,489</u>	<u>9,041</u>	<u>1,469</u>
		<u>\$ 1,079,219</u>	<u>\$ 1,002,895</u>	<u>\$ 1,086,771</u>

The outstanding receivables from related parties are unsecured. For the three months ended March 31, 2025, December 31, 2024 and March 31, 2024, no allowance loss was recognized for receivables from related parties.

6) Other receivables from related parties

<u>Line Item</u>	<u>Related Party Category</u>	<u>March 31, 2025</u>	<u>December 31, 2024</u>	<u>March 31, 2024</u>
Other receivables from related parties	Ultimate parent entity	\$ 170,694	\$ 165,150	\$ 153,940
	Other related parties	-	-	4
		<u>\$ 170,694</u>	<u>\$ 165,150</u>	<u>\$ 153,944</u>

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

7) Prepayments

<u>Line Item</u>	<u>Related Party Category</u>	<u>March 31, 2025</u>	<u>December 31, 2024</u>	<u>March 31, 2024</u>
Prepaid rents	Ultimate parent entity	\$ -	\$ 231	\$ -

8) Refundable deposits

<u>Line Item</u>	<u>Related Party Category</u>	<u>March 31, 2025</u>	<u>December 31, 2024</u>	<u>March 31, 2024</u>
Refundable deposits	Ultimate parent entity	\$ 450	\$ 450	\$ 546

9) Notes payable to related parties

<u>Line Item</u>	<u>Related Party Category</u>	<u>March 31, 2025</u>	<u>December 31, 2024</u>	<u>March 31, 2024</u>
Notes payable to related parties	Ultimate parent entity	\$ -	\$ -	\$ 18

10) Trade payables to related parties

<u>Line Item</u>	<u>Related Party Category</u>	<u>March 31, 2025</u>	<u>December 31, 2024</u>	<u>March 31, 2024</u>
Trade payables to related parties	Ultimate parent entity	\$ 237,860	\$ 244,097	\$ 298,343
	Fellow subsidiaries	12	1	25
	Associates	-	-	42
	Other related parties	-	-	6
		<u>\$ 237,872</u>	<u>\$ 244,098</u>	<u>\$ 298,416</u>

The trade payables to related parties were unsecured.

11) Other payables to related parties

<u>Line Item</u>	<u>Related Party Category</u>	<u>March 31, 2025</u>	<u>December 31, 2024</u>	<u>March 31, 2024</u>
Other payables to related parties	Ultimate parent entity	\$ 186,679	\$ 246,549	\$ 196,161
	Associates	802	871	609
	Other related parties	3,593	4,209	3,888
		<u>\$ 191,074</u>	<u>\$ 251,629</u>	<u>\$ 200,658</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

<u>Line Item</u>	<u>Related Party Category</u>	<u>March 31, 2025</u>	<u>December 31, 2024</u>	<u>March 31, 2024</u>
Other advance receipts	Associates	\$ -	\$ -	\$ 3,990

13) 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

<u>Related Party Category</u>	<u>For the Three Months Ended March 31</u>	
	<u>2025</u>	<u>2024</u>
Ultimate parent entity	<u>\$ 8,099</u>	<u>\$ 62,743</u>

<u>Line Item</u>	<u>Related Party Category</u>	<u>March 31, 2025</u>	<u>December 31, 2024</u>	<u>March 31, 2024</u>
Lease liabilities - current	Ultimate parent entity	<u>\$ 27,251</u>	<u>\$ 34,006</u>	<u>\$ 35,084</u>
Lease liabilities - noncurrent	Ultimate parent entity	<u>\$ 14,064</u>	<u>\$ 8,040</u>	<u>\$ 26,298</u>

<u>Line Item</u>	<u>Related Party Category</u>	<u>For the Three Months Ended March 31</u>	
		<u>2025</u>	<u>2024</u>
Interest expense	Ultimate parent entity	\$ <u>242</u>	\$ <u>298</u>
Lease expense (accounted for operating expense)	Ultimate parent entity	\$ <u>5,116</u>	\$ <u>5,257</u>

14) 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.

<u>Line Item</u>	<u>Related Party Category</u>	<u>For the Three Months Ended March 31</u>	
		<u>2025</u>	<u>2024</u>
Non-operating income	Ultimate parent entity	\$ 347	\$ -
	Associates	11,981	11,411
	Other related parties	<u>2</u>	<u>2</u>
		\$ <u>12,330</u>	\$ <u>11,413</u>

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

<u>Line Item</u>	<u>March 31, 2025</u>	<u>For the Three Months Ended March 31, 2025</u>
Bank deposits and time deposits	\$ <u>70,620</u>	
Interest income		\$ <u>243</u>

<u>Line Item</u>	<u>December 31, 2024</u>	<u>For the Year Ended December 31, 2024</u>
Bank deposits and time deposits	\$ <u>70,402</u>	
Interest income		\$ <u>416</u>

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

c. Compensation of key management personnel

The remuneration of directors and members of key management personnel for the three months ended March 31, 2025 and 2024 was as follows:

	For the Three Months Ended March 31	
	2025	2024
Short-term employee benefits	\$ 13,641	\$ 15,131
Termination benefits	164	195
	<u>\$ 13,805</u>	<u>\$ 15,326</u>

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

26. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments of the Group as of March 31, 2025 and 2024 were as follows:

The Group applied for post-release duty payment to the customs. As of March 31, 2025, December 31, 2024 and March 31, 2024, the amount of bank guarantees for the application was \$10,000 thousand.

27. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information is summarized and presented in foreign currencies other than the Company's functional currency. The disclosed exchange rates refer to the rates for converting these foreign currencies into the functional currency. The foreign currency assets and liabilities with significant impact are as follows:

March 31, 2025

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Liabilities denominated in foreign currencies</u>			
<u>Monetary items</u>			
USD	\$ 2,925	1:33.205 (USD:NTD)	\$ 97,137

December 31, 2024

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Liabilities denominated in foreign currencies</u>			
<u>Monetary items</u>			
USD	\$ 1,408	1:32.785 (USD:NTD)	\$ 46,153

The Company does not have significant unrealized foreign exchange gain or loss.

28. 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.

29. 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, 2025

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at FVPL				
Derivatives				
Forward foreign exchange contracts	\$ -	\$ 1,001	\$ -	\$ 1,001
Financial assets at FVOCI				
Investments in equity instruments at FVOCI				
Domestic non-listed shares	\$ -	\$ -	\$ 10,842	\$ 10,842

December 31, 2024

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at FVPL				
Derivatives				
Forward foreign exchange contracts	\$ -	\$ 263	\$ -	\$ 263
Financial assets at FVOCI				
Investments in equity instruments at FVOCI				
Domestic non-listed shares	\$ -	\$ -	\$ 11,091	\$ 11,091

March 31, 2024

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

There were no transfers between Levels 1 and 2 for the three months ended March 31, 2025 and 2024.

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

Derivative instruments are valued based on the foreign exchange rates displayed by the financial institution's quotation system. The fair value of individual forward foreign exchange contracts is calculated using the forward exchange rate for each contract's maturity date. The estimates and assumptions used in the Company's valuation methods are consistent with those used by market participants when pricing financial instruments.

3) 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

	<u>March 31, 2025</u>	<u>December 31, 2024</u>	<u>March 31, 2024</u>
<u>Financial assets</u>			
Financial assets at amortized cost (a)	\$ 3,637,824	\$ 4,152,311	\$ 4,616,453
Financial assets at FVOCI			
Equity instruments	10,842	11,091	11,341
Designated as at FVPL			
Financial assets mandatorily measured at fair value through profit or loss	1,001	263	-
<u>Financial liabilities</u>			
Financial liabilities at amortized cost (b)	2,715,357	2,756,157	3,275,629

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:

	<u>March 31, 2025</u>	<u>December 31, 2024</u>	<u>March 31, 2024</u>
Fair value interest rate risk			
Financial assets	\$ 204,049	\$ 510,136	\$ 482,770
Financial liabilities	633,748	656,654	716,949
Cash flow interest rate risk			
Financial assets	922,906	1,063,368	1,634,221

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, 2025 and 2024 would increase/decrease by \$577 thousand and \$1,021 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 FVOCI had increased/decreased by 5%, the pre-tax other comprehensive income would have increased/decreased by \$542 thousand and \$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%, 54% and 60% of the total trade receivables as of March 31, 2025, December 31, 2024 and March 31, 2024, 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, 2025

	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	<u>\$ 2,693,161</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,196</u>

Information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	Total
Lease liabilities	<u>\$ 282,639</u>	<u>\$ 363,816</u>	<u>\$ 8,025</u>	<u>\$ 654,480</u>

December 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	<u>\$ 2,733,610</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,547</u>

Information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	Total
Lease liabilities	<u>\$ 290,304</u>	<u>\$ 384,385</u>	<u>\$ 2,549</u>	<u>\$ 677,238</u>

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	<u>\$ 3,253,082</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,547</u>

Information about the maturity analysis for lease liabilities:

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

b) Financing facilities

	March 31, 2025	December 31, 2024	March 31, 2024
Unsecured bank loan facility			
Amount used	\$ -	\$ -	\$ -
Amount unused	<u>3,230,000</u>	<u>2,880,000</u>	<u>4,330,000</u>
	<u>\$ 3,230,000</u>	<u>\$ 2,880,000</u>	<u>\$ 4,330,000</u>

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) 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.
- 5) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: See Table 4.
- 6) Intercompany relationships and significant intercompany transactions: See Table 5.

b. Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): See Table 6.

c. Information on investments in mainland China

None.

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.

	<u>Sales</u>	<u>Others</u>	<u>Total</u>
<u>For the three months ended March 31, 2025</u>			
Revenue from external customers	<u>\$ 6,818,103</u>	<u>\$ 753,834</u>	<u>\$ 7,571,937</u>
Segment income	<u>\$ 150,322</u>	<u>(\$ 702)</u>	\$ 149,620
Share of profit of associates accounted for using the equity method			50,595
Gains on financial assets at fair value through profit or loss			738
Rental income			18,724
Interest income			1,179
Loss on foreign currency exchange			(62)
Other gain and loss			341
Interest expense			(3,010)
Central administration costs and remuneration to directors			(86,445)
Profit before tax			<u>\$ 131,680</u>
<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>	\$ 220,514
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>

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, interest income, exchange gains or losses, other gains and losses, interest expense, gains on financial assets at fair value through profit or loss 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, 2025</u>			
Information and communication products	\$ 5,554,831	\$ 335,639	\$ 5,890,470
Revenues from services and repairs	380,208	118,969	499,177
Others	<u>883,064</u>	<u>299,226</u>	<u>1,182,290</u>
	<u>\$ 6,818,103</u>	<u>\$ 753,834</u>	<u>\$ 7,571,937</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>

TABLE 1

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
THREE MONTHS ENDED MARCH 31, 2025
(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	\$ 613,068	\$ 300,000	\$ 300,000	\$ 300,000	\$ -	4.89%	\$ 3,065,341	Yes	-	-	
		Wiin	b	613,068	200,000	200,000	200,000	-	3.26%	3,065,341	Yes	-	-	

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

- "0" for the parent.
- Subsidiaries are numbered from "1".

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

- A company with which it does business.
- A company in which the Company directly and indirectly holds more than 50 percent of the voting shares.
- A company that directly and indirectly holds more than 50 percent of the voting shares in the Company.
- Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares.
- 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.
- All capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
- 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":

- Endorsement/Guarantee given by parent on behalf of subsidiaries.
- Endorsement/Guarantee given by subsidiaries on behalf of parent.
- Endorsement/Guarantee given on behalf of companies in mainland China.

TABLE 2**SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES****MARKETABLE SECURITIES HELD (NOT INCLUDING SUBSIDIARY AND RELATED PARTY)****MARCH 31, 2025****(Amounts in Thousands of New Taiwan Dollars)**

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2025				Note
				Shares (Thousands/Thousand Units)	Carrying Value	Percentage of Ownership	Fair Value	
Senao International Co., Ltd.	Stocks N.T.U. Innovation Incubation Corporation	-	Financial assets at FVOCI	1,200	\$ 10,842	9.41	\$ 10,842	

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

TABLE 3**SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL
THREE MONTHS ENDED MARCH 31, 2025
(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	\$ 2,017,859	26.65	30-90 days	\$ -	-	\$ 1,056,243	65.12	Note 1
			Purchase	977,033	14.60	30 days	-	-	(237,860)	(13.35)	

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.

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL
MARCH 31, 2025
(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	\$ 1,226,937 (Note 1)	7.89 (Note 2)	\$ -	-	\$ 179,033	\$ -

Note 1: The receivables from related parties included \$163,989 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.

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
THREE MONTHS ENDED MARCH 31, 2025
(Amounts in Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Relationship (Note 2)	Transactions Details			
				Financial Statement Accounts	Amount (Note 3,6)	Payment Terms (Note 4)	% of Total Sales or Assets (Note 5)
0	Senao International Co., Ltd.	Aval	a	Cost of goods sold	\$ 57,239	-	1
		Senyoung	a	Trade payables to related parties	23,168	-	-
				Service revenue	26,869	-	-
				Trade receivables from related parties	29,043	-	-
1	Aval	ISPOT	c	Sales revenue	13,498	-	-

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, 2025, while revenues, costs and expenses are shown as a percentage to consolidated revenues for the period ended March 31, 2025.

Note 6: Only related party transactions with an amount of NTS10 million or more are disclosed.

TABLE 6

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)
THREE MONTHS ENDED MARCH 31, 2025
(Amounts in Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2025			Net Income (Loss) of the Investee	Recognized Gain (Loss)	Note
				March 31, 2025	March 31, 2024	Shares (Thousands)	Percentage of Ownership (%)	Carrying Value			
Senao International Co., Ltd.	Senao Networks	Taiwan	Telecommunication facilities manufacturing and sales	\$ 578,186	\$ 578,186	19,582	33.16	\$ 2,051,979	\$ 152,593	\$ 50,595	Note 1
	Youth	Taiwan	Sale of information and communication technologies products	427,850	427,850	14,752	95.79	158,355	(1,036)	(3,043)	Notes 1 and 2
	Aval	Taiwan	Sale of information and communication technologies products	89,550	89,550	13,266	100.00	143,369	649	648	Notes 1, 3 and 5
	Senyoung	Taiwan	Property and liability insurance agency	59,000	59,000	8,909	100.00	147,569	9,867	9,867	Notes 1 and 5
Youth	ISPOT	Taiwan	Sale of information and communication technologies products	53,021	53,021	-	100.00	14,034	(49)	(65)	Notes 1, 4 and 5
Aval	Wiin	Taiwan	Sale of information and communication technologies products	29,550	29,550	4,728	100.00	52,914	314	314	Note 1

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

Note 2: An investment loss of \$992 thousand; the amount of \$14 thousand is the premium and the intangible assets resulting from acquisition on the basis of fair value and its accumulated amortization; the amount of \$6 thousand is 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 \$649 thousand; the amount of \$1 thousand is deduction of lease arrangements between the parent entity and subsidiaries.

Note 4: An investment loss of \$49 thousand; the amount of \$16 thousand is the deduction of its accumulated amortization.

Note 5: The amount was eliminated upon consolidation.