

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

**Consolidated Financial Statements for the
Years Ended December 31, 2024 and 2023 and
Independent Auditors' Report**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. 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.

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities that are required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2024 are all the same as those included in the consolidated financial statements of Senao International Co., Ltd. and its subsidiaries prepared in conformity with the International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates is included in the consolidated financial statements of Senao International Co., Ltd. and its subsidiaries. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

SENAO INTERNATIONAL CO., LTD.

By

LIN, BAO-YONG
Acting Chairman

February 14, 2025

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated balance sheets of Senao International Co., Ltd. and subsidiaries (the "Group") as at December 31, 2024, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for Opinion

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

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the Group's 2024 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on the matter.

Key audit matter for the Group's 2024 consolidated financial statements is stated as follows:

Key audit matter – Valuation of Inventories.Descriptions

The Group's inventory primarily consists of mobile phones and related communication products. Due to rapid technological changes and constant updates of new models and types, there is a higher risk of inventory devaluation or obsolescence. Considering the significant inventory amount, which is measured at the lower of cost and net realizable value, management evaluates the net realizable value by deducting estimated sales expense rates from the final unit sales price. The evaluation of inventory obsolescence loss is based on the purchase period and turnover days of the goods. Since management uses market conditions at the end of the reporting period and historical sales experience to judge and estimate the net realizable value, changes in market conditions may significantly impact these results. Therefore, the accountant considers inventory valuation as a key audit matter.

Refer to Note 4(f) for the accounting policies on the inventories, Note 5 for accounting estimates and assumptions used in valuation of inventories, and Note 9 for the details of inventories.

How our audit addressed the matter

We performed the following procedures for the above key audit matter:

1. Obtain the company's inventory valuation policy and assess the reasonableness of the assumptions used.
2. Verify the accuracy of the system logic for the net realizable value of inventory and the aging report.
3. Obtain the company's inventory valuation reports and calculate to evaluate their accuracy based on the company's policy.

Other Matter – Reference to the audit of other auditors

The consolidated financial statements of Senao International Co., Ltd. and its subsidiaries for the year ended December 31, 2023 were audited by other auditors, expressed an unmodified opinion on those statements dated February 16, 2024.

Other Matter - Parent company only financial reports

We have audited and expressed an unmodified opinion on the parent company only financial statements of Senao International Co., Ltd. as at and for the year ended December 31, 2024.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is

necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the Audit Committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

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

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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


Lin, Yung-Chih


Pan, Hui-Lin

For and on Behalf of PricewaterhouseCoopers, Taiwan

February 14, 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' 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 DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars)

	2024		2023	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Notes 6 and 25)	\$ 1,897,404	18	\$ 2,168,285	22
Financial assets at fair value through profit or loss - current (Notes 7 and 29)	263	-	-	-
Notes receivable, net (Note 8)	55,369	1	70,134	1
Trade receivables, net (Note 8)	633,304	6	606,191	6
Trade receivables from related parties (Note 25)	1,002,895	10	894,645	9
Other receivables (Notes 8 and 22)	278,682	3	207,450	2
Other receivables from related parties (Note 25)	165,150	2	124,595	1
Inventories (Note 9)	2,598,586	25	2,379,632	24
Prepayments (Note 25)	82,907	1	66,300	1
Other current assets (Note 15)	22,996	-	22,528	-
Total current assets	6,737,556	66	6,539,760	66
NONCURRENT ASSETS				
Financial assets at fair value through other comprehensive income (Note 29)	11,091	-	9,969	-
Investments accounted for using equity method (Note 11)	1,998,346	19	1,564,311	16
Property, plant and equipment (Notes 12 and 21)	777,533	7	786,284	8
Right-of-use assets (Notes 13, 21 and 25)	643,621	6	642,474	7
Intangible assets (Notes 14 and 21)	96,139	1	103,104	1
Deferred tax assets (Note 22)	20,499	-	84,567	1
Refundable deposits (Note 25)	54,838	1	55,265	1
Net defined benefit assets - noncurrent (Notes 15, 18 and 21)	23,030	-	-	-
Other noncurrent assets (Note 15)	50,426	-	47,559	-
Total noncurrent assets	3,675,523	34	3,293,533	34
TOTAL ASSETS	<u>\$ 10,413,079</u>	<u>100</u>	<u>\$ 9,833,293</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Contract liabilities (Note 20)	\$ 95,713	1	\$ 90,454	1
Notes payable (Note 16)	3,496	-	3,075	-
Notes payable to related parties (Note 25)	-	-	18	-
Trade payables (Note 16)	1,887,263	18	1,489,909	15
Trade payables to related parties (Note 25)	244,098	2	148,106	2
Other payables (Note 17)	699,231	7	673,181	7
Other payables to related parties (Note 25)	251,629	2	264,940	3
Current tax liabilities (Note 22)	38,379	-	891	-
Lease liabilities - current (Notes 13, 21 and 25)	279,988	3	236,694	3
Other current liabilities (Note 25)	49,452	-	42,280	-
Total current liabilities	3,549,249	33	2,949,548	31
NONCURRENT LIABILITIES				
Deferred tax liabilities (Note 22)	16,558	-	17,663	-
Lease liabilities - noncurrent (Notes 13, 21 and 25)	376,666	4	417,423	4
Net defined benefit liabilities - noncurrent (Notes 18 and 21)	-	-	1,054	-
Guarantee deposits	22,547	-	22,403	-
Total noncurrent liabilities	415,771	4	458,543	4
Total liabilities	3,965,020	37	3,408,091	35
EQUITY ATTRIBUTABLE TO STOCKHOLDERS OF THE PARENT				
Share capital - ordinary shares (Note 19)	2,582,527	25	2,582,527	26
Capital surplus (Note 19)	738,199	7	717,664	7
Retained earnings (Note 19)				
Legal reserve	1,739,517	17	1,667,579	17
Special reserve	32,003	-	-	-
Unappropriated earnings	1,355,510	14	1,478,865	15
Total retained earnings	3,127,030	31	3,146,444	32
Other equity	(9,318)	-	(32,003)	-
Total equity attributable to shareholders of the parent	6,438,438	63	6,414,632	65
NONCONTROLLING INTERESTS (Note 19)	9,621	-	10,570	-
Total equity	6,448,059	63	6,425,202	65
TOTAL LIABILITIES AND EQUITY	<u>\$ 10,413,079</u>	<u>100</u>	<u>\$ 9,833,293</u>	<u>100</u>

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

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

YEARS ENDED DECEMBER 31, 2024 AND 2023

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

	2024		2023	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 20 and 25)				
Sales	\$ 31,261,132	97	\$ 30,377,928	97
Less: Sales returns	323,974	1	316,918	1
Sales discounts and allowances	888,759	3	869,953	3
Net sales	30,048,399	93	29,191,057	93
Service and repairs revenue	2,258,693	7	2,078,075	7
Total operating revenue	32,307,092	100	31,269,132	100
OPERATING COSTS (Notes 9, 18, 21 and 25)				
Cost of goods sold	28,360,191	88	27,372,589	88
Service and repairs costs	450,985	1	486,892	2
Total operating costs	28,811,176	89	27,859,481	90
GROSS PROFIT	3,495,916	11	3,409,651	10
OPERATING EXPENSES (Notes 18, 21 and 25)				
Selling and marketing expenses	2,753,086	9	2,629,762	8
General and administrative expenses	341,973	1	354,308	1
Total operating expenses	3,095,059	10	2,984,070	9
NET OTHER INCOME AND EXPENSES (Note 21)	286	-	(93)	-
INCOME FROM OPERATIONS	401,143	1	425,488	1
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 21 and 25)	91,426	1	89,216	-
Share of profit of associates accounted for using equity method	80,605	-	279,930	1
Interest income	15,933	-	12,952	-
Gain on disposal of investments	-	-	17,706	-
Net gain on foreign currency exchange	1,211	-	129	-
Net gain on financial assets and liabilities at fair value through profit or loss (Note 7)	263	-	-	-
Interest expense (Notes 21 and 25)	(12,682)	-	(11,635)	-
Miscellaneous disbursements	(1,645)	-	(469)	-
Total non-operating income and expenses	175,111	1	387,829	1

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SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME YEARS ENDED DECEMBER 31, 2024 AND 2023

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

	2024		2023	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 576,254	2	\$ 813,317	2
INCOME TAX EXPENSE (Note 22)	<u>98,893</u>	<u>-</u>	<u>108,719</u>	<u>-</u>
NET INCOME	<u>477,361</u>	<u>2</u>	<u>704,598</u>	<u>2</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plans (Note 18)	20,701	-	17,569	-
Unrealized gain or loss on investments in equity instruments at fair value through other comprehensive income	1,122	-	(459)	-
Share of remeasurement of defined benefit plans of associates	2,220	-	(351)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 22)	(4,140)	<u>-</u>	(3,514)	<u>-</u>
	<u>19,903</u>	<u>-</u>	<u>13,245</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	-	-	(16,564)	-
Share of exchange differences arising from the translation of the foreign operations of associates	<u>21,563</u>	<u>-</u>	(28,231)	<u>-</u>
	<u>21,563</u>	<u>-</u>	(44,795)	<u>-</u>
Total other comprehensive income(loss), net of income tax	<u>41,466</u>	<u>-</u>	(31,550)	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 518,827</u>	<u>2</u>	<u>\$ 673,048</u>	<u>2</u>
NET INCOME ATTRIBUTABLE TO:				
Shareholders of the parent	\$ 478,310	1	\$ 705,677	2
Noncontrolling interests	(949)	<u>-</u>	(1,079)	<u>-</u>
	<u>\$ 477,361</u>	<u>1</u>	<u>\$ 704,598</u>	<u>2</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Shareholders of the parent	\$ 519,776	2	\$ 674,127	2
Noncontrolling interests	(949)	<u>-</u>	(1,079)	<u>-</u>
	<u>\$ 518,827</u>	<u>2</u>	<u>\$ 673,048</u>	<u>2</u>

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SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

YEARS ENDED DECEMBER 31, 2024 AND 2023

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

	2024		2023	
	Amount	%	Amount	%
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 1.85</u>		<u>\$ 2.73</u>	
Diluted	<u>\$ 1.85</u>		<u>\$ 2.72</u>	

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

(Concluded)

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Equity Attributable to Stockholders of the Parent									
	Share Capital - Ordinary Shares (Note 19)	Capital Surplus (Note 19)	Retained Earnings (Note 19)			Exchange Differences on Translating Foreign Operations	Other Equity		Noncontrolling Interests (Note 19)	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total		
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
Appropriations of 2022 earnings										
Legal reserve	-	-	65,991	-	(65,991)	-	-	-	-	-
Special reserve	-	-	-	(21,631)	21,631	-	-	-	-	-
Cash dividends- NT\$2.20 per share	-	-	-	-	(568,156)	-	-	(568,156)	-	(568,156)
	-	-	65,991	(21,631)	(612,516)	-	-	(568,156)	-	(568,156)
Disposal of subsidiaries	-	143	-	-	-	-	-	143	-	143
Net income for the year ended December 31, 2023	-	-	-	-	705,677	-	-	705,677	(1,079)	704,598
Other comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	13,704	(44,795)	(459)	(31,550)	-	(31,550)
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	719,381	(44,795)	(459)	674,127	(1,079)	673,048
BALANCE, DECEMBER 31, 20223	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										
Legal reserve	-	-	71,938	-	(71,938)	-	-	-	-	-
Special reserve	-	-	-	32,003	(32,003)	-	-	-	-	-
Cash dividends - NT\$2.00 per share	-	-	-	-	(516,505)	-	-	(516,505)	-	(516,505)
	-	-	71,938	32,003	(620,446)	-	-	(516,505)	-	(516,505)
Changes in capital surplus joint ventures accounted for under equity method	-	20,535	-	-	-	-	-	20,535	-	20,535
Net income for the year ended December 31, 2024	-	-	-	-	478,310	-	-	478,310	(949)	477,361
Other comprehensive income for the year ended December 31, 2024	-	-	-	-	18,781	21,563	1,122	41,466	-	41,466
Total comprehensive income for the year ended December 31, 2024	-	-	-	-	497,091	21,563	1,122	519,776	(949)	518,827
BALANCE, DECEMBER 31, 2024	\$ 2,582,527	\$ 738,199	\$ 1,739,517	\$ 32,003	\$ 1,355,510	(\$ 8,410)	(\$ 908)	\$ 6,438,438	\$ 9,621	\$ 6,448,059

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

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2024 AND 2023

(In Thousands of New Taiwan Dollars)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 576,254	\$ 813,317
Adjustments for:		
Depreciation expenses	345,686	347,639
Amortization expenses	34,517	25,623
Expected credit loss (reversal gain)	2,868	(1,644)
Net gain on financial assets and liabilities at fair value through profit or loss	(263)	-
Interest expense	12,682	11,635
Interest income	(15,933)	(12,952)
Dividend income	(372)	(516)
Share of profit of associates accounted for using equity method	(80,605)	(279,930)
Net loss on disposal of property, plant and equipment	106	851
Net gain on lease modification	(392)	(758)
(Reversal of allowance) provision for inventory and obsolescence	(14,406)	5,704
Net (gain) loss on foreign currency exchange	(23)	1,286
Gain on disposal of subsidiaries	-	(17,706)
Changes in operating assets and liabilities		
Notes receivable	14,765	18,927
Trade receivables	(29,981)	344,571
Trade receivables from related parties	(108,250)	80,483
Other receivables	(69,634)	92,417
Other receivables from related parties	(40,555)	20,372
Inventories	(204,548)	412,488
Prepayments	(16,607)	3,050
Other current assets	(468)	43,132
Contract liabilities	5,259	(42,268)
Notes payable	421	(3,630)
Notes payable to related parties	(18)	-
Trade payables	397,354	(463,258)
Trade payables to related parties	95,992	(231,478)
Other payables	26,050	(40,168)
Other payables to related parties	(13,311)	39,995
Other current liabilities	7,172	3,495
Net defined benefit liabilities - noncurrent	(3,383)	(2,703)
Cash generated from operations	920,377	1,167,974
Interest paid	(12,682)	(11,635)
Income tax paid	(4,183)	(10,827)
Net cash generated from operating activities	<u>903,512</u>	<u>1,145,512</u>

(Continued)

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2024 AND 2023

(In Thousands of New Taiwan Dollars)

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using the equity method	(\$ 375,428)	\$ -
Acquisition of property, plant and equipment	(33,076)	(42,339)
Proceeds from disposal of property, plant and equipment	-	11
Decrease in refundable deposits	427	220
Acquisition of intangible assets	(27,552)	(21,087)
Increase in other noncurrent assets	(2,867)	-
Decrease in other noncurrent assets	-	3,905
Interest received	15,936	12,884
Dividends received	<u>66,688</u>	<u>83,411</u>
Net cash flows (used in) generated from investing activities	(<u>355,872</u>)	<u>37,005</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans	270,000	961,000
Repayment of short-term loans	(270,000)	(961,000)
Increase (decrease) in guarantee deposits	144	(339)
Repayment of the principal portion of lease liabilities	(302,183)	(304,759)
Cash dividends paid	(<u>516,505</u>)	(<u>568,156</u>)
Net cash flows used in financing activities	(<u>818,544</u>)	(<u>873,254</u>)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS	<u>23</u>	(<u>1</u>)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(270,881)	309,262
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>2,168,285</u>	<u>1,859,023</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 1,897,404</u>	<u>\$ 2,168,285</u>

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

(Concluded)

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL

Senao International Co., Ltd. (“Senao”; Senao and subsidiaries are hereinafter collectively referred to as “the Group”) was incorporated in the Republic of China (“ROC”) on May 18, 1979. On January 12, 2001, Senao received approval from the Securities and Futures Commission (the “SFC”) for a domestic initial public offering and its common stocks were listed and traded on the Taiwan Stock Exchange (the “TWSE”) on May 24, 2001. In need of organizational 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 a substantial control over Senao, and it is the ultimate parent entity of Senao. As of December 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 February 14, 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 IFRSs 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 and issued into effect by the FSC

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

a. 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 IFRS Accounting Standards as endorsed and issued into effect by the FSC.

b. Basis of preparation

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

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Classification of current and noncurrent assets and liabilities

Current assets include:

- Assets held primarily for the purpose of trading;
- Assets expected to be realized within 12 months after the reporting period; and
- Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- Liabilities held primarily for the purpose of trading;
- Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- Liabilities for which the Group does not have substantive rights to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

- 1) The consolidated financial statements incorporate the financial statements of Senao and the entities controlled by Senao (i.e. its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. Adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by Senao. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of Senao and to the noncontrolling interests even if this results in the noncontrolling interests having a deficit balance.
- 2) Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.
- 3) See Note 10, Table 6 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

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

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

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction, which will not be recalculated.

For the purpose of presenting consolidated financial statements, the functional currencies of the Group entities (including subsidiaries and associates in other countries that use currencies which are different from the currency of Senao) are translated into the New Taiwan dollars on the balance sheet date as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income, attributed to the owners of the parent and non-controlling interests as appropriate.

f. Inventories

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are stated at the weighted-average cost.

g. Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates. Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates.

When the Group subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

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

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the consolidated financial statements only to the extent of interests in the associate of entities not related to the Group.

h. Property, plant and equipment

Property, plant and equipment are stated at cost and subsequently measured at cost less accumulated depreciation.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

i. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. The estimated useful lives of the intangible assets are set to zero except when the Group expects to dispose of the assets before the end of the useful life.

2) Intangible assets acquired in a business combination

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

3) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Impairment of property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. If the recoverable amount is less than the carrying amount, the difference will be recognized in profit or loss as impairment loss. When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset is increased to the revised estimate of its recoverable amount, but only to the extent

of the carrying amount that would have been determined had no impairment loss been recognized on the asset in prior years.

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified as at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 29.

ii. Investments in equity instruments at fair value through other comprehensive income (FVTOCI)

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

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

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

iii. Financial assets at amortized cost

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

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade notes and receivables, partial other receivables, other current assets, refundable deposits and partial other noncurrent assets, etc., are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

Cash equivalents include, but are not limited to, commercial paper with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

As of the balance sheet dates, the Group evaluates the impairment losses for expected credit losses (i.e. ECLs) on financial assets at amortized cost. The Group always recognizes lifetime expected credit losses for trade receivables and other receivables.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

3) Equity instruments

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Group's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the disposal of the Group's own equity instruments.

4) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset at fair value through profit or loss; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability at fair value through profit or loss.

l. Revenue recognition

Revenue from sales of information communications, peripheral accessories, home appliances, health care and other products. Further, the Group allocates the transaction consideration to the performance obligations. Revenue is recognized when performance obligations are satisfied.

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of mobile phones, information appliance, home appliances, peripheral products, and healthcare products. Sales of mobile phones, information appliance, home appliances, peripheral products, and healthcare products are recognized as revenue when the control of the goods are transferred and all of the related performance obligations are satisfied.

2) Revenue from the rendering of services, including repairs and maintenance services

The Group recognizes revenue when the service is fulfilled and the Group has no further obligations to the customer.

m. Leasing

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

1) The Group as lessor

Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2) The Group as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities. Right-of-use assets are subsequently measured at cost less accumulated depreciation and

impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

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

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in future lease payments resulting from a change in lease term or a change in a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the consolidated balance sheets.

n. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

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

Net defined benefit assets (liabilities) are the residual provision (deficit) of defined benefit retirement plans.

o. Taxation

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

1) Current tax

According to the Income Tax Law in the ROC, an additional tax of unappropriated earnings is recognized as income tax in the year the shareholders approve to retain earnings.

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. If a temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized. In addition, a deferred tax liability is not recognized on taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized and the prior years' deficits can be offset.

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

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the management is required to make judgments, estimations and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant from the management. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting

estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Critical Accounting Judgements

Valuation of inventories

Inventories are measured at lower of cost or net realizable value. The management uses the estimated selling price in the ordinary course of business less the estimated costs of marketing as the net realizable value. In addition, the management considers the aging of products and the related turnover as the basis of the inventory obsolescence loss. Since the management determines and estimates the net realizable value based on market conditions as of reporting date and historical experience with product sales, the changes in market conditions may have a material impact on the valuation of inventories.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2024	2023
Cash on hand and petty cash	\$ 305,268	\$ 242,531
Checking accounts and demand deposits	1,105,259	1,330,390
Cash equivalents		
Commercial paper	484,926	595,364
Stimulus vouchers	1,951	-
	<u>\$ 1,897,404</u>	<u>\$ 2,168,285</u>

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

	December 31	
	2024	2023
Bank deposits	0.01%-0.80%	0.01%-1.45%
Commercial paper	1.07%-1.20%	0.98%-1.10%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2024	2023
<u>Financial assets – current</u>		
Financial assets held for trading		
Derivatives financial liabilities		
Forward exchange contracts	<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:

	Currency	Maturity Date	Notional Amount (In Thousands)
<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

	December 31	
	2024	2023
<u>Notes receivable</u>		
Notes receivable	\$ 56,300	\$ 71,065
Less: Allowance for impairment loss	(931)	(931)
	<u>\$ 55,369</u>	<u>\$ 70,134</u>
<u>Trade receivables</u>		
Trade receivables	\$ 653,650	\$ 623,617
Less: Allowance for impairment loss	(20,346)	(17,426)
	<u>\$ 633,304</u>	<u>\$ 606,191</u>
<u>Other receivables</u>		
Suppliers allowance receivable	\$ 217,954	\$ 169,664
Others	60,728	37,786
	<u>\$ 278,682</u>	<u>\$ 207,450</u>

Notes Receivable and Trade Receivables

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.

December 31, 2024

	Not Past Due	Less than 60 Days	61 to 90 Days	Over 91 Days*	Total
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>

December 31, 2023

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

	For the Year Ended December 31	
	2024	2023
Balance on January 1	\$ 18,357	\$ 22,288
Add: Amounts recovered	52	(2,287)
Less: Provision for (reversal of) impairment losses	2,868	(1,644)
Balance on December 31	<u>\$ 21,277</u>	<u>\$ 18,357</u>

9. INVENTORIES

	December 31	
	2024	2023
Merchandise	<u>\$ 2,598,586</u>	<u>\$ 2,379,632</u>

The cost of inventories recognized as cost of goods sold for the year ended December 31, 2024 were \$28,360,191 thousand. The amount included the profit from inventory recovery due to inventory disposal and market price changes in net realizable value of \$14,406 thousand.

The cost of inventories recognized as cost of goods sold for the year ended December 31, 2023 were \$27,372,589 thousand. The amount included the loss due to inventory disposal and market price changes in net realizable value of \$5,704 thousand.

10. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements were as follows:

Name of Investor	Name of Investee	Nature of Activities	Percentage of Ownership December 31		Remark
			2024	2023	
Senao International Co., Ltd.	Youth Co., Ltd. ("Youth")	Sale of information and communication technologies products	95.79	95.79	-
	Aval Technologies Co., Ltd. ("Aval")	Sale of information and communication technologies products	100.00	100.00	-
	Senyoung Insurance Agent Co., Ltd. ("Senyoung")	Property and liability insurance agency	100.00	100.00	-

(Continued)

SNI and its subsidiaries

	December 31	
	2024	2023
Current assets	\$ 8,606,330	\$ 8,053,590
Noncurrent assets	4,231,876	3,999,193
Current liabilities	(5,698,916)	(6,953,911)
Noncurrent liabilities	(791,961)	(233,577)
Equity	6,347,329	4,865,295
Noncontrolling interests	(320,297)	(236,165)
	<u>\$ 6,027,032</u>	<u>\$ 4,629,130</u>
Proportion of the Group's ownership	33.16%	33.79%
Equity attributable to the Group (carrying amount of the investment)	<u>\$ 1,998,346</u>	<u>\$ 1,564,311</u>

	For the Year Ended December 31	
	2024	2023
Operating revenue	<u>\$ 11,984,802</u>	<u>\$ 16,609,171</u>
Net profit for the year	\$ 405,487	\$ 931,766
Other comprehensive income(loss)	70,733	(84,581)
Total comprehensive income for the year	<u>\$ 476,220</u>	<u>\$ 847,185</u>

12. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2024	2023
Assets used by the Group	\$ 357,099	\$ 357,720
Assets leased under operating leases	420,434	428,564
	<u>\$ 777,533</u>	<u>\$ 786,284</u>

a. Assets used by the Group

	Land	Buildings	Machinery and Equipment	Computer Telecommunications Equipment	Office Equipment	Leasehold Improvements	Other Equipment	Total
Cost								
Balance on January 1, 2024	\$ 172,415	\$ 242,571	\$ 41,344	\$ 202,731	\$ 121,688	\$ 301,988	\$ 6,830	\$ 1,089,567
Additions	-	1,078	2,186	11,194	5,847	12,219	106	32,630
Disposals	-	(156)	-	(51,257)	(7,533)	(2,616)	(220)	(61,782)
Balance on December 31, 2024	<u>\$ 172,415</u>	<u>\$ 243,493</u>	<u>\$ 43,530</u>	<u>\$ 162,668</u>	<u>\$ 120,002</u>	<u>\$ 311,591</u>	<u>\$ 6,716</u>	<u>\$ 1,060,415</u>
Accumulated depreciation								
Balance on January 1, 2024	\$ -	\$ 121,135	\$ 40,444	\$ 171,162	\$ 106,758	\$ 286,171	\$ 6,177	\$ 731,847
Depreciation expenses	-	4,494	524	12,729	5,176	9,949	273	33,145
Disposals	-	(156)	-	(51,235)	(7,449)	(2,616)	(220)	(61,676)
Balance on December 31, 2024	<u>\$ -</u>	<u>\$ 125,473</u>	<u>\$ 40,968</u>	<u>\$ 132,656</u>	<u>\$ 104,485</u>	<u>\$ 293,504</u>	<u>\$ 6,230</u>	<u>\$ 703,316</u>
Carrying amounts on December 31, 2024	<u>\$ 172,415</u>	<u>\$ 118,019</u>	<u>\$ 2,562</u>	<u>\$ 30,012</u>	<u>\$ 15,517</u>	<u>\$ 18,087</u>	<u>\$ 486</u>	<u>\$ 357,099</u>
Cost								
Balance on January 1, 2023	\$ 169,405	\$ 238,666	\$ 41,955	\$ 196,590	\$ 122,800	\$ 308,803	\$ 5,735	\$ 1,083,954
Additions	3,010	3,905	-	18,257	4,606	8,486	96	38,360
Reclassified	-	-	-	-	-	-	1,228	1,228
Disposals	-	-	(611)	(12,116)	(5,718)	(15,301)	(229)	(33,975)
Balance on December 31, 2023	<u>\$ 172,415</u>	<u>\$ 242,571</u>	<u>\$ 41,344</u>	<u>\$ 202,731</u>	<u>\$ 121,688</u>	<u>\$ 301,988</u>	<u>\$ 6,830</u>	<u>\$ 1,089,567</u>
Accumulated depreciation								
Balance on January 1, 2023	\$ -	\$ 116,620	\$ 40,444	\$ 171,643	\$ 104,727	\$ 290,795	\$ 4,889	\$ 729,118
Depreciation expenses	-	4,515	611	11,574	7,615	10,010	289	34,614
Reclassified	-	-	-	-	-	-	1,228	1,228
Disposals	-	-	(611)	(12,055)	(5,584)	(14,634)	(229)	(33,113)
Balance on December 31, 2023	<u>\$ -</u>	<u>\$ 121,135</u>	<u>\$ 40,444</u>	<u>\$ 171,162</u>	<u>\$ 106,758</u>	<u>\$ 286,171</u>	<u>\$ 6,177</u>	<u>\$ 731,847</u>
Carrying amounts on December 31, 2023	<u>\$ 172,415</u>	<u>\$ 121,436</u>	<u>\$ 900</u>	<u>\$ 31,569</u>	<u>\$ 14,930</u>	<u>\$ 15,817</u>	<u>\$ 653</u>	<u>\$ 357,720</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 years ended December 31, 2024 and 2023.

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

Buildings	
Main buildings	50-55 years
Mechatronic construction	15 years
Decoration construction	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

b. Assets leased under operating leases

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Cost</u>			
Balance on January 1, 2024	\$ 149,879	\$ 589,667	\$ 739,546
Additions	<u>-</u>	<u>446</u>	<u>446</u>
Balance on December 31, 2024	<u>\$ 149,879</u>	<u>\$ 590,113</u>	<u>\$ 739,992</u>
<u>Accumulated depreciation</u>			
Balance on January 1, 2024	\$ -	\$ 310,982	\$ 310,982
Depreciation expenses	<u>-</u>	<u>8,576</u>	<u>8,576</u>
Balance on December 31, 2024	<u>\$ -</u>	<u>\$ 319,558</u>	<u>\$ 319,558</u>
Carrying amounts on December 31, 2024	<u>\$ 149,879</u>	<u>\$ 270,555</u>	<u>\$ 420,434</u>
<u>Cost</u>			
Balance on January 1, 2023	\$ 149,879	\$ 585,688	\$ 735,567
Additions	<u>-</u>	<u>3,979</u>	<u>3,979</u>
Balance on December 31, 2023	<u>\$ 149,879</u>	<u>\$ 589,667</u>	<u>\$ 739,546</u>
<u>Accumulated depreciation</u>			
Balance on January 1, 2023	\$ -	\$ 302,708	\$ 302,708
Depreciation expenses	<u>-</u>	<u>8,274</u>	<u>8,274</u>
Balance on December 31, 2023	<u>\$ -</u>	<u>\$ 310,982</u>	<u>\$ 310,982</u>
Carrying amounts on December 31, 2023	<u>\$ 149,879</u>	<u>\$ 278,685</u>	<u>\$ 428,564</u>

Operating leases relating to leases of land and building have lease terms of 2 years. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating lease payments was as follows:

	December 31	
	2024	2023
Year 1	\$ 47,880	\$ 15,200
Year 2	<u>15,960</u>	<u>-</u>
	<u>\$ 63,840</u>	<u>\$ 15,200</u>

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

Buildings	
Main building	55 years
Mechatronic construction	15 years
Decoration construction	3-5 years

As of December 31, 2024 and 2023, the Group did not recognize impairment loss of property, plant and equipment.

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2024	2023
<u>Carrying amounts</u>		
Buildings	\$ 642,560	\$ 641,143
Transportation equipment	710	1,211
Others	<u>351</u>	<u>120</u>
	<u>\$ 643,621</u>	<u>\$ 642,474</u>
	For the Year Ended December 31	
	2024	2023
Depreciation charge for right-of-use assets		
Buildings	\$ 303,046	\$ 303,950
Transportation equipment	501	292
Others	<u>418</u>	<u>509</u>
	<u>\$ 303,965</u>	<u>\$ 304,751</u>

The initial recognition of right-of-use assets and lease liabilities of \$321,275 thousand and \$385,031 thousand were noncash transactions for the years ended December 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 in 2024 and 2023.

b. Lease liabilities

	December 31	
	2024	2023
<u>Carrying amounts</u>		
Current	\$ 279,988	\$ 236,694
Non-current	\$ 376,666	\$ 417,423

Range of discount rate for lease liabilities was as follows:

	December 31	
	2024	2023
Buildings	1.30%-2.63%	1.30%-2.35%
Transportation equipment	1.80%	1.80%
Others	1.80%-1.90%	1.30%-1.84%

c. Material lease-in 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 Year Ended December 31	
	2024	2023
Expenses relating to low-value asset leases	\$ 4,049	\$ 3,963
Interest expense on lease liabilities	\$ 12,459	\$ 10,906
Total cash outflow for leases	\$ 318,691	\$ 319,629

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

	Computer Software	Licenses and Franchises	Trademark	Total
<u>Cost</u>				
Balance on January 1, 2024	\$ 149,911	\$ 148,000	\$ 53,000	\$ 350,911
Additions	27,552	-	-	27,552
Disposals	(29,847)	-	-	(29,847)
Balance on December 31, 2024	\$ 147,616	\$ 148,000	\$ 53,000	\$ 348,616
<u>Accumulated amortization and accumulated impairment loss</u>				
Balance on January 1, 2024	\$ 135,123	\$ 69,992	\$ 42,692	\$ 247,807
Amortization expenses	22,714	6,639	5,164	34,517
Disposals	(29,847)	-	-	(29,847)
Balance on December 31, 2024	\$ 127,990	\$ 76,631	\$ 47,856	\$ 252,477
Carrying amounts on December 31, 2024	\$ 19,626	\$ 71,369	\$ 5,144	\$ 96,139

<u>Cost</u>				
Balance on January 1, 2023	\$ 129,052	\$ 148,000	\$ 53,000	\$ 330,052
Additions	21,087	-	-	21,087
Disposals	(228)	-	-	(228)
Balance on December 31, 2023	<u>\$ 149,911</u>	<u>\$ 148,000</u>	<u>\$ 53,000</u>	<u>\$ 350,911</u>
<u>Accumulated amortization and accumulated impairment loss</u>				
Balance on January 1, 2023	\$ 121,531	\$ 63,353	\$ 37,528	\$ 222,412
Amortization expenses	13,820	6,639	5,164	25,623
Disposals	(228)	-	-	(228)
Balance on December 31, 2023	<u>\$ 135,123</u>	<u>\$ 69,992</u>	<u>\$ 42,692</u>	<u>\$ 247,807</u>
Carrying amounts on December 31, 2023	<u>\$ 14,788</u>	<u>\$ 78,008</u>	<u>\$ 10,308</u>	<u>\$ 103,104</u>

Except for amortization expenses, there was no significant addition, disposal, and impairment of the intangible assets used by the Group for the years ended December 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

15. OTHER ASSETS

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
<u>Current</u>		
Trust account deposit*	<u>\$ 22,996</u>	<u>\$ 22,528</u>
<u>Non-current</u>		
Net defined benefit assets	\$ 23,030	\$ -
Others	<u>50,426</u>	<u>47,559</u>
	<u>\$ 73,456</u>	<u>\$ 47,559</u>

- * 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 December 31, 2024 and 2023, the amount of the trust were \$13,564 thousand and \$16,540 thousand, respectively.

The annual yield rates of deposit were as follows:

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
Trust account	0.635%	0.510%

16. NOTES PAYABLE AND TRADE PAYABLES

	December 31	
	2024	2023
<u>Notes payable</u>		
Operating	\$ 3,496	\$ 3,075
<u>Trade payables</u>		
Operating	\$ 1,887,263	\$ 1,489,909

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

	December 31	
	2024	2023
Payables for bonuses	\$ 170,022	\$ 157,832
Payables for salaries	149,622	142,899
Accrued marketing compensation	38,256	51,192
Accrued compensation to employees and remuneration to directors	32,462	44,406
Others	308,869	276,852
	<u>\$ 699,231</u>	<u>\$ 673,181</u>

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

Senao, Youth, ISPOT, Aval, Wiin and Senyoung within the Group adopted a pension plan under the Labor Pension Act (the "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 plan

The defined benefit plan adopted by Senao in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. Senao contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, Senao assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, Senao is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plan were as follows:

	December 31	
	2024	2023
Present value of funded defined benefit obligation	\$ 172,632	\$ 181,534
Fair value of plan assets	(195,662)	(180,480)
Funded status – (excess) deficit	(23,030)	1,054
Net defined benefit (assets) liabilities	<u>(\$ 23,030)</u>	<u>\$ 1,054</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of Funded Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liabilities
Balance on January 1, 2024	\$ 181,534	(\$ 180,480)	\$ 1,054
Service cost			
Current service cost	186	-	186
Net interest expense (income)	<u>2,269</u>	(2,279)	(10)
Recognized in profit or loss	<u>2,455</u>	(2,279)	<u>176</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(16,181)	(16,181)
Actuarial loss - changes in financial assumptions	(7,613)	-	(7,613)
Actuarial loss - experience adjustments	<u>3,093</u>	-	<u>3,093</u>
Recognized in other comprehensive income	(4,520)	(16,181)	(20,701)
Contributions from the employer	-	(3,559)	(3,559)
Benefits paid	(6,837)	<u>6,837</u>	<u>-</u>
Balance on December 31, 2024	<u>\$ 172,632</u>	<u>(\$ 195,662)</u>	<u>\$ 23,030</u>
Balance on January 1, 2023	\$ 201,784	(\$ 180,458)	\$ 21,326
Service cost			
Current service cost	771	-	771
Net interest expense (income)	<u>2,522</u>	(2,280)	<u>242</u>
Recognized in profit or loss	<u>3,293</u>	(2,280)	<u>1,013</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,539)	(1,539)
Actuarial loss - experience adjustments	(16,030)	-	(16,030)
Recognized in other comprehensive income	(16,030)	(1,539)	(17,569)
Contributions from the employer	-	(3,716)	(3,716)
Benefits paid	(7,513)	<u>7,513</u>	<u>-</u>
Balance on December 31, 2023	<u>\$ 181,534</u>	<u>(\$ 180,480)</u>	<u>\$ 1,054</u>

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

	For the Year Ended December 31	
	2024	2023
Operating costs	\$ 17	\$ 95
Operating expenses	<u>159</u>	<u>918</u>
	<u>\$ 176</u>	<u>\$ 1,013</u>

Through the defined benefit plan under the Labor Standards Law, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or as mandated by the management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	Measurement Date	
	December 31	
	2024	2023
Discount rates	1.75%	1.25%
Expected rates of salary increase	1.00%	1.00%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2024	2023
Discount rates		
0.25% increase	(\$ 3,621)	(\$ 4,131)
0.25% decrease	\$ 3,743	\$ 4,280
Expected rates of salary increase		
0.25% increase	\$ 3,699	\$ 4,210
0.25% decrease	(\$ 3,595)	(\$ 4,083)

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2024	2023
Expected contributions to the plan for the next year	\$ 3,600	\$ 3,600
Average duration of the defined benefit obligation	8.5 years	9.2 years

19. EQUITY

a. Share capital - ordinary shares

	December 31	
	2024	2023
Number of shares authorized (in thousands)	450,000	450,000
Shares authorized	<u>\$ 4,500,000</u>	<u>\$ 4,500,000</u>
Number of shares issued and fully paid (in thousands)	258,253	258,253
Shares issued	<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 years ended December 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	\$ 346,007	\$ 215,648	\$ 131,501	\$ 24,508	\$ 717,664
Changes in capital surplus ventures accounted for under equity method	-	-	20,535	-	20,535
Balance on December 31, 2024	<u>\$ 346,007</u>	<u>\$ 215,648</u>	<u>\$ 152,036</u>	<u>\$ 24,508</u>	<u>\$ 738,199</u>
Balance on January 1, 2023	\$ 346,007	\$ 215,648	\$ 131,358	\$ 24,508	\$ 717,521
Disposal of subsidiaries	-	-	143	-	143
Balance on December 31, 2023	<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 against deficit; 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 against deficit.

The change in the equity method recognition of the capital reserve of affiliated companies for the year ended December 31, 2024 is primarily due to the cash capital increase and new share issuance by SNI in October, 2024, which Senao did not subscribe to in proportion to its shareholding.

c. Retained earnings and dividends policy

Under Senao's dividends policy, where Senao made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by Senao's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. Senao's board of directors shall, with more than two-thirds of the directors present, and the resolution of more than half of the directors present, 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 requirement for a resolution by the shareholders is not applicable for the above provisions. For the

Senao's policies on the distribution of employees' compensation and remuneration of directors, refer to Employees' compensation and remuneration of directors in Note 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 deficits. If Senao has no deficit and the legal reserve has exceeded 25% of Senao's paid-in capital, the excess may be transferred to capital or distributed in cash.

Senao 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	
	For Fiscal Year	For Fiscal Year	For Fiscal	For Fiscal
	2023	2022	Year 2023	Year 2022
Legal reserve	\$ 71,938	\$ 65,991		
Provision (reversal) of special reserve	32,003	(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 20, 2024 and May 29, 2023, respectively.

The appropriation of earnings for 2024, which were proposed by the Company's board of directors on February 14, 2025, were as follows:

	For the Year
	Ended
	December 31,
	2024
Legal reserve	\$ 49,709
Reversal of special reserve	(\$ 22,685)
Cash dividends	\$ 426,117
Cash dividends per share (NT\$)	\$ 1.65

The above appropriations for cash dividends has been resolved by Senao's board of directors; the other appropriations will be resolved by the shareholders in their meeting to be held on May 28, 2025.

d. Noncontrolling interests

	For the Year Ended December 31	
	2024	2023
Beginning balance	\$ 10,570	\$ 11,649
Shares attributed to noncontrolling interests		
Net loss for the year	(949)	(1,079)
Ending balance	\$ 9,621	\$ 10,570

20. REVENUE

	For the Year Ended December 31	
	2024	2023
Revenue from contracts with customers		
Revenue from sale of goods	\$ 30,048,399	\$ 29,191,057
Revenue from rendering of services	1,700,088	1,470,895
Revenue from repairs and maintenance services	<u>558,605</u>	<u>607,180</u>
	<u>\$ 32,307,092</u>	<u>\$ 31,269,132</u>

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

Contract Balances

	December 31, 2024	December 31, 2023	January 1, 2023
Contract liabilities			
Sale of goods	\$ 89,830	\$ 84,811	\$ 120,539
Others	<u>5,883</u>	<u>5,643</u>	<u>12,183</u>
	<u>\$ 95,713</u>	<u>\$ 90,454</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.

Revenue recognized in the current year that was included in the contract liabilities at the beginning of the year was as follows:

	For the Year Ended December 31	
	2024	2023
Revenues from the beginning contract liabilities		
Sale of goods	\$ 72,025	\$ 107,881
Others	<u>5,352</u>	<u>11,837</u>
	<u>\$ 77,377</u>	<u>\$ 119,718</u>

21. NET INCOME

a. Other income and expenses

	For the Year Ended December 31	
	2024	2023
Net loss on disposal of property, plant and equipment	(\$ 106)	(\$ 851)
Net gain on lease modification	<u>392</u>	<u>758</u>
	<u>\$ 286</u>	<u>(\$ 93)</u>

b. Other income

	For the Year Ended December 31	
	2024	2023
Rental income	\$ 72,405	\$ 69,843
Dividend income	372	516
Others	<u>18,649</u>	<u>18,857</u>
	<u>\$ 91,426</u>	<u>\$ 89,216</u>

c. Interest expense

	For the Year Ended December 31	
	2024	2023
Interest on lease liabilities	\$ 12,459	\$ 10,907
Interest on bank loans	<u>223</u>	<u>728</u>
	<u>\$ 12,682</u>	<u>\$ 11,635</u>

d. Depreciation and amortization expenses

	For the Year Ended December 31	
	2024	2023
Property, plant and equipment	\$ 41,721	\$ 42,888
Right-of-use assets	303,965	304,751
Intangible assets	<u>34,517</u>	<u>25,623</u>
	<u>\$ 380,203</u>	<u>\$ 373,262</u>
 An analysis of depreciation by function		
Operating costs	\$ 804	\$ 843
Operating expenses	<u>344,882</u>	<u>346,796</u>
	<u>\$ 345,686</u>	<u>\$ 347,639</u>
 An analysis of amortization by function		
Selling and marketing expenses	\$ 16,419	\$ 11,907
General and administrative expenses	<u>18,098</u>	<u>13,716</u>
	<u>\$ 34,517</u>	<u>\$ 25,623</u>

e. Employee benefits expense

	For the Year Ended December 31	
	2024	2023
Post-employment benefits (Note 18)		
Defined contribution plans	\$ 68,928	\$ 66,922
Defined benefit plan	<u>176</u>	<u>1,013</u>
	69,104	67,935
Termination benefits	975	19,835
Other employee benefits	<u>1,593,255</u>	<u>1,543,764</u>
Total employee benefits expense	<u>\$ 1,663,334</u>	<u>\$ 1,631,534</u>
 An analysis of employee benefits expense by function		
Operating costs	\$ 59,273	\$ 61,102
Operating expenses	<u>1,604,061</u>	<u>1,570,432</u>
	<u>\$ 1,663,334</u>	<u>\$ 1,631,534</u>

f. Employees' compensation 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 Year Ended December 31	
	2024	2023
Employees' compensation	\$ 22,794	\$ 31,193
Remuneration of directors	\$ 9,668	\$ 13,214

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	\$ 21,071	\$ 29,685
Remuneration of directors	\$ 9,030	\$ 12,722

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. Major components of tax expense recognized in profit or loss

	For the Year Ended December 31	
	2024	2023
Current tax		
In respect of the current year	\$ 36,949	\$ 6,244
Income tax on unappropriated earnings	4,951	1
Adjustments for prior years	(1,830)	-
Deferred tax		
In respect of the current year	62,048	98,358
Adjustments for prior years	(3,225)	4,116
Income tax expense recognized in profit or loss	\$ 98,893	\$ 108,719

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2024	2023
Income before income tax	\$ 576,254	\$ 813,317
Income tax expense calculated at the statutory rate (20%)	\$ 115,251	\$ 162,663
Nondeductible expenses in determining taxable income	-	27
Tax-exempt income - Dividend income	(74)	(103)
Investment gain not recognized in taxable income	(23,092)	(63,146)
Income tax on unappropriated earnings	4,951	1
Unrecognized deductible temporary differences	-	-
Unrecognized loss carryforwards	(164)	857
Deferred tax effect of earnings of subsidiaries	7,076	4,304
Adjustments for prior years' tax	(1,830)	-
Adjustments for prior years' deferred tax	(3,225)	4,116
Income tax expense recognized in profit or loss	\$ 98,893	\$ 108,719

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

- b. Income tax recognized in other comprehensive (income) loss

	For the Year Ended December 31	
	2024	2023
<u>Deferred tax</u>		
Remeasurement of defined benefit plan	\$ 4,140	\$ 3,514

- c. Current tax assets and liabilities

	December 31	
	2024	2023
Tax refund receivable and prepaid income tax (recognized as other receivables)	\$ 2,885	\$ 1,284
Income tax payable	\$ 38,379	\$ 891

- d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities are as follows:

For the year ended December 31, 2024

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Payables for annual leave	\$ 10,607	\$ 508	\$ -	\$ 11,115
Defined benefit obligation	(578)	578	(4,140)	(4,140)
Unrealized sales discounts and allowances	3,321	491	-	3,812
Valuation loss on inventory	6,081	(2,881)	-	3,200
Contract liabilities	3,534	(407)	-	3,127
Property, plant and equipment	1,769	(47)	-	1,722
Intangible assets	400	(400)	-	-
Others	1,242	421	-	1,663
	26,376	(1,737)	(4,140)	20,499
Loss carryforwards	58,191	(58,191)	-	-
	<u>\$ 84,567</u>	<u>(\$ 59,928)</u>	<u>(\$ 4,140)</u>	<u>\$ 20,499</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Intangible assets	\$ 17,663	(\$ 2,360)	\$ -	\$ 15,303
Defined benefit obligation	-	1,255	-	1,255
	<u>\$ 17,663</u>	<u>(\$ 1,105)</u>	<u>\$ -</u>	<u>\$ 16,558</u>

For the year ended December 31, 2023

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Payables for annual leave	\$ 11,089	(\$ 482)	\$ -	\$ 10,607
Defined benefit obligation	3,476	(540)	(3,514)	(578)
Unrealized sales discounts and allowances	3,595	(274)	-	3,321
Valuation loss on inventory	4,940	1,141	-	6,081
Contract liabilities	4,413	(879)	-	3,534
Property, plant and equipment	1,815	(46)	-	1,769
Intangible assets	-	400	-	400
Others	1,216	26	-	1,242
	<u>30,544</u>	<u>(654)</u>	<u>(3,514)</u>	<u>26,376</u>
Loss carryforwards	162,427	(104,236)	-	58,191
	<u>\$ 192,971</u>	<u>(\$ 104,890)</u>	<u>(\$ 3,514)</u>	<u>\$ 84,567</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Intangible assets	\$ 20,024	(\$ 2,361)	\$ -	\$ 17,663
Profit of subsidiaries using equity method	55	(55)	-	-
	<u>\$ 20,079</u>	<u>(\$ 2,416)</u>	<u>\$ -</u>	<u>\$ 17,663</u>

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

	December 31	
	2024	2023
Loss carryforwards		
Expire in 2025	\$ 15,200	\$ 15,200
Expire in 2026	8,395	8,395
Expire in 2027	2,559	2,559
Expire in 2028	907	907
Expire in 2029	692	692
Expire in 2030	198	198
Expire in 2031	-	-
Expire in 2032	51	51
Expire in 2033	4,010	745
Expire in 2034	113	-
	<u>\$ 32,125</u>	<u>\$ 28,747</u>
Investment Tax Credit for Research and Development		
Expenditures		
Expire in 2025	<u>\$ 284</u>	<u>\$ -</u>

Senao has not recognized deductible temporary differences as deferred tax assets in the balance sheet.

f. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2024 comprised:

<u>Unused Amount</u>	<u>Expiry Year</u>
\$ 15,200	2025
8,395	2026
2,559	2027
907	2028
692	2029
198	2030
-	2031
51	2032
4,010	2033
<u>113</u>	2034
<u>\$ 32,125</u>	

g. Information about unused investment tax credit

Investment tax credit for research and development expenditures as of December 31, 2024 :

<u>Unused Amount</u>	<u>Expiry Year</u>
<u>\$ 284</u>	2025

h. Income tax assessments

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

23. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net Income for the Year

	<u>For the Year Ended December 31</u>	
	<u>2024</u>	<u>2023</u>
Net income attributable to owners of Senao	<u>\$ 478,310</u>	<u>\$ 705,677</u>

Weighted Average Number of Ordinary Shares Outstanding (In Thousands of Shares)

	<u>For the Year Ended December 31</u>	
	<u>2024</u>	<u>2023</u>
Weighted average number of ordinary shares in the computation of basic earnings per share	258,253	258,253
Effect of potentially dilutive ordinary shares:		
Employee compensation	<u>751</u>	<u>869</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>259,004</u>	<u>259,122</u>

Senao may settle the employee compensation in shares or cash, and Senao shall presume the entire amount of the compensation will be settled in shares. The resulting potential shares are 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

	2024			
	Payables for dividends	Leasehold liabilities	Guarantee deposits received	Liabilities from financing activities-gross
At January 1	\$ -	\$654,117	\$ 22,403	\$ 676,520
Changes in cash flow from financing activities	(516,505)	(302,183)	144	(818,544)
Changes in other non-cash items	<u>516,505</u>	<u>304,720</u>	<u>-</u>	<u>821,225</u>
At December 31	<u>\$ -</u>	<u>\$656,654</u>	<u>\$ 22,547</u>	<u>\$ 679,201</u>
	2023			
	Payables for dividends	Leasehold liabilities	Guarantee deposits received	Liabilities from financing activities-gross
At January 1	\$ -	\$621,949	\$ 22,742	\$ 644,691
Changes in cash flow from financing activities	(568,156)	(304,759)	(339)	(873,254)
Changes in other non-cash items	<u>568,156</u>	<u>336,927</u>	<u>-</u>	<u>905,083</u>
At December 31	<u>\$ -</u>	<u>\$654,117</u>	<u>\$ 22,403</u>	<u>\$ 676,520</u>

25. TRANSACTIONS WITH RELATED PARTIES

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

Company	Relationship
Chunghwa Telecom Co., Ltd. (“Chunghwa Telecom”)	Ultimate parent entity
Fellow subsidiary	
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. (“SNI”)	Senao’s investee using the equity method
EnRack Technology Inc.	Senao Networks’s subsidiary
Emplus Technologies, Inc.	Senao Networks’s subsidiary
EnGenius Networks, Inc.	Senao Networks’s subsidiary
EnGenius Networks Japan	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
Company	Relationship
Other 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
Clickforce Co., Ltd.	Chunghwa Telecom's investment accounted for equity method
Chunghwa Telecom Foundation	A nonprofit organization of which the funds donated by Chunghwa Telecom exceeds one third of its total funds

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

1) Operating revenues

Line Item	Related Party Category	For the Year Ended December 31	
		2024	2023
Sales	Ultimate parent entity	\$ 7,404,125	\$ 6,844,903
	Fellow subsidiaries	5,117	3,990
	Associates	3,504	2,680
	Other related parties	31,471	23,236
		<u>\$ 7,444,217</u>	<u>\$ 6,874,809</u>
Service	Ultimate parent entity	\$ 1,293,845	\$ 1,093,703
	Fellow subsidiaries	835	220
		<u>\$ 1,294,680</u>	<u>\$ 1,093,923</u>
Repairs and maintenance	Ultimate parent entity	\$ 2,665	\$ 13,660
	Fellow subsidiaries	47	54
	Associates	-	1
	Other related parties	163	394
		<u>\$ 2,875</u>	<u>\$ 14,109</u>

2) Purchases of goods

Related Party Category	For the Year Ended December 31	
	2024	2023
Ultimate parent entity	\$ 4,564,388	\$ 4,226,402
Fellow subsidiaries	4,299	3,613
Associates	197	101
Other related parties	(634)	1,618
	<u>\$ 4,568,250</u>	<u>\$ 4,231,734</u>

3) Operating expenses

<u>Related Party Category</u>	<u>For the Year Ended December 31</u>	
	<u>2024</u>	<u>2023</u>
Ultimate parent entity	\$ 333,843	\$ 317,403
Fellow subsidiaries	323	260
Associates	576	1,462
Other related parties	<u>15,420</u>	<u>15,099</u>
	<u>\$ 350,162</u>	<u>\$ 334,224</u>

Operating expenses paid to ultimate parent entity pertain mainly to 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>	<u>For the Year Ended December 31</u>	
		<u>2024</u>	<u>2023</u>
Non-operating income	Ultimate parent entity	\$ 759	\$ 755
	Other related parties	<u>1,710</u>	<u>1,833</u>
		<u>\$ 2,469</u>	<u>\$ 2,588</u>

5) Receivables from related parties

<u>Line Item</u>	<u>Related Party Category</u>	<u>December 31</u>	
		<u>2024</u>	<u>2023</u>
Accounts receivable from related parties	Ultimate parent entity	\$ 990,466	\$ 892,147
	Fellow subsidiaries	3,153	1,796
	Associates	235	-
	Other related parties	<u>9,041</u>	<u>702</u>
		<u>\$ 1,002,895</u>	<u>\$ 894,645</u>

The outstanding receivables from related parties are unsecured. For the years ended December 31, 2024 and 2023, 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>December 31</u>	
		<u>2024</u>	<u>2023</u>
Other receivables from related parties	Ultimate parent entity	\$ 165,150	\$ 124,216
	Associates	-	126
	Other related parties	<u>-</u>	<u>253</u>
		<u>\$ 165,150</u>	<u>\$ 124,595</u>

Other receivables present 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>December 31</u>	
		<u>2024</u>	<u>2023</u>
Prepaid rents	Ultimate parent entity	<u>\$ 231</u>	<u>\$ 231</u>

8) Refundable deposits

Line Item	Related Party Category	December 31	
		2024	2023
Refundable deposits	Ultimate parent entity	\$ <u>450</u>	\$ <u>546</u>

9) Notes payable to related parties

Line Item	Related Party Category	December 31	
		2024	2023
Notes payable to related parties	Ultimate parent entity	\$ <u>-</u>	\$ <u>18</u>

10) Trade payables to related parties

Line Item	Related Party Category	December 31	
		2024	2023
Trade payables to related parties	Ultimate parent entity	\$ 244,097	\$ 147,596
	Fellow subsidiaries	1	26
	Other related parties	-	484
		\$ <u>244,098</u>	\$ <u>148,106</u>

The trade payables to related parties were unsecured.

11) Other payables to related parties

Line Item	Related Party Category	December 31	
		2024	2023
Other payables to related parties	Ultimate parent entity	\$ 246,549	\$ 260,044
	Fellow subsidiaries	-	22
	Associates	871	930
	Other related parties	4,209	3,944
		\$ <u>251,629</u>	\$ <u>264,940</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 for the acquisition of computer telecommunications equipment and miscellaneous disbursements for Senao. The transactions with other related parties were donations to other related parties.

12) Other current liabilities

Line Item	Related Party Category	December 31	
		2024	2023
Other advance receipts	Associates	\$ <u>-</u>	\$ <u>3,990</u>

13) Acquisitions of property, plant and equipment

Related Party Category	For the Year Ended December 31	
	2024	2023
Ultimate parent entity	\$ -	\$ 4,162
Associates	63	520
	\$ <u>63</u>	\$ <u>4,682</u>

Senao purchased fire protection engineering and environment control system from the ultimate parent entity, and Senao also purchased computer telecommunications equipment from 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.

Acquisition of right-of-use assets

<u>Related Party Category</u>	<u>For the Year Ended December 31</u>	
	<u>2024</u>	<u>2023</u>
Ultimate parent entity	\$ 70,407	\$ 34,774

<u>Line Item</u>	<u>Related Party Category</u>	<u>December 31</u>	
		<u>2024</u>	<u>2023</u>
Lease liabilities - current	Ultimate parent entity	\$ 34,006	\$ 4,865
Lease liabilities - noncurrent	Ultimate parent entity	\$ 8,040	\$ 3,158

<u>Line Item</u>	<u>Related Party Category</u>	<u>For the Year Ended December 31</u>	
		<u>2024</u>	<u>2023</u>
Interest expense	Ultimate parent entity	\$ 1,054	\$ 420
Lease expense (accounted for operating expense)	Ultimate parent entity	\$ 21,628	\$ 19,701

15) Lease arrangements - the Group is lessor

SNI entered into a contract with Senao to lease a portion of Hwa Ya's plant. The rental income was determined in reference 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 Year Ended December 31</u>	
		<u>2024</u>	<u>2023</u>
Non-operating income	Ultimate parent entity	\$ 2,400	\$ -
	Associates	47,131	45,611
	Other related parties	2	2
		\$ 49,533	\$ 45,613

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

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

17) Participated in SNI's cash capital increase for the year 2024, listed in Table 3

c. Compensation of key management personnel

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

	For the Year Ended December 31	
	2024	2023
Short-term employee benefits	\$ 56,953	\$ 65,078
Post-employment benefits	828	18,976
	<u>\$ 57,781</u>	<u>\$ 84,054</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 December 31, 2024 and 2023 were as follows:

The Group applied for post-release duty payment to the customs. As of December 31, 2024 and 2023, the amount of bank guarantees for the application amounted to \$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:

December 31, 2024

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Assets denominated in foreign currencies</u>			
<u>Monetary items</u>			
USD	\$ 3	1:32.785 (USD:NTD)	\$ 95
<u>Liabilities denominated in foreign currencies</u>			
<u>Monetary items</u>			
USD	\$ 1,408	1:32.785 (USD:NTD)	\$ 46,153

December 31, 2023

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Assets denominated in foreign currencies</u>			
<u>Monetary items</u>			
USD	\$ 15	1:30.705 (USD:NTD)	\$ 456

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. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2024

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Net gain on financial assets and liabilities at fair value through profit or loss				
Derivatives				
Forward foreign exchange contracts	\$ -	\$ 263	\$ -	\$ 263
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic non-listed shares	\$ -	\$ -	\$ 11,091	\$ 11,091

December 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	\$ -	\$ -	\$ 9,969	\$ 9,969

There were no transfers between Levels 1 and 2 in the current and prior periods.

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

	December 31	
	2024	2023
<u>Financial assets</u>		
Financial assets at amortized cost (a)	\$ 4,152,311	\$ 4,192,368
Financial assets at FVTOCI		
Equity investments	11,091	9,969
Net gain on financial assets and liabilities at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	263	-
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (b)	2,756,157	2,256,495

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, certain other receivables, other current assets, refundable deposits and certain 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, certain 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 exposes 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 is 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 serve as 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 correspond to the pre-tax profit. 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:

	December 31	
	2024	2023
Fair value interest rate risk		
Financial assets	\$ 510,136	\$ 617,892
Financial liabilities	656,654	654,117
Cash flow interest rate risk		
Financial assets	1,063,368	1,291,679

Sensitivity analysis

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

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2024 and 2023 would increase/decrease by \$2,658 thousand and \$3,229 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its demand deposits.

c) Other price risk

The Group is 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 increased/decreased by \$555 thousand and \$498 thousand.

The Group does not have significant other price risk.

2) Credit risk

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

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

The Group's main credit risk is concentrated on the Group's major clients. The receivables from the major clients composed 54% and 53% of the total trade receivables as of December 31, 2024 and 2023. The clients mentioned above have good credit records, no material default risk was assessed; material credit risk did not exist.

3) Liquidity risk

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

a) Liquidity and interest rate risk table

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

December 31, 2024

	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	\$ 2,733,610	\$ -	\$ -	\$ 22,547

Information about the maturity analysis for lease liabilities:

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

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

b) Financing facilities

	December 31	
	2024	2023
Unsecured bank loan facility		
Amount used	\$ -	\$ -
Amount unused	2,880,000	4,330,000
	<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) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: See Table 3.
- 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 4.
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: See Table 5.
- 9) Trading in derivative instruments: See Note 29.
- 10) Intercompany relationships and significant intercompany transactions: See Table 6.

b. Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): See Table 7.

c. Information on investments in mainland China:

None.

d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: See Table 8.

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 in Taiwan.

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 year ended December 31, 2024</u>			
Revenue from external customers	<u>\$ 29,099,663</u>	<u>\$ 3,207,429</u>	<u>\$ 32,307,092</u>
Segment income	<u>\$ 823,659</u>	<u>(\$ 63,825)</u>	<u>\$ 759,834</u>
Share of profit of associates accounted for using the equity method			80,605
Gains on financial assets at fair value through profit or loss			263
Rental income			72,405
Interest income			15,933
Dividend income			372
Gain on foreign currency exchange			1,211
Other gain and loss			286
Interest expense			(12,682)
Central administration costs and remuneration to directors			(341,973)
Profit before tax			<u>\$ 576,254</u>

	<u>Sales</u>	<u>Others</u>	<u>Total</u>
<u>For the year ended December 31, 2023</u>			
Revenue from external customers	\$ 27,320,226	\$ 3,948,906	\$ 31,269,132
Segment income	<u>\$ 861,334</u>	<u>(\$ 63,057)</u>	\$ 798,277
Share of profit of associates accounted for using the equity method			279,930
Rental income			69,843
Interest income			12,952
Dividend income			516
Gain on disposal of investments			17,706
Gain on foreign currency exchange			129
Other gain and loss		(93)	
Interest expense		(11,635)	
Central administration costs and remuneration to directors			(354,308)
Profit before tax			<u>\$ 813,317</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, dividend income, gain on disposal of investments, exchange gains or losses, other gains and losses, interest expense, gains or losses 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. Geographical information

The Group operates mainly in Taiwan.

The Group's revenue from external customers by location of operations and information about its noncurrent assets by location of assets are detailed below:

The Group's revenue from external customers by location of operations was as follows:

	<u>Revenue from External Customers</u>	
	<u>For the Year Ended December 31</u>	
	<u>2024</u>	<u>2023</u>
Taiwan	<u>\$ 32,307,092</u>	<u>\$ 31,269,132</u>

The Group's information about its noncurrent assets by location of assets was as follows:

	<u>Noncurrent Assets</u>	
	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
Taiwan	<u>\$ 1,520,293</u>	<u>\$ 1,534,862</u>

Noncurrent assets exclude financial instruments, investments using the equity method and deferred tax assets.

d. Information about major customers

Major customer's contributions to the Group's revenue were as follows:

	For the Year Ended December 31	
	2024	2023
Customer from channel business department	<u>\$ 8,700,635</u>	<u>\$ 7,952,266</u>

For the years ended December 31, 2024 and 2023, except for the abovementioned major customer, the Group did not have any other single customer who contributed 10% or more of the total revenues.

e. Disaggregation of revenues from customer contracts

	Sales	Others	Total
<u>For the year ended December 31, 2024</u>			
Information and communication products	\$ 23,830,846	\$ 1,495,029	\$ 25,325,875
Revenues from services and repairs	1,812,393	446,300	2,258,693
Others	<u>3,456,424</u>	<u>1,266,100</u>	<u>4,722,524</u>
	<u>\$ 29,099,663</u>	<u>\$ 3,207,429</u>	<u>\$ 32,307,092</u>
<u>For the year ended December 31, 2023</u>			
Information and communication products	\$ 22,867,381	\$ 1,556,567	\$ 24,423,948
Revenues from services and repairs	1,649,986	428,089	2,078,075
Others	<u>2,802,859</u>	<u>1,964,250</u>	<u>4,767,109</u>
	<u>\$ 27,320,226</u>	<u>\$ 3,948,906</u>	<u>\$ 31,269,132</u>

TABLE 1

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
YEAR ENDED DECEMBER 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	\$ 643,844	\$ 300,000	\$ 300,000	\$ 300,000	\$ -	4.66	\$ 3,219,219	Yes	-	-	
		Wiin	b	643,844	200,000	200,000	200,000	-	3.11	3,219,219	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.
- c. 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)
DECEMBER 31, 2024
(Amounts in Thousands of New Taiwan Dollars)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 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	\$ 11,091	9.41	\$ 11,091	

Note: For related information on subsidiaries and associates, refer to Table 7.

TABLE 3

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2024
(Amounts in Thousands of New Taiwan Dollars)

Investor Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Relationship with the Company	January 1, 2024		Buy		Sell				December 31, 2024	
					Shares (Thousands/ Thousand Units)	Amount	Shares (Thousands/ Thousand Units)	Amount (Note 2)	Shares (Thousands/ Thousand Units)	Price	Carrying Value	Gain (loss) on disposal	Shares (Thousand Units)	Amount
Senao International Co., Ltd	<u>Stocks</u> Senao Networks	Investment using the equity method	—	Associate	16,579	\$202,758 (Note 1)	3,003	\$375,428					19,582	\$578,186 (Note 1)

Note 1: The presentation is based on the original investment amount, excluding investment income or loss and other comprehensive income adjustments accounted for under the equity method.

Note 2: This pertains to the cash capital increase by the investee company.

TABLE 4

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
YEAR ENDED DECEMBER 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	\$ 8,700,799	26.93	30-90 days	\$ -	-	\$ 990,466	58.55	Note 1
			Purchase	4,564,388	16.21	30 days	-	-	(244,097)	(11.43)	
	Aval	Subsidiary	Purchase	269,566	0.96	30 days	-	-	(26,280)	(1.23)	
	Senyoung	Subsidiary	Sales	104,737	0.32	60 days	-	-	28,976	1.71	

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 5

SENAO INTERNATIONAL CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 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	\$ 1,155,616 (Note 1)	9.24 (Note 2)	\$ -	-	\$ 162,021	\$ -

Note 1: The receivables from related parties included \$157,604 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
YEAR ENDED DECEMBER 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	(\$ 7,139)	-	-
			a	Cost of goods sold	269,566	-	1
			a	Trade payables to related parties	26,280	-	-
		Wiin	a	Cost of goods sold	19,625	-	-
			a	Trade payable to related parties	2,299	-	-
		Senyoung	a	Service revenue	104,555	-	-
			a	Trade receivables from related parties	28,976	-	-
1	Aval	Youth ISPOT	c	Sales revenue	59,511	-	-
			c	Sales revenue	81,856	-	-
			c	Trade receivables from related parties	7,436	-	-
2	Wiin	Youth	c	Sales revenue	19,695	-	-
			c	Trade receivables from related parties	1,951	-	-
0	Senao International Co., Ltd.	Youth	a	Right-of-use assets	2,954	-	-
			a	Lease liabilities	2,965	-	-

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

TABLE 7

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)
YEAR ENDED DECEMBER 31, 2024
(Amounts in Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2024			Net Income (Loss) of the Investee	Recognized Gain (Loss)	Note
				December 31, 2024	December 31, 2023	Shares (Thousands)	Percentage of Ownership (%)	Carrying Value			
Senao International Co., Ltd.	Senao Networks	Taiwan	Telecommunication facilities manufacturing and sales	\$ 578,186	\$ 202,758	19,582	33.16	\$ 1,998,346	\$ 240,274	\$ 80,605	Note 1
	Youth	Taiwan	Sale of information and communication technologies products	427,850	427,850	14,752	95.79	161,398	119	(7,993)	Notes 1 and 2
	Aval	Taiwan	Sale of information and communication technologies products	89,550	89,550	13,266	100.00	142,721	5,262	5,260	Notes 1, 3 and 5
	Senyoung	Taiwan	Property and liability insurance agency	59,000	59,000	8,909	100.00	137,702	34,239	34,239	Notes 1 and 5
Youth	ISPOT	Taiwan	Sale of information and communication technologies products	53,021	53,021	-	100.00	14,099	722	530	Notes 1, 4 and 5
Aval	Wiin	Taiwan	Sale of information and communication technologies products	29,550	29,550	4,728	100.00	52,600	3,350	3,350	Note 1

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

Note 2: An investment gain of \$114 thousand; the amount of \$172 thousand is the premium of its accumulated amortization; the amount of \$6 thousand is the comprised of lease arrangements between the parent entity and subsidiaries; the amount of \$8,285 thousand is the deduction from the amortization of premium and intangible assets.

Note 3: An investment gain of \$5,262 thousand; the amount of \$2 thousand lease arrangements between the parent entity and subsidiaries.

Note 4: An investment gain of \$722 thousand; the amount of \$192 thousand is the deduction of its accumulated amortization.

Note 5: The amount was eliminated upon consolidation.

TABLE 8**SENAO INTERNATIONAL CO., LTD.****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 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.